tro's top lieutenants appear to be squirreling away money in foreign accounts.

It's hard to imagine that anyone could read this book and not feel the deepest sorrow for the Cuban people, who have suffered so much at the hands of Fidel Castro. □

George Leef is the book review editor of Ideas on Liberty.

Internal Improvement: National Public Works and the Promise of Popular Government in the Early United States

by John Lauritz Larson

University of North Carolina Press • 2001 • 324 pages • $55.00 cloth; $19.95 paperback

Reviewed by Burton Folsom, Jr.

In 1805 Thomas Jefferson, in his second inaugural address, focused attention on the limited government of his presidency: "[I]t may be the pleasure and the pride of an American to ask, What farmer, what mechanic, what laborer ever sees a taxgatherer of the United States?" Little did Jefferson know that the issue of "internal improvements at federal expense" would unleash the taxgatherers during his second term to support an abundance of canal building from the coast of Maine to Athens, Georgia.

Professor John Larson of Purdue University sympathizes with plans—especially the Gallatin Plan of 1808—to unite America with a network of federally funded canals, post roads, and other improvements. What's more, Larson finds such extra-constitutional actions consistent with republican ideals. "It is my contention," Larson argues, "that the positive use of government power for popular constructive purposes, such as public works of internal improvement, never was proscribed by republicanism." He commends, for example, "[George] Washington's vision of a rising empire, guided from the center by benevolent government and striving toward some splendid republican future." By contrast, those "capitalists" who wanted to build internal improvements with private funds Larson dismisses as localistic, obstructionist, and narrowly partisan.

Larson laments that the latter group usually won the congressional battles in the early 1800s and prevented the national planning of America's transportation network. The states then began building their own canals. Much of this state-directed construction, Larson concedes, was a failure, but he still prefers state planning to private enterprise. He spends many pages describing the Erie Canal and commending the New York legislature for funding it. Since the Erie Canal brought in millions of dollars profit in tolls, Larson sees it as a microcosm of what could have happened nationally if we had only tried public planning.

Despite an abundance of research, Larson's analysis is often superficial and weak. The first problem is with typology. Both planners and capitalists wanted internal improvements—the question was how to fund them. The Founders refused to grant the federal government the power to tax *generally* to build canals *locally*. Presidents Jefferson and Monroe, among others, urged the planners to pass a constitutional amendment before going forward with their schemes.

Larson's second problem is that national planning is hard to impose on a nation with a representative government. What if voters change their minds on where they want canals? Or, if they want railroads instead, whether they want them built with expensive T-rails or cheaper strap-iron rails. Strong changes in the composition of Congress—not to mention the inherent problems of voter self-interest, overly bureaucratic planning boards, and the almost daily adjustments necessary with new technologies—make any national plan almost impossible to direct centrally.

Larson's third problem is that the internal improvements ultimately built by the various state governments were usually inferior to the ones built by private enterprise. Larson described the typical government-run canal when he said, "Early projects often failed, soaking up great sums of investment capital while yielding little or no general benefit."

State after state—Illinois, Indiana, Ohio, Michigan, among others—tried to build transportation networks only to watch them collapse ignominiously through mismanagement, poor planning, miscalculated funding, and partisan politics. Pennsylvania tried to copy the Erie Canal only to run up such catastrophic debt that the state had to declare bankruptcy. Even New York ran into debt because it built other canals that were all unprofitable and soaked up the capital gained by the success of the Erie Canal.

Governor Stevens T. Mason, who presided over the failed canals and railroads in Michigan, eventually called the fever to build at taxpayer expense the "false spirit of the age." Upstate New York, with its excellent and atypical geography, topography, and river system, was a natural choice and the Erie Canal would have been profitable whether built by state or private funds. States that followed the Erie Canal example were later eager to privatize their failed transportation system. Larson is simply wrong when he says that in Michigan (and, by implication, elsewhere), "it was with great reluctance that voters embraced the privatization of their transportation networks." In fact, Michigan voters went to the polls with gusto in 1851 to amend the state constitution to say "the [s]tate shall not be a party to or interested in any work of internal improvement."

After the canal era, national planning and federal subsidies in transportation continued to fail. Private enterprise consistently worked better in the steamship business, in the building of the transcontinental railroads, and in developing the airplane. *Internal Improvement* contains useful information on early transportation, but its interpretation is unsupportable. □

Burton Folsom, Jr., is historian in residence at the Center for the American Idea in Houston, Texas. He is the author of The Myth of the Robber Barons *and is currently writing a book on the New Deal.*

Time and Money: The Macroeconomics of Capital Structure

by Roger W. Garrison

Routledge • 2001 • 272 pages • $99.00

Reviewed by Robert Batemarco

Although it was Tolstoy who said that "the highest wisdom has but one science—the science of the whole," these words express with uncanny accuracy the practice of the Austrian school of economics. One of the hallmarks of that school is that it sees economics as an integrated whole, with a few initial principles underpinning every theory. It is in this spirit that Roger Garrison of Auburn University has written *Time and Money*, an in-depth exploration of Austrian, Keynesian, and monetarist macroeconomic theory. The three principles Garrison deploys as the launching pad for his excursion into these issues are scarcity, the market for loanable funds, and the time structure of production. Each is represented throughout this work by a simple diagram—production possibilities frontiers, supply and demand curves, and Hayekian triangles, respectively. Tying these together enables Garrison not only to furnish a standard account of the Austrian (that is, Mises-Hayek) theory of business cycles, but also to draw other implications of Austrian macroeconomics as well as to obtain penetrating insights regarding the nature of Keynesian and monetarist alternatives.

Another comparison of various macroeconomic paradigms may sound to many economists like flagellation of an expired equine. Yet Garrison rises above such potential ugliness and draws a number of fresh insights. One of these may be a triumph of style over substance—but in a good way. His coining of the term "capital-based economics" not only captures one of the most important distinctions between the Austrian approach to macroeconomic theorizing and its rivals, but may also be a public relations coup as well. Just as the "supply-side" designation effectively pointed out a fundamental deficiency of the Keynesian approach and re-popularized