

1. Introduction

Edward Stringham

It is high time to shift out of the pragmatic mind-set that has been our national characteristic. The grand alternatives for social organization must be reconsidered. The loss of faith in the socialist dream has not, and probably will not, restore faith in laissez-faire. But what are the effective alternatives? Does anarchism deserve a hearing, and, if so, what sort of anarchism?

James M. Buchanan¹

1986 Nobel Laureate in Economic Science

Most people do not even consider the idea that society can be organized without a state. Anarchism is simply too idealistic or too different from the current world. But does that prove that a stateless society is unworkable or that it should not be pursued? Or does that prove that most social order depends on the state? Throughout history, political structures have varied vastly over time, and just because a system was uncommon at one point in time does not mean that it can never come about. Tribalism, monarchism, socialism and democracy have all been tried. Why not anarchism? Perhaps civil society can be attained without government. Without considering all potential methods to organize society, one cannot determine the best system. Anarchists want their vision considered.

Whereas Thomas Hobbes believed that a war of all against all characterizes anarchy, anarchists believe the opposite. Government is near-ubiquitous today, yet in the past century millions of people have been murdered by their own governments (Rummel, 1994). Perhaps government does not create order and instead does the opposite. Could it be the case that cooperation does not depend on government? Could it be the case that more cooperation would occur without a state? Although most people agree with Hobbes that some form of government is necessary, until recently the issue was merely an assumption that had never been analyzed from an economic point of view. This changed in the early 1970s when members of the Center for the Study of Public Choice became the first group of economists to engage in a systematic study of these questions. *Explorations in the Theory of Anarchy* and *Further Explorations in the Theory of Anarchy*, published in 1972 and 1974 (Tullock, 1972 and 1974a), contained contributions by economists who became extremely influential in the following decades. James Buchanan, Winston

Edward Stringham, 9781845138242
Downloaded from Elgar Online at 09/18/2019 04:12:25PM

via free access

Bush, Thomas Hogarty, J. Patrick Gunning, Laurence Moss, Warren Samuels, William Craig Stubblebine and Gordon Tullock.

These authors decided to ask the big questions rather than debating small changes in public policy. In his autobiography, James Buchanan describes the project:

Winston Bush galvanized our interests in the theory of anarchy, an organizational alternative that had never seriously been analyzed. What were the descriptive features of Hobbesian anarchy? Could something like an anarchistic equilibrium be defined?

Bush was instrumental in organizing a series of weekly workshops in 1972 during which each participant in turn presented papers on differing aspects of the theory of anarchy. As revised, these papers were published in *Explorations in the Theory of Anarchy*. Those weeks were exciting because never before or since have I participated so fully in a genuinely multiparty ongoing research effort, one that we knew to be relevant in some ultimate sense . . . For me this brief period of research activity was important because it gave me a new focus on my whole enterprise. (1992: 116)

From a Nobel Laureate, this says a lot. James Buchanan dedicated his 1975 *The Limits of Liberty* to Winston Bush, and from reading subsequent scholarship in public choice one can see how significant *Explorations in the Theory of Anarchy* was. Considering the impact of Buchanan's *The Limits of Liberty* and Tullock's *The Social Dilemma* on the profession, it is not difficult to conclude that *Explorations in the Theory of Anarchy* is too important to be ignored.

As Winston Bush (1972: 5) wrote, 'Anarchy as an organizing principle for society must appeal to anyone who places individual freedom high on his scale of values.' With the exception of Moss (1974), however, none of the contributors to the original volumes believed anarchism was a viable alternative. They believed that when government is lacking, people will be unable to engage in contracts, and their property rights will be insecure. The lesson that most readers take from the original volumes is that government is necessary for social cooperation.

But did these public choice economists prove the necessity of the state? Maybe not. James Buchanan seems less sure today than he was three decades ago. In a recent publication, Buchanan (2004: 268) wrote, 'As I now reflect on that burst of interest in the theory of anarchy, I now realize that we were perhaps too influenced by the Bush–Tullock presumption to the effect that the behavioral hypotheses used were necessarily empirically grounded.' The Hobbesian beliefs about human behavior might not always hold. Buchanan (ibid.) wrote that their pessimistic assumptions 'led us to neglect at that time any effort to work out just what an ordered anarchy would look like. What would be the results if persons should behave so as to internalize all of the relevant externalities in their dealings among themselves?'

Shortly after the publication of *Explorations in the Theory of Anarchy*, other free-market economists began defending the idea that the state is unnecessary (Anderson and Hill, 1979; Cuzan, 1979; Friedman, 1973, 1979; Peden, 1977; Rothbard, 1973, 1977a; Sneed, 1977). To these authors, society can have law, order and private property without government at all. In fact, they argued that government law enforcement is antithetical to the market system. When Nozick's (1974) *Anarchy, State, and Utopia* appeared, arguing that ordered anarchy is impossible, many authors voiced their disagreement (Barnett, 1977; Childs, 1977; Davidson, 1977; Paul, 1977; Rothbard, 1977b; Sanders, 1977). *Explorations in the Theory of Anarchy*, however, has not received the same attention until now.²

This volume contains seven responses to the essays in *Explorations in the Theory of Anarchy*, as well as reprints of seven original articles and new rejoinders by James Buchanan, Gordon Tullock, Jeffrey Rogers Hummel and Peter Boettke. The younger generation has noticeably less faith in government than their predecessors. They question whether markets are as fragile as the public choice economists believed and question whether government can be relied on as a solution.

Let us consider the arguments. Winston Bush wrote the pioneering article, 'Individual welfare in anarchy'. His work, a later version of which was published in the *Journal of Economic Theory* (Bush and Mayer, 1974), provides a mathematical model of social interaction without a state. When people interact, they can choose to respect the other's property or to engage in predation. Bush argues that in a state of anarchy, individuals expend too many resources on predation, making both parties worse off. After the distribution of property rights under Hobbesian anarchy is established, agreeing on a common set of rules will be mutually beneficial. Although he favors society without rules, Bush believes that predation would prevail. When Robinson Crusoe and Friday first meet, they know little of each other, might never interact again, and have no ability to rely on external enforcement, so we might expect the results of the standard prisoner's dilemma to hold. Bush might be considered one of the first pessimistic anarchists.

Jason Osborne, on the other hand, contends that even in these circumstances, people will engage in less cheating than the Winston Bush model foretells. Drawing from work of Ronald Heiner, Osborne argues that individuals can adopt a strategy known as contingent cooperation. This model postulates that even in one-shot games, individuals can communicate before interacting, thereby enabling them to detect signals about the likelihood that the other party will cooperate. Even in one-shot games, humans have more knowledge about other people than the prisoner's dilemma assumes. Even if signal detection is far from perfect, we will see less predation than standard assumptions predict.

Gordon Tullock's 'The edge of the jungle' advances the Winston Bush hypothesis and argues that cooperation would be limited under anarchy. Without government enforcement, long-term contracting and many other beneficial trades would not occur. People would spend too many resources engaging in opportunistic behavior, which would eventually lead to anarchy's demise. Tullock maintains that those with a comparative advantage in the use of force will overpower the weak and impose government. Although government could be used to redistribute resources, Tullock argues that creating this external enforcer could benefit all members of society. The government apparatus still uses power to enforce the law, but it eliminates the use of force by others. The ensuing reduction of conflict creates incentives for production rather than predation.

Christopher Coyne responds by describing how private law enforcement may solve the problems in Hobbesian anarchy. Yes, society may need law enforcement, but it need not be public. Coyne argues that Tullock has a narrow view of anarchy: anarchy means lack of government, not lack of rules. Could it be that public choice economists would embrace an anarchy composed of privately generated rules? Coyne's response describes the many types of private rule-enforcing bodies that exist and discusses how customary law, arbitration and systems of private security have created and enforced rules independently of the state. The possibility of private property anarchy is a real one.

J. Patrick Gunning does not rule out ordered anarchy, but he believes that anarchy can only function at a primitive level. He believes that more advanced relations involving trade require external enforcement. In Gunning's words, 'Even if trades are expected to be infinitely recurring, there may be no trade.' He gives an example of a pygmy and a giant who would be unable to make contracts unless a third party, a super-giant, entered the picture. The super-giant is an analogy for the government that prevents cheating. In this view, the government is potentially beneficial to all because it enables people to engage in contracts.

Peter Leeson responds by arguing that many contracts do in fact take place without external enforcement. Perhaps Gunning's assumption that parties necessarily cheat is nothing more than an assumption. Leeson cites evidence from experimental economics to show that even in one-shot games without external enforcement, people are less likely to cheat than Hobbesian theory predicts. We cannot rely on law in the vast majority of social interactions, but the market still creates incentives for cooperation. For example, businesses provide good service not because of rules but because they want future business. In addition to cases without third-party enforcement, Leeson provides examples of third-party enforcement that do not use force. He describes how multilateral reputation mechanisms can induce contractual compliance even though compulsion is not involved.

Engaging in contracts without government is only one issue; having property rights without government is another. James Buchanan analyzes the situation of Hobbesian anarchy as a prisoner's dilemma in 'Before public choice'. Buchanan believes that people will act opportunistically when given the incentive, and although they would be better off following common rules, they have no way to commit. Buchanan uses this to derive a contract theory of the state. By implementing an external enforcer, the prisoner's dilemma can be solved.

Benjamin Powell, in contrast, takes the assumptions of Buchanan's model and asks whether government can bring an improvement. Where Buchanan concludes that people will engage in opportunistic behavior when external enforcement is lacking, Powell does not question the result. Instead, he uses the same assumptions as Buchanan to analyze the situation after we implement government. Powell argues that the idea that government can solve the prisoner's dilemma only holds if we assume the state to be an external force not constituted of humans. Once we recognize that government is necessarily composed of flesh and blood, the same results do not hold. If all people are Hobbesian egoists, why would we not expect government to act opportunistically? No theory or evidence suggests that people will become better once they join government. Even if we accept the pessimistic assumptions, anarchy cannot be ruled inferior.

Thomas Hogarty tries to rule anarchy inferior on empirical grounds. He provides three case studies to support why we should have government. As his first example of anarchy, Hogarty points out that brown rats do not have government, and, in fact, often bite each other. As his second example, Hogarty discusses how the children in *Lord of the Flies* did not have government and engaged in many malicious acts. As his final example, Hogarty argues that a prisoner-of-war camp during the American Civil War provides an example of individual interaction without a state. Rather than acting cooperatively, the prisoners engaged in aggressive behavior. All three case studies lack cooperation, so Hogarty concludes we need government.

In response, Virgil Storr questions whether Hogarty's examples justify government. Yes, Storr agrees, brown rats removed from their familiar packs and placed among rats from different localities do in fact bite each other, but he questions how much this experiment can tell us about human cooperation. Storr also questions the extent to which a children's novel, a work of fiction, can be used to draw inferences about interaction under anarchy. Finally, Storr takes issue with the treatment of an overcrowded POW camp as a case study in anarchy. When government imprisons a group of people and controls their supplies, we should not be surprised if conflict arises. To Storr, none of these examples provides evidence of deficiencies in anarchy.

Not only may anarchy be possible, but Laurence Moss argues that the idea has a long history in American thinking. Although anarchist theory has been

developed further in recent years, the idea that markets can function without government was popular in eighteenth-century America as well. Moss argues that eighteenth-century anarchists such as Josiah Warren, Lysander Spooner and Benjamin Tucker were simply defending the ideals of the Declaration of Independence. Moss then discusses how this tradition has been picked up by Murray Rothbard and other modern free-market economists. Even though most people consider anarchism to be radical, Moss concludes, 'Property anarchism is as American as apple pie!'

Warren Samuels dislikes this apple pie and worries about a pure market economy. He believes that power relations will be present under private property anarchism, or any form of markets for that matter. He sympathizes with the anarchist goals of freedom, order and markets, while sharing a suspicion of the state, but he questions whether anarchism will deliver those ends. Samuels maintains that agencies enforcing libertarian law would be nominally private but equivalent to government. Samuels criticizes Murray Rothbard for simply wanting to replace one type of coercion with another. To Samuels, the theory of anarchism fails to resolve the problem of power relations and thus should not be considered a superior alternative to government.

Not so, says Scott Beaulier, who takes issue with the argument that private law enforcement is just as coercive as government. He points out that Samuels's notion of power is so broad that any exercise of choice is an exercise of power. Beaulier argues this cannot be used as a criticism against anarcho-capitalism, so the question is, what type of power relations do we want? Public law enforcement involves a coercive monopoly on power, whereas private law enforcement gives individuals a choice. Because political power gives people no choice, it is often misused. Politics simply replaces voluntary market relations with involuntary ones.

How does Buchanan respond to the new works herein? Does he take issue with the authors who reject the necessity of Leviathan? Surprisingly, Buchanan does not defend government against its critics. Instead, he argues that the arguments miss their mark. Buchanan maintains, 'The seminar papers, as published in the small volumes edited by Gordon Tullock, as well as Tullock's book, *The Social Dilemma* (1974b) and my own book, *The Limits of Liberty* (1975), should, at least in part, be interpreted as reactions to the times.' He argues they were a response to the encroaching disorder on many university campuses in the late 1960s and early 1970s. This alternative explanation that *Explorations in the Theory of Anarchy* was less concerned with establishment of government but more with the establishment of rules is welcome. Could these rules be privately produced according to Buchanan's (1965) theory of clubs? Buchanan does not answer this question, but we hope future public choice economists will.

One such economist is Gordon Tullock. Tullock takes on libertarian anarchist arguments in his response. He maintains that although modern examples

of private law enforcement are quite common, they all take place in the shadow of the state. He argues that private police companies, detectives, mediators and arbitrators depend on government. Reputation and boycott can work against untrustworthy businessmen but cannot work against those who use force. Tullock argues that we need government to impede such banditry. Those who are unable to protect themselves will be conquered or destroyed. A professional military will nearly always be more successful than a band of disorganized militiamen; hence the need, or the inevitability, of a national armed force. Finally, Tullock brings up a number of other problems he sees with anarchy, such as traveling over private roads, quarantine and fire protection. Although he recognizes that private communities do provide these services, Tullock attempts to blur the line between proprietary communities and local governments.

Jeffrey Rogers Hummel objects. Tullock is wrong, Hummel argues, to conflate rules with government. Just because condominiums undertake certain activities that governments also undertake does not make them governments. Hummel further states, 'Just as government is not a necessary condition for rule of law, it is equally obvious that government is not a sufficient condition for effective defense against invasion.' He points out that nations are often overtaken by others, so the simple existence of government does not solve the world's problems. To Hummel the solution lies not in government but in persuading enough people to support liberty. The use of force by any entity cannot persist if the public remains in opposition.

Peter Boettke concludes the volume by discussing the evolutionary potential of anarchy as a research program. Boettke outlines how analytical anarchism is more than a normative endeavor. The world has many puzzles that cannot be explained by theories that assume the dependence of markets on government. In many cases contracts are enforceable, yet trade takes place. By documenting how private parties find ways to eliminate opportunism, the anarchist research program provides a more accurate picture of the market process. Even under conditions of large group settings and near-anonymity, market participants find ways to cooperate rather than cheat. The endogenous creation and enforcement of rules is part of the market process. Boettke concludes, 'Work along these lines is not only valuable at a fundamental theoretical level, but also of practical significance as well as we attempt to wrestle with the great social transformations of our era.'

Although the younger authors believe the public choice economists of the 1970s offered a promising start, they believe that their analysis was incomplete. Is social interaction without the state as bad as Hobbes and these public choice economists believe? Much of the recent analysis suggests otherwise. But maybe it is true that humans are inherently prone to conflict. Perhaps the Hobbesian dilemma is a real threat. Whatever the case may be, government

does not seem to offer a solution. Either Leviathan is part of the problem or Leviathan is superfluous. Under either scenario, anarchy might be the best choice after all. We are glad that public choice economists started studying this topic three decades ago, and we hope to see a resurgence in explorations in the theory of anarchy.

NOTES

1. Buchanan, James (1974), 'Review of *The Machinery of Freedom: Guide to a Radical Capitalism*', *Journal of Economic Literature*, **12**: 914–15.
2. Jackson (1974) reviewed *Explorations in the Theory of Anarchy*, and Ireland (1976) reviewed *Further Explorations in the Theory of Anarchy*. Except for brief mentions by Anderson and Hill (1979), Moss (1974), and Friedman (1976, 1980), however, libertarian anarchists did not seem to comment on the project in the 1970s. Recent works that cite Winston Bush's theory of anarchy include Carter and Anderton (2001), Grossman (2001) and Hirshleifer (2001).

REFERENCES

- Anderson, T.L. and Hill, P.J. (1979), 'An American Experiment in Anarcho-Capitalism: The Not So Wild, Wild West', *Journal of Libertarian Studies*, **3**: 9–29.
- Barnett, Randy (1977), 'Whither Anarchy? Has Robert Nozick Justified the State?', *Journal of Libertarian Studies*, **1**: 15–21.
- Buchanan, James (1965), 'An Economic Theory of Clubs', *Economica*, **32**: 1–14.
- Buchanan, James (1974), 'Review of *The Machinery of Freedom: Guide to a Radical Capitalism*', *Journal of Economic Literature*, **12**: 914–15.
- Buchanan, James (1975), *The Limits of Liberty: Between Anarchy and Leviathan*, Chicago: University of Chicago.
- Buchanan, J.M. (1992), *Better Than Plowing and Other Personal Essays*, Chicago: University of Chicago Press.
- Buchanan, J.M. (2004), 'Heracitian Vespers', in J. Pitt, D. Salehi-Isfahami and D. Echel (eds), *The Production and Diffusion of Public Choice Policy Economy*, Malden, MA: Blackwell Publishing, pp. 263–71.
- Bush, Winston (1972), 'Individual Welfare in Anarchy', in G. Tullock (ed.), *Explorations in the Theory of Anarchy*, The Public Choice Society Book and Monograph Series, Blacksburg, VA: Center for the Study of Public Choice, pp. 5–18; see also Chapter 2, this volume.
- Bush, Winston and Mayer, Lawrence (1974), 'Some Implications of Anarchy for the Distribution of Property', *Journal of Economic Theory*, **8**: 401–12.
- Carter, John and Anderton, Charles (2001), 'An Experimental Test of a Predator–Prey Model of Appropriation', *Journal of Economic Behavior and Organization*, **45**: 83–97.
- Childs, Roy (1977), 'The Invisible Hand Strikes Back', *Journal of Libertarian Studies*, **1**: 23–33.
- Cuzan, Alfred (1979), 'Do We Ever Really Get Out of Anarchy?', *Journal of Libertarian Studies*, **3**: 151–8.
- Davidson, James Dale (1977), 'Note on *Anarchy, State, and Utopia*', *Journal of Libertarian Studies*, **1**: 341–8.

- Friedman, David (1973/1989), *The Machinery of Freedom, Guide to Radical Capitalism*, 2nd edn, La Salle, IL: Open Court.
- Friedman, David (1976), 'Review of *Further Explorations in the Theory of Anarchy* edited by Gordon Tullock', *Public Choice*, **16** (1): 101–4.
- Friedman, David (1979), 'Private Creation and Enforcement of Law – A Historical Case', *Journal of Legal Studies*, **8**: 399–415.
- Friedman, David (1980), 'Many, Few, One: Social Harmony and the Shrunken Choice Set', *American Economic Review*, **70**: 225–32.
- Grossman, Herschel (2001), 'The Creation of Effective Property Rights', *American Economic Review*, **91**: 347–52.
- Hirshleifer, Jack (2001), *The Dark Side of the Force: Economic Foundations of Conflict Theory*, New York: Cambridge University Press.
- Ireland, Thomas (1976), 'Review of *Further Explorations in the Theory of Anarchy* edited by Gordon Tullock', *Atlantic Economic Journal*, **4**: 80.
- Jackson, M.W. (1974), 'Review of *Explorations in the Theory of Anarchy* edited by Gordon Tullock', *Western Political Quarterly*, **27**: 757–8.
- Moss, Laurence (1974), 'Private Property Anarchism: An American Variant', in G. Tullock (ed.), *Further Explorations in the Theory of Anarchy*, The Public Choice Society Book and Monograph Series, Blacksburg, VA: University Publications, pp. 1–31; see also Chapter 12, this volume.
- Nozick, Robert (1974), *Anarchy, State, and Utopia*, New York: Basic Books.
- Paul, Jeffrey (1977), 'Nozick, Anarchism and Procedural Rights', *Journal of Libertarian Studies*, **1**: 337–40.
- Peden, Joseph (1977), 'Property Right in Celtic Irish Law', *Journal of Libertarian Studies*, **1**: 81–95.
- Rothbard, Murray (1973/1996), *For a New Liberty: Libertarian Manifesto*, San Francisco: Fox and Wilkes.
- Rothbard, Murray (1977a), *Power and Market: Government and the Economy*, 2nd edn, Kansas City: Sheed, Andrews and McMeel.
- Rothbard, Murray (1977b), 'Robert Nozick and the Immaculate Conception of the State', *Journal of Libertarian Studies*, **1**: 45–57.
- Rummel, R.J. (1994), *Death By Government*, New Brunswick, NJ: Transaction Publishers.
- Sanders, John (1977), 'The Free Market Model Versus Government: A Reply to Nozick', *Journal of Libertarian Studies*, **1**: 35–44.
- Sneed, John (1977), 'Order Without Law: Where Will Anarchists Keep the Madmen?', *Journal of Libertarian Studies*, **1**: 117–24.
- Tullock, Gordon (ed.) (1972), *Explorations in the Theory of Anarchy*, Blacksburg, VA: Center for the Study of Public Choice.
- Tullock, Gordon (ed.) (1974a), *Further Explorations in the Theory of Anarchy*, Blacksburg, VA: University Publications.
- Tullock, Gordon (1974b), *The Social Dilemma: The Economics of War and Revolution*, Blacksburg, VA: University Publications.