

appropriate ways to discourage adult drug use in a free and civil society.”

Other contributors to the book include former DEA agent Michael Levine, former San Jose, California, police chief Joseph D. McNamara, University of Missouri professor of criminology David Klinger, Independence Institute research director David B. Kopel, Yale Law School professor Steven Duke, former California Attorney General Dan Lungren, George Mason University law professor Daniel Polsby, Julie Stewart of Families Against Mandatory Minimums, and New Mexico Governor Gary Johnson.

One of the most insightful pieces is by McNamara. He brings the clear thinking of someone who was a cop on the streets of Harlem in the 1950s and rose to become police chief of California’s fourth largest city. After recounting personal stories of policing that demonstrate the futility of trying to prevent drug use, he points out the rising expenditures on drug control. In 1972, when President Nixon called for a drug war, the drug budget was roughly \$100 million. Today the federal budget is approaching \$20 billion annually. He asks: “What have we got for our money?” In addition to the undiminished problem of drug abuse, he notes that drug profits—markups as great as 17,000 percent—have corrupted public officials and created widespread violence. McNamara urges that we stop making what is merely an unconventional lifestyle a crime.

The only disappointing essay is Lungren’s. He merely reiterates the familiar drug-war rhetoric and despite the strong counter-arguments voiced at the conference, could only say, “we should always be ready to re-examine our positions.”

After Prohibition comes at an important time in the evolution of the drug war. Our military is becoming increasingly involved in the anti-drug effort in Colombia; we’ve gone through a record prison-building binge largely to house drug offenders; and the public seems to be tiring of the never-ending crusade. Moreover, it is becoming evident that we can no longer afford to continue it when we are in a real war with terrorists—espe-

cially when drug prohibition is a major source of their revenue. □

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The Financial Century: From Turmoils to Triumphs

by Reuven Brenner

Stoddart • 2001 • 214 pages • \$39.95

Reviewed by Pierre Lemieux

In his latest book, McGill University economics professor Reuven Brenner argues that when private sources of capital are not easily available through financial markets, governments or criminals become financial intermediaries, which is not conducive to prosperity and liberty. He draws on a large reservoir of history and a sound grasp of economics to make that important point.

Neither geography nor the Protestant ethic explains why the Dutch Republic in the seventeenth century, or later the United States, developed so quickly, and leap-frogged so many other societies. “What did the trick,” Brenner explains, “was that these two places were the first in the world where the poor had access to venture capital, which in turn attracted talented people from the rest of the world.” In contrast, today’s underdeveloped countries are those where government controls credit and grants it “almost exclusively to the well-connected elite.”

Brenner shows that financial markets are more efficient than formal democracy at furthering prosperity and decentralizing power. They make people more mobile and enable them to escape government power. This explains “why, from ancient times, those in power have maintained a stranglehold on capital markets.”

Markets correct investment mistakes rapidly, while political and bureaucratic processes tend to wait for catastrophes (or revolutions) to correct public-policy errors. “In general,” explains Brenner, “once there is a mistaken intervention, an additional one

might be needed to rectify the unanticipated effect of the first.”

Another interesting idea developed by Brenner is that direct democracy can force on governments the kind of accountability that financial markets impose on businesses. “[R]eferenda and citizen initiatives,” he writes, “can discipline the public sector in much the same way that the stock market disciplines the private sector.” Perhaps the more powerful argument given by Brenner is that referenda would never approve complex and unreadable laws. Direct democracy reduces the power of the political and bureaucratic classes, which is indeed why they don’t like it.

Direct democracy can even, as in Switzerland, allow people to secede from municipalities, or cantons, that don’t offer them what they want—“In other words, moving borders on paper, rather than forcing people to move with their feet.”

In monetary matters as in so many others, Brenner is close to the Austrian economists. A stable currency, he writes, “is a necessary part of a vital capital market.” Monetary policy must be separated from politics, and he argues for returning to the gold standard. He mentions the possibility of free banking, but adds that “it would involve such drastic changes that discussing it at this stage would be impractical.” Perhaps he should have pursued the idea further, though. If denationalization of money can be achieved gradually, simply by removing monopolistic privileges from the central bank, it may actually be easier to achieve than the re-establishment of the gold standard.

The Financial Century offers a good critique of Keynesian macroeconomics. In some countries, macroeconomic aggregates (like gross domestic product) measure something that people want, while elsewhere they measure things that rulers and the establishment want—for, indeed, macroeconomic aggregates mean only what prices and incomes mean, that is, how they are determined. Or read this neat formulation: “By adding government ‘output’ to whatever was produced in the ‘private’ sector . . . economists transformed a self-serving political

idea (a benevolent big government) into a neutral-sounding scientific debate about numbers and statistics.”

Summing up, Brenner writes that “Freedom means having options. . . . But alternatives come from having access to capital, from being able to borrow against imagined futures.” For him, the key to prosperity “is to establish a system of checks and balances, together with democratized financial markets.” That combination—government that is subject to significant restraints on its power and capital markets that are open to all—currently is, in Brenner’s opinion, approached most closely by the United States and, for that reason, “the twenty-first century, like the twentieth . . . will belong to the United States.”

Isn’t Brenner too optimistic? When an individual cannot make a cash deposit or transaction of \$10,000 without having to file a Currency Transaction Report with federal authorities, or when a technical violation of securities regulations can turn one into a felon, perhaps we should realize that American financial markets are not so free after all, that they are under surveillance, and that individual liberty is far from secure. Yet *The Financial Century* gives us reason to further reflect on the importance of capital. □

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Cuba in Revolution

by Miguel A. Faria, Jr.

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• \$26.95

Reviewed by George C. Leef

The vicious regime of Fidel Castro has for more than 40 years trampled on individual rights in Cuba, but the details of his seizure of power and subsequent Stalinist rule remain surprisingly little known in the United States. Within weeks of the September 11 terrorist attacks, everyone was hearing about the atrocities of the Taliban in Afghanistan, but year after year, Castro and