

Edward Stringham, ed., *Anarchy, State and Public Choice*

Northampton MA: Edward Elgar, 2005. x + 229 pages. USD \$110 (cloth)

Daniel Sutter

Accepted: 6 August 2007 / Published online: 20 September 2007
© Springer Science+Business Media, BV 2007

Is anarchy a viable, desirable form of organization of society? Anarchy intrigues economists as the limit of the process of privatization—can all government's functions be turned over to market forces? In the early 1970s, Winston Bush led an exploration of anarchy at the Public Choice Center at Virginia Tech. The new book *Anarchy, State and Public Choice*, edited by Edward Stringham, brings together some of the old school public choice contributions with contemporary research. The book consists of seven papers reprinted from Gordon Tullock's edited volumes, *Explorations in the Theory of Anarchy* and *Further Explorations in the Theory of Anarchy*, along with six modern responses and four original retrospective/prospective papers. The reprinting of some of the earlier papers should provide new life into this research and the paired contemporary papers illustrate that significant progress has been made in the intervening decades.

A paper by Winston Bush from *Explorations* on equilibrium in an anarchy model and a response by Jason Osborne lead off the volume. Bush's paper is a now familiar description of the equilibrium in an anarchy economy, emphasizing the natural distribution of income resulting from comparative advantage in predation. Osborne offers an intriguing two part response. The first examines the impact of a contract enforcer on relative well-being in the Bush anarchy economy, while the second considers the implications of research on contingent cooperation in a prisoner's dilemma. Recent research emphasizes the benefits of contingent cooperation and how well-developed abilities to detect cheating allow the prisoner's dilemma to be overcome without third party enforcement, increasing the potential for a workable anarchy.

The next two papers from *Explorations* by Gordon Tullock and J. Patrick Gunning, and the contemporary responses by Christopher Coyne and Peter Leeson, deal with contract enforcement. Tullock and Gunning argue that government must enforce contracts, particularly deals over time or when one party has a lot at stake. The replies by Coyne and Leeson draw

D. Sutter (✉)
Department of Economics and Finance, University of Texas-Pan American, Edinburg,
TX 78539-2999, USA
e-mail: dssutter@utpa.edu

on the substantial research by economists since the 1970s on how businesses enforce both contemporary and long term contracts without government. The case that government is necessary to enforce contracts has been substantially refuted over the past three decades.

The next paper from *Explorations* is “Before Public Choice,” where James Buchanan began laying out his theory of the establishment of government later elaborated in *The Limits of Liberty* (1975). In short, government is the third party enforcer in the prisoner’s dilemma. The response by Benjamin Powell examines an important omission in Buchanan’s analysis, that government is not merely a dispassionate third party umpire but also a player. Indeed Buchanan later modeled the “umpire” as Leviathan. Once government is a player in the analysis, citizens no longer necessarily benefit from the constitutional contract lifting society out of anarchy. The division or separation of powers—which move past the view of government as a unitary actor—can help enforce the constitution, but Buchanan’s conclusion “that the state will necessarily enable people to achieve a higher level of utility” (p. 94) no longer holds.

Next is a paper by Thomas Hogarty on “Cases in Anarchy” from *Explorations* and a response by Virgil Storr; these papers comprise perhaps the most interesting exchange of the volume. Hogarty considers three cases, two of which—lab experiments with brown rats and the novel *The Lord of the Flies*—Storr rightly dismisses. Hogarty’s third case is the Confederate prison Andersonville during the American Civil War, which I think Storr dismisses too quickly. The guards largely maintained a hands-off approach toward prisoners within the camp, so the conditions approximated anarchy. Initially groups of “raiders” formed among the prisoners, who terrorized and robbed new arrivals. But eventually the “law abiding” prisoners spontaneously formed groups which defeated the raiders and hanged many of their leaders. While illustrating the potential difficulties, I read Andersonville as a modest success for ordered anarchy, because starting without organized protection agencies, groups for protection formed despite the potential for disruption by the raiders. Of course conditions in the prison were miserable after the raiders were defeated, but this is probably more a consequence of the conditions in the camp (and the South generally as the rebellion was being crushed) than a chaotic anarchy. This case deserves further examination, and perhaps other prisoner of war camps could provide additional evidence on anarchy.

Hogarty (p. 101) applies a criterion in searching for cases of anarchy which is worthy further comment, “the subjects participating in the experiment would have little or no chance of withdrawal (escape).” Storr takes exception with this, noting that “freedom to exit is an essential feature of anarcho-capitalism” (fn. 4, p. 121). While Hogarty’s statement is too strong, Storr is incorrect in maintaining that the costs of exit must be small in equilibrium in anarchy (Sutter 1995). Hogarty’s emphasis on a lack of exit is a useful antidote to the tendency of libertarian anarchists to draw too heavily on examples of business interaction without government (particularly the work of Benson (1990) and Grief (1993) on international trade). Merchants with a viable nonparticipation option seeking to capture gains from trade provide a relatively easy environment for anarchy. Anarchy must also deal with potential pure predation, individuals and possibly agencies not trying to generate gains from trade.

Next is a paper by Laurence Moss from *Further Explorations* examining the 19th century American intellectual origins of private property anarchy, the forerunner of today’s libertarian anarcho-capitalism. This is the one paper without a contemporary response. The final reprinted paper is by Warren Samuels from *Further Explorations* on power relations in anarchy, with a response from Scott Beaulier. Samuels interprets anarchism as fundamentally motivated by a hostility to concentrated power, and based on this view evaluates

Murray Rothbard's *For a New Liberty* (1973) as a proposal for capitalistic oligarchy. A salutary aspect of Samuels' analysis, with which Beaulier agrees, is the inevitability of conflict in anarchy. Fundamental aspects of conflict do not disappear with the disappearance of the state. Enforcement of A's rights to his property requires the denial of B's claims to these items, perhaps because B does not believe in private property. This is useful, because anarcho-capitalism draws so heavily on positive sum business interactions without the state. The suspect aspect of Samuels' analysis is the construction of his theory of power based on opportunity sets and externalities as opposed to rights and coercive rights violations.

The final four papers in the volume are retrospectives by Buchanan and Tullock, a response to Tullock's retrospective by Jeffrey Rogers Hummel, and a concluding directions for research in anarchy by Peter Boettke. Buchanan explains that his interest in anarchy in the early 1970s arose from the breakdown of order on college campuses in the 1960s. Boettke suggests the relevance of research in anarchy to understanding the spontaneous emergence of institutions and economic growth.

One question which seems to lie just beneath the surface in a number of papers is the economic requirements of a bandit economy. As Osborne notes, the work by Bush, and more recent models by Hirschliefer, Grossman and Skaperdas, focus on predatory and defensive use of force without government. But what kind of economy do organized bandits require? Bandit models generally assume a very simple economy—a pure exchange economy or production of a single consumption good with one input which could also be allocated to offense or defense. In a bandit world, villagers will try to hide wealth or productive ability—that is, bury their gold where bandits can't find it. Is banditry like this consistent with an advanced division of labor economy? What would the bandits take from a computer programmer or hedge fund manager, if not the medium of exchange? But how valuable would money be without a Wal-Mart or Best Buy to convert it into the myriad of consumer goods available today? Retailers could not "hide" from bandits, and seemingly would not exist in a bandit economy. Maybe this is why roving bandits must become Olson's stationary bandits and rely on taxation. But the specter of a bandit-like protection racket agency in anarchy may be a false dilemma. Causation might go either way, but the relationship between economic organization and bandits is of relevance for the study of anarchy.

Overall the book demonstrates the considerable progress made in understanding the workings of libertarian anarchy over the past thirty-plus years. Government is not necessary to enforce contracts, and many seeming core functions of government like fire protection and prisons have been successfully privatized. Arbitration and private security firms provide market based courts and police protection. A much stronger case for a workable and reasonably libertarian anarchy could be made now than thirty five years ago. The case for the viability of anarchy is much more developed than the case for the feasibility of central planning at the start of the 20th century; it would after all be decades before economists could even define the information and incentive problems that central planning would face. The contemporary responses to the papers in Tullock's edited volumes demonstrate that interest in anarchy is alive with the current generation of public choice economists.

References

- Benson, B. (1990). *The enterprise of law*. San Francisco: Pacific Research Institute.
- Buchanan, J. M. (1975). *The limits of liberty*. Chicago: University of Chicago Press.
- Grief, A. (1993). Contract enforceability and economic institutions in early trade: The maghribi traders' coalition. *American Economic Review*, 83(3), 525–548.
- Rothbard, M. (1973). *For a new liberty*. New York: Macmillan.
- Sutter, D. (1995). Asymmetric power relations and cooperation in anarchy. *Southern Economic Journal*, 61(3), 602–613.