Congress and the media that the nation was in the throes of a wave of Klan-like violence directed at black churches. Once its political usefulness had been mined out, the issue quietly went away.

Another reason for bad statistics is bad sampling. The often-repeated "fact" that 83 percent of Internet traffic is pornography is a good example. The researcher who compiled that statistic drew his sample from, as Best writes, "precisely that portion of the Internet where pornographic images were concentrated; it was anything but a representative sample."

It's rather easy to create a bad statistic, or to transform a good one into a deceptive one. Then a process kicks in that often results in the widespread dissemination of that statistic:

> Once someone utters a mutant statistic, there is a good chance that those who hear it will accept it and repeat it. Innumerate advocates influence their audiences: the media repeat mutant statistics; and the public accepts—or at least does not challenge—whatever numbers the media present. A political leader or a respected commentator may hear a statistic and repeat it, making the number seem even more credible. As statistics gain wide circulation, number laundering occurs. The figures become harder to challenge because everyone has heard them.

The numerous groups that desire to manipulate public opinion in order to get favors know exactly how to put those wheels in motion.

In the author's view, most Americans are either "awestruck" or "naïve" when it comes to statistics. He would like to see far more of us become "critical," which is to say, "appreciating the inevitable limitations that affect all statistics, rather than being awestruck in the presence of numbers. It means not being too credulous, not accepting every statistic at face value (as the naïve do)." He does not, however, suggest any means by which we might make any improvement in our ability to understand and analyze statistics. Given that our government-run education system has a strong incentive to keep the citizenry credulous, it's not easy to see how we can make headway against this educational deficiency.

Nevertheless, the book provides an excellent diagnosis of the problem. □

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How Wall Street Created a Nation: J. P. Morgan, Teddy Roosevelt, and the Panama Canal

by Ovidio Diaz Espino

Four Walls Eight Windows • 2001 • 254 pages • $27.95

Reviewed by Lawrence W. Reed

When traveling from the Atlantic Ocean entrance of the Panama Canal to the canal's exit into the Pacific Ocean at its other end, what direction are you going?

Most Americans would respond, "That's easy. It's east to west." But they would be wrong. Check a map. The shape of the Isthmus of Panama and the cut of the canal make the journey a 51-mile trip from northwest to southeast.

If the author of a new and revisionist history of the Panama Canal is correct, geography isn't the only thing about the Big Ditch that Americans don't know. Ovidio Diaz Espino's account of the political intrigue and treachery that made a few people a lot of money certainly isn't standard fare in the history books. Instead, we're taught that the swashbuckling visionary Teddy Roosevelt rushed to the aid of freedom fighters in Panama, helped them secure their independence from Colombia, and then led the building of the Canal in just the right spot.

History texts often offer a quick reference to TR's playing fast and loose with the Colombians, but they usually wink at it and move on. What's wrong with a little gunboat diplomacy if that's what it takes to get those selfish, backward Latin Americans to get in line? Great ventures for the good of all require a little bending of the rules.

Like other schoolchildren growing up in Panama in the 1960s, Espino learned about the struggle of the Panamanian patriots helped by TR. But it was years later as a lawyer for J.P. Morgan in New York City that he first learned of a very different perspective. At a party he was introduced to a screenwriter named Webster Stone, who asked a startling question, "Did you know that your country was conceived in Room 1162 of the Waldorf Astoria?" Stone's revelation plunged Espino into a four-year investigation that culminated in this book.

The French attempted a Panamanian canal in an ill-fated venture that collapsed in 1889. Shares of Ferdinand de Lesseps' company languished nearly worthless as its equipment rusted in the Panamanian jungle, but the rights to build a canal there were another matter. They could be worth a fortune—but only if the United States entered the picture and took up where the French left off.

The U.S. government had long favored the idea of a canal somewhere in Central America. When the French adventure collapsed, it was only a matter of time before the United States got involved. A consortium of Wall Street financiers schemed to buy the rights to a Panamanian canal for a song and sell them to the U.S. government at a huge profit. But a roadblock called Nicaragua stood in their way.

By the turn of the century, it was widely accepted that the best route for a canal would be across Nicaragua. That country was offering the land for free, whereas the Wall Street crowd that had bought up de Lesseps' rights in Panama were holding out for $40 million. Moreover, the route through Nicaragua was closer to the United States, featured upwards of a hundred miles of navigable lakes and rivers, and offered the easiest-to-cross pass through the Central American highlands. To top it off, Nicaragua was more stable than strife-ridden Panama.

Espino's story of how the New York financiers swung both TR and Congress over to the Panama side of the debate is an extraordinary account of double-dealing, deception, and dollar diplomacy. The pro-Panama forces even swayed some votes by claiming that Nicaragua was too risky, offering samples of that country's postage stamps, which depicted volcanoes spewing ash and lava, as proof!

Congress passed a bill on June 19, 1902, giving preference to Panama on the condition that a satisfactory treaty be negotiated with Colombia; otherwise, the president was ordered to proceed with construction through Nicaragua.

What happened next is too juicy to betray here. Suffice it to say that if Espino is right, both the Panamanians and the Colombians were double-crossed by Uncle Sam, while well-connected men like J.P. Morgan, Philippe Bunau-Varilla, and William Nelson Cromwell cleaned up. The author doesn't claim that TR pocketed anything for his work on behalf of the Wall Street syndicate, but notes that he took extraordinary measures to make sure the trail went cold short of him.

The author's work is marred by a tinge of class-warfare rhetoric. Espino seems to buy into the "robber baron" canard that rich men are inherently mischievous, if not corrupt and exploitative. In nonpolitical ventures, scions like J.P. Morgan accomplished much good. If Espino's case is accurate—and he presents strong evidence—it was clearly political power and incompetent or corrupt government officials who made possible any undue gain from the Canal affair. □

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Antitrust After Microsoft: The Obsolescence of Antitrust in the Digital Era

by David B. Kopel

Heartland Institute • 2001 • 186 pages
• $7.45 paperback

Reviewed by Laura Bennett Peterson

What's in a name? Even the simple title, *Antitrust After Microsoft*, suggests a question: Will there ever be an after Microsoft? Federal antitrust agencies have investigated and prosecuted Microsoft since 1990. The resolution of the federal suit, the focus of the author's attention, will not lay to rest the actions it encouraged, as entities including state attorneys general, the European Commission, rivals AOL Time Warner and Sun Microsystems, and private class-action plaintiffs join in the fray.

While the title looks to the future, the book's strength is its description of the present and recent past. David Kopel, director of the Heartland Institute's Center on the Digital Economy, draws on a wide array of scholarly and business sources to set forth a detailed topography of the terrain in which Microsoft operates.

In describing this terrain, Kopel debunks several myths. For product after product—from operating systems to browsers, office applications, and (largely beyond this book's horizon) business server software—Microsoft has not behaved like the textbook monopolist, reducing output, raising price, and neglecting quality. Software prices have fallen by 60 percent on average in markets Microsoft entered, but only 15 percent in other software markets. Pure coincidence? Even trial court Judge Thomas Penfield Jackson, who likened Microsoft's managers to gangsters, found that Microsoft "contributed to improving the quality of Web browsing software, lowering its cost, and increasing its availability, thereby benefiting consumers."

Microsoft has not, moreover, been able to "leverage" its "monopoly power" in Windows to defeat applications consumers prefer. AOL's subscriber base dwarfs MSN's; Intuit's Quicken leads Microsoft's Money; RealNetworks' media software prevails, despite the "bundling" of Media Player with Windows. Microsoft's Internet Explorer browser only began seriously to erode the market share of Netscape's Navigator when it was judged technically superior and when Microsoft, unlike Netscape, offered a version that could be embedded in AOL's access software.

Kopel stresses, too, the competition Windows faces from software and hardware products—such as the Linux operating system, Web-based services, handheld digital devices, and interactive television—that were less widely used, or not even invented, when the Justice Department filed its complaint in 1998. He calls this expansion of the computing universe beyond the desktop a "paradigm shift not unlike the change" from the Ptolemaic to the Copernican view of the universe.

Any such paradigm shift is, however, still unfolding and represents competition to Windows as yet more nascent than "intense." A limited and, in Kopel's view, "phony" market definition, including only Intel-compatible PC operating systems like Windows, survived on appeal because Microsoft failed to show that other products were reasonably interchangeable for the same purposes. In this narrowly defined market, Microsoft holds a sufficiently large share to be deemed, for antitrust purposes, a monopoly.

Why does Kopel strive to show that Microsoft is not—or at least does not behave like—a monopoly? Monopolies are suspect, if not evil, in the antitrust world; behavior that would otherwise be legal becomes illegal at the hands of a monopolist. But is a monopoly necessarily bad? Temporary monopolies may flow from market-transforming innovations, intellectual property rights, economies of scale, and network effects (with the value of an item increasing the more it is used by others)—all common in high-tech markets.

Kopel, as his subtitle suggests, entertains a sweeping vision: the end of antitrust. He