



“Saving” the Housing Market

“Market Setback Forecast” the newspaper headline said. A recently released report on housing says that home sales are down more than 25 percent and the inventory of unsold homes is about 50 percent higher than it was the same time last year.

This is just one of innumerable stories about the woes of the housing market. We all understand about human beings having woes. But how can a housing market have either setbacks or woes? Moreover, why should politicians be riding to the rescue of the housing market with the taxpayers’ money?



We hear all sorts of sad stories about people whose homes are “under water” or who are facing foreclosure. But why should our attention be arbitrarily focused on these particular people, rather than on the many other people who would benefit from being able to buy those same houses, if the prices came down? The government is artificially keeping the prices up with subsidies and with pressures on lenders to accommodate the current occupants.

Can we not walk and chew gum at the same time? Is our attention span so limited that we can only think about one set of people that the media and the politicians have chosen to highlight?

Do other people count for less just because the media don’t put their pictures in the paper or on the TV screen? Or because politicians are ignoring them?

Sometimes we are more concerned about some people because they are especially deserving. But this cannot be said about those who borrowed money to buy homes that they could not afford, or who borrowed against the equity in their homes, and now find that what they owe is more than the home is worth.

If anyone is especially deserving, it is those who had the common sense to avoid taking on bigger financial obligations than they could handle, but who are now expected to pay as taxpayers for other people’s irresponsibility.

No doubt some people who are facing foreclosures might have been able to continue making their mortgage payments if they had not lost their jobs. But since when were we all guaranteed never to lose our jobs? People used to put money aside “for a rainy day.” But now people who have spent like there are no rainy days are supposed to have the taxpayers pay to give them an umbrella.

What about the people who saved and put their money in a bank? Those who blithely say that the banks ought to modify the mortgage terms to accommodate people who are behind in making their monthly payments forget that, however “rich” a bank may be, most of its money actually belongs to vast numbers of depositors, most of whom are not rich.

Those depositors deserve to get the best return on their money that supply and demand can offer. Why should people who save be sacrificed for the benefit of those who spent more than they could afford?



Written by [Thomas Sowell](#) on January 5, 2011

Why are politicians so focused on one set of people, at the expense of other people? Because “saving” one set of people increases the chances of getting those people’s votes. Letting supply and demand determine what happens in the housing market gets nobody’s votes.

If current occupants are put out of their homes and the prices come down to a level where others can afford to buy those homes, nobody will give politicians credit — or, more to the point, their votes. Nor should they.

Rescuing particular people at the expense of other people — whether the others are taxpayers, savers or prospective home buyers — produces votes. It also produces dependency on government, which is good for politicians, but bad for society.

That is why politicians give what Adam Smith called “a most unnecessary attention” to things that would sort themselves out better and faster without heavy-handed government intervention.

Why do the media fall in with this arbitrary focus on particular people who are having trouble holding on to homes they cannot afford? Partly because it makes a good story and partly because too many people in the media simply go with the politicians’ talking points. That is a lot easier than thinking.

But the rest of us have no excuse for not thinking — or for letting ourselves be stampeded by rhetoric about “saving” the housing market.

To find out more about Thomas Sowell and read features by other Creators Syndicate columnists and cartoonists, visit the Creators Syndicate web page at www.creators.com. Thomas Sowell is a senior fellow at the Hoover Institution, Stanford University, Stanford, CA 94305. His Web site is www.tsowell.com.

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