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Anarchy Unbound

This book consists of several essays. Their central argument is simple: *anarchy works better than you think*.

My thesis sets a low argumentative bar. If you're like most people, you don't think anarchy works at all. Such readers are in good company. One of the most important figures in the history of social thought, Thomas Hobbes, shared that thinking.

In 1651 Hobbes famously described life in anarchy as "solitary, poor, nasty, brutish, and short." His reasoning is familiar. In anarchy, property is unprotected: there's nothing to prevent the strong from plundering the weak, the unscrupulous from bamboozling the unwitting, and the dishonest from defrauding the honest. There's no social cooperation, only social conflict, no civilization, only chaos.

Hobbes's path out of this anarchic jungle was government. By making and enforcing rules that protect individuals' property, he argued, government will create social harmony. Indeed, government will create society.

Hobbes was wrong – on both counts. Individuals have secured property protection and social cooperation without government and still do. Moreover, in much of the world, government has proved to be the greatest depredator of property rights, creator of conflict, and instigator of chaos, rather than an innocuous antidote to anarchic afflictions.

Govern*ance* – social rules that protect individuals' property and institutions of their enforcement – doesn't require govern*ment*, which is but one means of supplying governance. Hobbes overlooked the possibility of *self*-governance: privately created social rules and institutions of their enforcement. He also underestimated the possibility of truly horrible governments. It's therefore unsurprising that he saw anarchy as anathema to society and government as its savior.

Some readers may not be quite so optimistic about government, or quite so pessimistic about anarchy, as Hobbes was. Today it's widely acknowledged that many governments fail to live up to what their advocates hope for. Indeed, some governments do far worse than that. Instead of promoting cooperation, governments in the Soviet Union, Nazi Germany, and North Korea, to name but a few, severely undermined cooperation in their societies (and in the case of North Korea still do), with devastating consequences. Because of this, you may be (or at least should be) less sanguine about the possibility of government as society's savior than Hobbes's rhetoric suggests.

Today it's also acknowledged that at least some social interactions can be, and are, carried off cooperatively without government's assistance. Hobbes's characterization of anarchy expresses basic "prisoners' dilemma" logic. A well-known result of that logic is that mutual noncooperation is the unique Nash equilibrium when such games are played but once. An equally well-known result is the possibility of cooperative equilibria when they're played infinitely or terminate with some constant known probability.

This "folk theorem" result of iterated noncooperative games supplies a ready mechanism of self-governance: the discipline of continuous dealings. Individuals may adopt strategies in their interactions with others whereby they refuse to interact with uncooperative persons in the future, cutting them off from the gains of additional interactions. By penalizing uncooperative behavior, such strategies can induce cooperation. If we consider more than two persons, reputations become possible, further strengthening the penalty for uncooperative behavior. Now, by having developed a negative reputation, uncooperative persons may lose the gains from interacting even with persons toward whom they haven't behaved uncooperatively.

Hobbes's reasoning sets the bar required to make the argument that anarchy works better than you think on the floor. Reasoning about anarchy and government that incorporates the foregoing considerations sets that bar higher, but only a few inches so. Even persons who recognize self-governance's existence quickly follow their recognition with the caveat that self-governance's scope of effective application is severely limited. And even persons who acknowledge that some governments are truly horrendous are still sure that any government is better than none at all.

This book challenges the conventional wisdom that sees successful self-governance's range as severely limited. It finds private social order where conventional wisdom says we shouldn't. Roughly speaking, that's where the discipline of continuous dealings has difficulty securing cooperation by itself, such as when populations are large or diverse, when interactions

aren't repeated or persons are impatient, and when violence is possible or individuals are devoted to plunder as a way of life.

Persons who find themselves in anarchy are considerably more creative in finding solutions to their problems than the academics who study them. Unlike academics, these persons reap large rewards if they solve those problems and suffer large penalties if they don't. They must live (or die) with the consequences of either floundering in the face of, or overcoming, the obstacles that stand in the way of their ability to realize the gains of social cooperation without government. Given such powerful incentives, it would be surprising if persons in anarchy did *not* develop effective mechanisms of self-governance in a wide variety of difficult circumstances, including those where the discipline of continuous dealings alone is insufficient. And, as this book evidences, they do.

Those mechanisms take several forms. Some, such as those that leverage the discipline of continuous dealings, enforce social rules internally – through punishments that persons who are themselves parties to the relevant interactions threaten. Others, such as private professional judges, enforce social rules externally – through punishments that third parties to the relevant interactions threaten instead. Some mechanisms of self-governance enforce social rules with threats of peaceful punishments, such as shaming. Others enforce social rules with threats of violent ones, such as blood feuding. The essays in this book consider mechanisms of self-governance that rely on both internal and external enforcement, as well as those that rely on both peaceful and violent punishments.

This book also challenges the conventional wisdom according to which self-governance always performs worse than government. There are some conditions under which even an ideal government – the imaginary sort that has never existed, but most people imagine anyway – turns out to be less sensible than no government at all. More important, by understating the degree of social cooperation that self-governance can secure, and overstating the degree of social cooperation that many actual governments do secure, conventional wisdom ignores the possibility that citizens living under ultra-predatory and dysfunctional governments might fare better under anarchy. As this book also evidences, in one case at least, this possibility is almost certainly a reality.

A mechanism of self-governance can be said to "work" if it tolerably solves the problem that persons in anarchy rely on it to address. None of the mechanisms I consider solve the problems they address perfectly. Then again, neither would any mechanism of governance, including government.

Anarchy can be said to "work better than you think" if the mechanisms of self-governance that undergird it work in circumstances where you thought self-governance couldn't. This book considers several such circumstances. Part I contains essays that address self-governance when populations are socially diverse. Part II contains essays that address self-governance when individuals face the specter of physical violence. Part III contains essays that address self-governance in societies composed exclusively of "bad apples" – persons whose way of living is devoted to theft and murder.

Each of these circumstances poses a different obstacle for the discipline of continuous dealings in securing self-governance. To work well, and some would argue to work at all, in addition to requiring repeated interaction, the discipline of continuous dealings requires small and socially homogeneous populations, populations whose members don't confront the prospect of violence, and populations whose members don't discount the future too heavily. The essays in Parts I–III analyze cases of successful self-governance despite deviations from these conditions, and thus mechanisms of self-governance that go beyond the discipline of continuous dealings alone.

Anarchy can also be said to work better than you think when (assuming you didn't believe as much already) a society whose governance is based on such mechanisms produces higher welfare than it could enjoy under its feasible government alternative. The essays in Part IV consider self-governance in this vein.

The key to finding such a self-governance "unicorn" is to compare a society with a recent experience under anarchy to the same society under the government *it actually had* before or after moving to anarchy – or, somewhat more difficultly, if that society hasn't had a recent experience under anarchy, to compare that society's likely experience under anarchy to its experience under the government *it's currently under*. This kind of comparison forces one to restrict his attention to relevant governance alternatives – to the kind of anarchy and government actually available to some society – and precludes the comparison of irrelevant governance alternatives, such as poorly functioning anarchy and exceptionally high-functioning government, which is the kind of comparison most people are prone to make. The self-governing society that outperforms the state-governed one is only impossible to find if one is simultaneously pessimistic about anarchy in some society and optimistic about government in that same society, which, ordinarily, he probably shouldn't be given that the same historical constraints that limit the potential effectiveness of one kind of governance arrangement are likely to limit the potential effectiveness of other kinds.

Anarchy working better than you think does *not* mean that the mechanisms of self-governance I discuss always, or even often, work better at solving the problems they address than some kind of government could – especially if that government is the rare, extremely well-functioning kind most people pretend is the rule instead of the exception. I will argue that in *some* cases those mechanisms can work better than government – especially if one compares their performance to the comparatively common, extremely poorly functioning kind most people pretend is the exception instead of the rule. But my argument doesn't imply that *any* anarchy is superior to *any* government one could conceive of. Nor does anarchy's superiority in a particular case necessarily generalize.

So much for what I mean (and don't mean) by anarchy working better than you think. What do I mean by "anarchy"? I mean government's absence, of course. And by "government" I mean . . . Well, here things become a bit more complicated.

It's tempting to define government following Max Weber's (1919) classic characterization: as a territorial monopoly on violence – on social rule creation and enforcement. As a rule, this is the conception of government this book's essays have in mind. But there are several problems with this conception that compel me in at least two essays to conceive of government, and thus anarchy, somewhat differently.

If we follow Weber, government's presence or absence depends on what one considers the relevant territory. If we define that territory narrowly enough, every authority, even private ones we wouldn't normally call by the name, is a government. For example, if we call my condominium building the relevant territory, my homeowner's association could be considered a government, for it alone has the authority to make and enforce social rules regulating activity in the condo. Under a sufficiently narrow territorial definition, government is everywhere. In contrast, if we define the relevant territory broadly enough – say, the world – the reverse is true. The absence of a global government means countries exist vis-à-vis one another as individuals would in Hobbes's state of nature. Now government is nowhere.

This feature of the Weberian conception of government poses a potential problem, but not an insurmountable one. One simply needs to be clear about scope of the territory he's considering and to make an argument about why that territory is the relevant one for the purpose at hand. For example, to examine the political economy of Arlington, Virginia, where my condominium building is located, I think everyone would agree the relevant territory is Arlington, Virginia, rather than my condominium building. In

contrast, to examine the political economy of international relations, I think everyone would agree the world, or some other region encompassing multiple countries, is the relevant territory rather than one country in particular. Reasonable persons could disagree in specific cases about whether the appropriate territorial unit had been selected for some analysis. But, at least in principle, we could have a clear, common definition of where we have government and where we don't.

The more serious difficulty in trying to apply consistently a Weberian conception of government – and the one of much more importance for this book – is illustrated by the following example. Suppose that for some purpose under consideration everyone agrees that some small isolated community is the relevant territory of analysis. Suppose further that every person in this community has explicitly and voluntarily agreed that a single third party's decisions shall govern them, say the community elder's, enforced with threats of violence exclusively by his command. Is the elder this community has decided shall govern it a government? He has a monopoly on social rule creation and enforcement in the territory in question. A Weberian conception, then, would seem to suggest he is.

Yet I'm reluctant to call him a "government." And I suspect I'm not alone. The reason for my discomfort with the Weberian conclusion here is that the persons this third party governs have *unanimously consented* to it as their governance agency. It seems just as sensible to characterize this community's governance arrangement as a private club as it does to characterize it as a government. But our intuition suggests to us that there's an important difference between clubs and governments.

Because the possibility of explicit unanimous consent seems to be the source of uneasiness with the Weberian conception in such cases, it's natural to seek a modified conception of government, and thus anarchy, that considers not only whether a governance authority or arrangement has a territorial monopoly, but also whether the persons it governs have unanimously and voluntarily consented to be governed by it. Under this conception, coercion at the level of whether or not you will be bound by a governing authority's decisions, in addition to a territorial monopoly, is what makes for a government.

A monopoly governing agency that compels persons to abide by the social rules it creates, but which all those persons haven't explicitly consented to be governed by, is a government. In contrast, a governance agency, even if it's the sole agency in a territory that creates and enforces social rules, and even if it enforces those rules violently, is an example of self-governance provided that every person it governs has previously and explicitly consented to as much.

Oddly, in this conception of government, if Hobbes's "government" actually emerged in the way that he and other social contractarians hypothesize – through the unanimous consent of the people it governs – it would *not* be a government. It would be an example of self-governance.

Unfortunately, what seems like a natural way to modify the Weberian conception of government turns out to be just as problematic as the unmodified conception, but in a different way. Consider an isolated community in which the only social rules that exist are norms – unwritten property customs that evolved organically over centuries – and the only means of enforcing those rules is a norm of stoning, which community members resort to when there's consensus that an important rule has been broken. The persons who populate this community have never explicitly consented to be governed by the set of norms that are the only source of rules that regulate their behavior, and do so violently at that.

Are these persons living under a government? I think most everyone would answer no. Yet because the rule and enforcement norms that provide governance in this community haven't received explicit unanimous consent, the modified conception of government described in the preceding paragraph would seem to suggest they are.

If this norm-based governance, which is decentralized and unconsciously created, doesn't seem to capture what we mean by a "monopoly authority" (even though it's the only source of social rule creation and enforcement that exists and, moreover, that enforcement is violent), consider another example. Suppose an organized crime family uses threats of violence to run its neighborhood in some country where a state officially exists but pays scant attention to its duties, leaving the neighborhood's inhabitants to their own devices. Is the crime family a government?

While the modified conception of government described in the preceding paragraph suggests it is, I don't think most readers would be prepared to call it one. On the contrary, I suspect most readers would say the crime family is a result of government's *absence*. They would characterize the crime family as a consequence of anarchy. And I would agree.[1]

[1] A closely related way of trying to negotiate this difficulty of the Weberian conception involves modifying government's definition with the word "legitimate" such that government becomes a "legitimate monopoly on force in a given territory" (indeed, Weber himself at times used "legitimate" as part of government's definition). Unfortunately, this modification fails in much the way that, I have argued earlier, the coercion-inclusive conception of government fails. If "legitimate" is a normative statement about the moral right of a monopoly agency on force to govern a certain territory, there's the obvious problem that individuals' understandings about what's morally right are subjective, precluding an

Yet another possible approach to identifying government is to appeal to the notion of "exit costs." But this approach fails to deliver an unambiguous definition of government for similar reasons. Exit costs are, quite literally, the costs of exiting life under one governance arrangement to live life under another. The trouble with using exit costs to define government is that it's costly to exit any governance arrangement unless there are an infinite number of such arrangements in a territory, which there never are.

Because government monopolizes governance in some territory, exit costs under government will very likely be higher than under self-governance, which, at least in principle, doesn't preclude the possibility of multiple governance arrangements operating in the same territory. But this difference doesn't get us far. What is the "cutoff cost" – the exit cost above which we definitively have government and below which we definitively have anarchy – that unambiguously defines government? There isn't one. And unlike when one must make an argument for the relevant territory of analysis to define government, where there will ordinarily be a "natural" or "obvious" reason for selecting one territory over another that everyone can assent to, it's hard to see on what grounds one could make a persuasive argument that the cutoff cost they have chosen is anything other than arbitrary. Our intuition about the exit cost that makes for government is weak, as is the extent to which we share that intuition.

Equally important, one can imagine a self-governance arrangement that is more expensive to exit than government. A government that monopolizes governance in a territory that's much smaller than the territory governed exclusively by, say, a set of norms, or even a unanimously selected third party, is cheaper to exit than these alternative governance arrangements. Yet it would be strange if a system of norms or a unanimously selected third party metamorphosed into a government because it happened to govern a larger territory. And no reasonable person would claim that it did.

Hopefully it's clear now why defining government precisely is problematic. In light of this, unsatisfying though it may be, this book's essays sometimes conceive of government, and thus anarchy, with the Weberian

objective definition of government. If instead "legitimate" is a positive statement about the fraction of a population governed by a monopoly agency on force that approves of this agency – that is, sees it as legitimate, in which case calling government a "legitim*ized* monopoly on force in a territory" would be more accurate – a different difficulty emerges. In the case where every person approves of the monopoly, it's sensible to call the monopoly legitimate. But in this case we have a self-governing club, as previously described. In the case where there's anything short of unanimous approval of the monopoly, we have ambiguity about whether the monopoly is legitimate and thus whether we have government.

conception in mind, and sometimes with the modified, coercion-inclusive conception in mind instead. I'm unwilling to call the governance system that prevailed on pirate ships – the subject of one of the essays in Part III – government, even though this system constituted a monopoly on violence on each pirate ship, because the pirates it governed explicitly and unanimously consented to that system. At the same time I'm unwilling to call the governance system that prevails in Somalia – the subject of one of the essays in Part IV – government, even though this system governs many persons who never consented to be governed by it and does so partly with threats of violence, because that system reflects the absence of what every reasonable person calls government rather than government's presence.

My approach to identifying government is therefore like Justice Potter Stewart's approach to identifying pornography: you know it when you see it. Unlike intuitions about exit costs, most people do seem to share strong intuitions about whether government governs some set of social relations or not. Thus our (or, at least, my) inability to define government in a fully satisfactory manner in theory needn't prevent us from identifying government's presence or absence in practice. I realize this approach creates scope for disagreement about whether we have government or anarchy in a particular instance. But I see no alternative approach that seems likely to produce less disagreement. Moreover, I hope – and indeed suspect – that you will agree in each case I examine that anarchy is in fact present in the sense I consider.

Note that under either conception of government described earlier, anarchy doesn't preclude multiple governments' presence, such as in international contexts. The international arena encompasses interactions between multiple sovereigns and thus presents formally ungoverned interstices. There's no supranational agency with monopoly power to create and enforce social rules that cover multiple sovereigns. There are supranational organizations, such as the United Nations, as well as a large variety of multinational treaties for governing various interstate relationships. These organizations sometimes perform adjudication services for member countries and threaten punishments for noncompliance. But members of such organizations and treaties are members voluntarily. Ultimately they abide by, or refuse to abide by, such organizations' or treaties' directives voluntarily as well. This doesn't mean supranational organizations' directives aren't often enforced. But, ironically, given that such organizations are often justified by the need to remove the world's governments from international anarchy, their enforcement power derives from self-governing mechanisms, such as those rooted in the discipline of continuous dealings, not from government.

This book's method of analysis is decidedly economic. It uses rational choice theory to understand the anarchic environments and mechanisms of self-governance that individuals develop to cope with those environments. This isn't the only method one could imagine using. But I'm an economist and, even for an economist, I believe strongly that the economic approach is by far the most productive.

One recommending feature of the economic approach is its ability to supply insight into the underlying *mechanisms* that do or don't enable anarchy to work in particular cases.[2] This emphasis on mechanisms permits me to move beyond mere descriptions of anarchy working in various circumstances toward a better understanding of the logic underlying *why* it succeeds in those circumstances and precisely *how* it manages to do so.

My essays are in the form of what are sometimes called analytic narratives. In them, economic logic shapes and illuminates the data of the historical or contemporary case under consideration. This approach necessarily involves abstracting from much descriptive detail to make an intelligible analysis possible. At the same time it retains and brings to the foreground other descriptive detail that frames, and is equally important for making intelligible, the case under consideration.

As in my other work, the economic logic deployed here is overwhelmingly verbal. I hope this makes this book accessible to a wider audience. This is also the manner in which I "think economically" and thus the manner in which I write. I point this out, first, with the aim of retaining non-economist readers, or others more comfortable with nontechnical analyses, who might otherwise set this book aside now in the mistaken belief that a flurry of equations are to follow. I point this out, second, so that readers committed to the view that formalism is the only, or the only legitimate, way to say anything useful can set me aside now and return to their mathematical exercises.

This book's analyses are positive, not normative. They describe how the world is (or was), not how it should be. One could use my discussions of how the world is to support arguments about how it should be. And in this book's penultimate chapter I consider one such argument. That discussion is partly normative, however, so I have separated it from the positive analyses in the essays that inform my normative claim.

It's inevitable that some persons will be unable (or unwilling) to accept the claim that the analyses in Chapters 2 through 9 are positive. They

[2] On the importance of focusing on mechanisms of self-governance in discussions of anarchy, see Boettke (2012a, 2012b) and Leeson (2012a).