

**Order in the Jungle: Social Interaction without the State
A Response to Tullock’s “The Edge of the Jungle” ***

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*“Any society of force – whether ruled by criminal bands or by an organized State –
fundamentally means the rule of the jungle, or economic chaos.”*
- Murray Rothbard

Introduction

Gordon Tullock, in “The Edge of the Jungle” (1972), attempts to explore social interaction without the state as well as the evolution of the state as a necessity for the facilitation of interaction. He starts by accepting Winston Bush’s postulate that in “genuine anarchy” two patterns of individual behavior may arise.¹ One possibility is the Hobesian jungle where, in the absence of a central authority, individuals have the option of either expending their energy on the production of goods or simply taking from others via force. The second possibility assumes that in the absence of social rules, individuals will develop their natural talents and live in harmony. In addition to accepting this notion of anarchy, Tullock makes several modifications. He acknowledges the possibility of “cooperative organizations” which have the option of engaging in either peaceful or violent interaction with other groups or individuals. Additionally, Tullock postulates that there will be no trade between individuals or groups when the stronger can simply take

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¹ Bush discusses his notion of anarchy in “Individual Welfare in Anarchy” (1972).

from the weaker. In this paper, we will first clarify the meaning of anarchy. We will argue that the concept of anarchy used by Tullock is flawed, leading to an inaccurate analysis of law without the state which we will attempt to correct. Next, we will summarize Tullock's analysis of the interaction of individuals and groups in a social setting with no central authority and how he arrives at the conclusion that the state is a necessary institution. Finally, we will explore and discuss the facilitation of social order and interaction in anarchy. In doing so, we will come to realize that Tullock's entire critique of anarchy is equally applicable to any notion of the state.

Anarchy Defined and the Development of Law without the State

Initially, it is important to develop a clear understanding of what is meant by "genuine anarchy" as well as the foundational postulates of anarchist theory. Tullock presents this concept as one of two extremes. Either we are in a Hobesian jungle where the individual must rely on his natural talents to produce, take via force, and protect his own, or we are in a utopia where individuals focus on developing their natural talents, where conflict is absent and where all exist in harmony.² But does Tullock's notion truly serve to characterize the concept of anarchism?

According to the Merriam-Webster dictionary, anarchism is defined as "a political theory holding all forms of governmental authority to be unnecessary and undesirable..."³ To clarify further, one can be an anarchist and still believe in the

² The failure to clearly define anarchy must be considered one of the key oversights and failures of the "Explorations in the Theory of Anarchy" project. Bush defines anarchy as "that hypothetical state where no societal controls exist" (1972: 5). Later, Gunning defines anarchy as "social interaction under uncertainty..." (1972: 25). Of course, this definition is completely meaningless since all action (and interaction) takes place under some degree of uncertainty with or without a coercive state.

³ See <http://www.m-w.com/home.htm>

importance of social norms, rules, laws and controls. Rather, what anarchists oppose is their provision and enforcement by a central, compulsive state monopoly.⁴ Osterfeld

notes:

“It is clear from any careful reading of anarchist literature that what anarchists oppose is not law but *legislation*. Not only do anarchists recognize the crucial importance of the law, but persistently argue that it is government legislation, with its ability to change old laws and to create new laws on the spot, that generates precisely that legal uncertainty that violates a true rule of law” (1989: 49).

It is often thought that laws must be created by a central authority. One may ask, if laws are not created by a central government, who or what will enable their development and implementation? It is critical to realize that rules and laws need not be imposed by a central authority – authoritative law – but can and do arise through customs which evolve over time – customary law. As Hayek writes:

“The significance of customs...is that they give rise to expectations that guide people’s actions, and what will be regarded as binding will therefore be those practices that everybody counts on being observed and which have thereby become the condition for the success of most activities. The fulfillment of expectations which these customs secure will not be, and will not appear to be, the result of any human will, or dependent on anyone’s wishes or on the particular identities of the persons involved” (1973: 97).⁵

Additionally, authoritative law requires the use of extensive force to both implement and enforce, as compared to customary law which arises through social interaction.

Juxtaposing customary with authoritative law, Benson writes: “...if a minority coercively imposes law from above, then that law will require much more force to maintain social order than is required when law develops from the bottom through mutual recognition

⁴ An additional clarification is the differentiation between anarcho-capitalism and anarcho-communism. While neither believes in the notion of a coercive state, they differ greatly in that anarcho-capitalists believe in private property while anarcho-communists do not. Characterizing anarcho-communism, Rothbard wrote: “If there is one thing...that anarcho-communism hates and reviles more than the State, it is the right of private property” (2000: 199). In this paper, whenever the term “anarchy” is used, it refers to anarcho-capitalism. For more on anarcho-communism, see Rothbard, 2000: 199–204.

⁵ Benson adds: “...a privatized customary law based on reciprocity is not only possible, but has strong historical precedents. The fact is that through much of history, custom has been much more important in determining rules of conduct than written constitutions, legislation, or precedent” (1990a: 26). For examples of reciprocal exchange and its role in law throughout American history, see Benson, 1991.

and acceptance” (1990b: 12). It is clear that the coercive state is *not* a prerequisite for the development of social rules, laws, norms, etc., but rather that rules and laws which serve to maximize social interaction and cooperation are subject to an evolutionary process which occurs over time through social interaction.⁶

It must be realized that the anarchist is *not* under the illusion that in the absence of a compulsive state there will also be an absence of conflict. Instead, he postulates that the market will provide the means by which social order and interaction will be facilitated and maintained – including the development of rules and laws as well as their enforcement.⁷ The point of contention is not between having social rules enforced by a compulsive state and not having social rules at all, but rather the means by which the enforcement and development of such rules takes place – that is, the state versus private provision. Tullock not only fails to consider customary law, but also neglects the possibility of the private provision of enforcement. Regarding enforcement in the absence of the state, Benson writes:

“No state-like coercive authority exists in a customary system to force disputants into a court...Under such circumstances, individuals have strong reciprocal incentives to form mutual support groups for legal matters. The makeup of such groups may reflect family,...religion,...geographic proximity,...functional similarity,...or contractual arrangements...The group members are obligated to aid any other member in a valid dispute, given that the member has fulfilled his obligations in the past...Should a dispute arise, reciprocal

⁶ For a more complete discussion of the development of customary law and a comparison of customary law to authoritative law, see Benson, 1990, Chapter 2, pp. 11–41. For a discussion of potential problems, criticisms and solutions to customary law, see Hayek, 1973: 88-89; Osterfeld, 1989: 51-52 and Tullock, 1997.

⁷ Characterizing private law, Stringham writes:

“There are numerous non-government institutions that protect individuals on both local and global levels...The market allows consumers to choose different types and degrees of services and this could be true in the realm of law. Choice does not mean chaos and does not mean that people will be forced to deal with laws that they have not chosen...(1999:53).

As a point of clarification, Stringham uses the term “private law” to refer to non-government law. Some use the term to refer to government laws that apply to private individuals.

Stringham further describes the market for legal services as “...not different intrinsically from any other. Businesses will continually create better and more efficient products, which without competition would have seemed inconceivable” (54).

support groups give individuals a position of strength. This does not necessarily mean, however, that disputes are settled by warfare between groups. Violence is a costly means of solving a dispute...Consequently, arrangements and procedures for non-violent dispute resolution should evolve very quickly in customary law systems” (1990b: 14).⁸

Interestingly, a connection can be drawn between Benson’s characterization of private enforcement, specifically the role that support groups play, and Tullock’s realization of the possibility of the formation of cooperative groups and organizations in the absence of the state.⁹ We will return to the consideration of the interaction of varying policing and enforcement groups later.

Having clarified the concept of anarchism and the development and enforcement of rules and laws in the absence of the state, one can understand how many of the flaws in Tullock’s analysis arise. The error lies not in semantics, but in a fundamental misconception of what the notion of anarchy entails. If we are left with only two choices, both of which exclude the possibility of market provisions – total chaos where life is nasty, brutish and short, or total harmony in the absence of conflict – we can see how the conclusion of a compulsive state as an effective enforcement mechanism is reached. The former is dismissed on the grounds of continued chaos, violence and conflict, and the latter is rejected as a mystical wonder-world since it is impossible for a society to exist in the absence of conflict. However, once the possibility of market provision of laws, rules and enforcement mechanisms are considered, the conclusion that the state is the

⁸ Further elaborating on private enforcement, Benson writes:

“A variety of individual and cooperative arrangements can be anticipated...that will emphasize the protection of persons and property and the recovery of losses suffered by victims. Cooperative arrangements will involve everything from informal voluntary associations to formal contractual exchanges...” (1990:357).

For further discussion on the operation of private courts, see Rothbard, 1973: 222-237; Benson, 1990a: 35-37, 1990b: 213-224, 1998: 113-115, 294-5, 318; Osterfeld, 1989: 53-59; Friedman, 1989: 81-3 and Barnett, 1986.

⁹ For an interesting discussion of the development of informal organizations and support groups which arose in Peru to compensate for the failings of the central government, see Soto, 1989 especially pp. 26-29, 48-49.

necessary and only source of order is exposed as the grave misconception that it is. We now turn to Tullock's analysis of trade and social interaction.

Tullock's Analysis of Exchange, Interaction and Enforcement

It is widely agreed that exchange is beneficial as compared to either continued exploitation or simply taking via force and violence. As Murray Rothbard writes:

“The process of exchange enables man to ascend from primitive isolation to civilization: it enormously widens his opportunities and the market for his wares; it enables him to invest in machines and other “high-order capital goods”; it forms a pattern of exchange—the free market—which enables him to calculate economically the benefits and costs of highly complex methods and aggregates of production (1982: 36).

Tullock seems to agree with this when he acknowledges that “we would anticipate the complete reliance upon coercion and physical strength would not be optimal...if we grant that...sometimes there is a trading range, then the discipline of continuous dealings becomes important” (67). While Tullock is able to realize potential gains from trade, he also recognizes potential problems in the absence of some protection mechanism. Considering a situation in which two people – one weak, one strong – inhabit the same area of land (and where the weak person cannot produce enough to sustain both individuals) it is reasonable, Tullock assumes, to conclude that the stronger individual would produce, but would also exploit the weaker individual up the point that he will accept it without retaliation. Of course in order for continued trade (i.e., “continuous dealings”) to be possible, the weak person must expect that he will get something in exchange or he will simply stop producing. If the stronger individual forcefully takes all of the goods produced by the weaker, the latter will lose all incentive to continue production. While continuous dealings in this scenario do serve as a check against

complete exploitation of the weaker by the stronger, Tullock is concerned that it does not serve to completely remove predation. “Thus the strong man would...have a fairly regular schedule of predation, but would be willing to make trades on things above and beyond that regular schedule.” Furthermore, the concept of continuous dealings has even further limitations. According to Tullock, continuous dealings will only persist as long as there are no considerable accumulations of property. “The stronger man does not take the weaker man’s property because of the present discounted value of the profits in future trades. If the weaker man’s property becomes a large enough quantity...seizure of the property would be rational.”¹⁰ Also, force is not the only potential problem in such a setting as “...fraud, stealth and deception are also possible” (68). Yet another problem is the introduction of credit or exchanges in which at least one party does not actually exchange a good or service at the time of trade. “It is clear...that there are many situations in which we could not depend upon the very variant of the discipline of continuous dealings...Transactions in which large payments will be made in the future would be impossible if we depended solely on the discipline of continuous dealings” (69). Tullock’s solution to these problems is the introduction of what Gunning refers to

¹⁰ Although Tullock makes reference to the stronger and weaker individuals’ “property,” there is no discussion of how property is defined or arrived at. The important point here is that Tullock acknowledges that there is definable property in the absence of the state—when he makes this statement he has yet to make any mention of the coercive state. Tullock’s realization of property rights without the state will be important later when we discuss the incentive for the individual to protect and defend his property. For a discussion of the homesteading principle and the establishment of property rights in the absence of the state, see Rothbard, 1982, especially pp. 40, 47-49, 57, 64, 72, 75, 100, 146, 150-151 and Rothbard, 1974.

Furthermore, in recognizing private property in the absence of the state, Tullock also indirectly recognizes the possibility of the development of law through custom. As Benson writes:

“Because the source of recognition of customary law is reciprocity, private property rights and the rights of individuals are likely to constitute the most important primary rules of conduct in such a legal systems. After all, voluntary recognition of laws and participation in their enforcement is likely to arise only when substantial benefits from doing so can be internalized by each individual” (1990:13)

By recognizing property rights in the absence of the state, Tullock also recognizes a cornerstone of customary law.

as his “super-giant” which “threatens the individuals with severe punishment if they violate some set of rules” (69).¹¹ Tullock realizes that such a setting would result in a ruling group which controls a much larger ruled group. In deciding what fees to extract from the ruled, Tullock claims that the goal should be what he calls the point of maximum taxable capacity, which is that fee level where an additional increase would be counterbalanced by a fall in the total product of society.¹² Interestingly, after pointing out the limitations of continuous dealings in the uninhibited market, Tullock grounds his entire theory of government on this very foundation: “They [referring to the government] are compelled, in motivating behavior on the part of the subjects which will eventually produce a maximum income to the rulers, to give themselves a pattern of behavior on which the subjects can depend.” And if the subjects are unhappy at the level of taxation, that is, if they deem that the gains are less than the amount taken from them, they “...will almost always be well-advised to attempt to throw out the rulers. The rulers must see to it that the subjects never have such an opportunity” (72). Whether the rulers will prevent such an uprising by keeping taxes at the “maximum taxable capacity” or via the threat of force goes undiscussed. Finally, Tullock notes that there is nothing in his analyses to prevent the formation of competing groups formed by some members of the ruling group or the ruled group. However, he quickly dismisses the notion: “But here the discipline

¹¹ The complete theory of the “super-giant” can be found in Gunning, 1972: 22-24.

¹² Tullock does not explicitly state that the ruling group will extract its “fees” via force but rather talks of the “fees charged to the ruled people...” (71). This of course sugar-coats what is really the extraction of private property via force – taxation – under the guise of a charge for services voluntarily agreed to by those who are in fact stolen from. As Schumpeter wrote:

“...the state has been living on a revenue which was being produced in the private sphere for private purposes and had to be deflected from these purposes by political force...The theory which construes taxes on the analogy of club dues or of the purchase of the services of say, a doctor, only proves how far removed this part of the social sciences is from the scientific habits of the mind” (1942: 198, 198n).

should be imposed by making it “illegal” to even begin the organization of such a group” (74).

Tullock unequivocally arrives at the need for a coercive government as a direct result of his failure to consider the potential of the market to serve as the mechanism to facilitate societal relations. Finally, it is critical to realize that every potential difficulty that Tullock finds in the absence of a coercive state will also exist in the presence of the state.

A Reconsideration of Social Interaction and Exchange in the Absence of the State

Initially, we will consider Tullock’s analysis of interaction between two individuals, one of which is physically stronger than the other. Tullock concludes that there will be incentive for the stronger to trade with the weaker but also for the stronger to take from the weaker up to the point where the cost of retaliating is greater than the cost of simply letting the exploitation occur. Additionally, where there are significant accumulations of property, it will simply make sense from the stronger to take from the weaker since the value of the land is greater than the discounted expected profits from future trades. As already noted, Tullock recognizes property rights, but presents no discussion of how property rights are assigned or enforced. Additionally, we must ask why the weaker would allow the stronger to take at all – especially as he gains large amounts of property. There are several possibilities, all arising on the market, which allow the weaker person to protect himself from predation by the strong.

The simplest way for the weak to protect themselves would be to develop personal defense by increasing the protection measures taken. These measures may include such simple things as keeping doors locked or installing alarms as well as more

costly options such as accumulating weaponry to accommodate for what he lacks in physical strength.¹³ There are additional alternatives for individuals – physically weak or strong – to protect their property.¹⁴ One potential solution is for the weak to join and form a support group of their own whereby they assist members who are being exploited by those who are physically stronger.¹⁵ In such a scenario, what the individual members lack in physical strength they make up for in numbers. Examples of such cooperative groups are community watches and patrols of neighborhood streets and buildings, community groups that promote awareness of the security of property and escort services to accompany and protect those desiring their services (Benson, 1999a: 30–31 and 1998: 80–86). Additionally, there is again a market opportunity for an entrepreneur to offer protection services to the weak. In this setting, the weak would pay a fee to the agency and in turn gain protection of their property from those who may potentially exploit them.¹⁶ Examples of such market services are the patrols formed or financed by

¹³ For a more detailed discussion of the private production and demand for security see Benson, 1998: 75–78.

¹⁴ Tullock assumes that the weaker will allow predation where the cost of retaliation is greater than the cost of goods being taken. While this may be true, costs are purely subjective and will vary from person to person. For some the value of their property will be very high and the related costs of protecting it very low and vice versa. The private provision of security and enforcement is conducive to this realization because it allows each to purchase that level of protection that they deem necessary. As Rothbard wrote: “...if police services were supplied on a free, competitive market...consumers would pay for whatever degree of protection they wish to purchase. The consumers who just want to see a policeman once in a while would pay less than those who want continuous patrolling, and far less than those who demand twenty-four-hour bodyguard service. On the free market, protection would be supplied in proportion and in whatever way that consumers wish to pay for it” (1973: 216).

¹⁵ Note that again this is consistent with Tullock’s realization of the possibility of the formation of cooperative groups or organizations.

¹⁶ An interesting point made by Benson is that much of what local governments do (and some of what the federal government does) is currently contracted out to private firms which further supports the claim that such services already exist on the market:

“Virtually everything that that local governments do is contracted out by some city somewhere, including the provision of fire services, paramedics and ambulance service, road construction and maintenance, water service, parks and recreation services, garbage pickup, tax assessment, court-related services..., police and jails. State and federal governments also contract for a wide array of services, including prisons and security (1998:17).

businesses to protect their property. We see examples of this in malls, office and apartment complexes, amusement parks and resorts (Benson, 1998: 92 and Stringham, 1999: 56).¹⁷ Yet another example of the private production of security and policing is the private university. As Stringham writes:

“A college is a self contained community that offers a whole array of services including security. While education is its main service, to attract students it needs to provide a pleasant and safe environment...Colleges do not charge students separate fees for security, but it included in the price of tuition. The school operates to keep students safe from each other and from outsiders, fostering a safe atmosphere where students can live peacefully, with little facilitation of government police” (1999: 56).¹⁸

It should be clear that exploitation and predation are not unique to the uninhibited market but also exist in the context of the state. And, as with laws, rules, norms and the institutions of enforcement (i.e., private courts, support groups, etc.) that develop on the market, so too will institutions develop that serve to protect the individual and his property. Moreover, individuals will be able to meet their specific needs and requirements in terms of service level, quality and cost.

While Tullock realizes and accepts that continuous dealings, at least for immediate transactions, will serve to facilitate societal relations, he clearly underestimates the importance and role that they play in the interactions between

For more on private security, see Benson, 1990: 357-374, 1998: 94-126 and Hoppe, 1989. See Soto, 1989 for an interesting discussion on the emergence of self-defense organizations formed by street vendors in Peru to protect the area they have claimed for their place of business, especially pp. 69-71, 85-86.

¹⁷ Concerns are often raised regarding the interaction of competing protection groups and if it would result in large-scale violence. On this issue Rothbard writes:

“Wouldn’t the agencies always be clashing? Wouldn’t ‘anarchy’ break out, with perpetual conflicts between police forces as one person call in ‘his’ police while a rival calls in ‘his’?...To assume that police would continually clash and battle with each other is absurd, for it ignores the devastating effect that this chaotic ‘anarchy’ would have on the business of all the police companies...” (1978: 220-1).

For a more detailed analysis of the private production of defense, see Hoppe, 1999. For a discussion of private police/security and the interaction of competing agencies and private prisons, see Sneed, 1977.

¹⁸ Stringham also discusses the “private judicial system” that develops in universities to resolve potential conflict (1999: 57).

individuals on the uninhibited market.¹⁹ The key elements of continuous dealings are the reputations of those involved which are “a function of the subjective attitudes and beliefs about him [them] contained in the minds of other people” (Rothbard, 1982:126). It is widely accepted that on the free market, entrepreneurs, driven by the profit motive, will attempt to maximize profits and minimize losses. In an effort to maintain their current market share and gain new market share, the entrepreneur will attempt to best meet customer needs in terms of quality, service, and price – all of which are crucial aspects of a seller’s reputation. As Benson writes:

“...entrepreneurs who want to be in business for a long time have the incentive to invest in building a good reputation by providing a good value for the money and standing behind the product...The resulting reputation becomes increasingly valuable, and loss of such a reputation can be very costly (1998:145).

This is seen in advertisements, the purpose of which is to establish a brand and shape the image, and therefore the reputation, of the seller. Additionally, Benson notes how we also observe firms guaranteeing their products and services and offering continued maintenance services in order to strengthen their reputation. We see the value placed on reputation when an acquiring firm makes a goodwill payment – the price of the reputation of the firm – to the sellers. As Stigler points out, “Reputation is a word which denotes the persistence of quality, and reputation commands a price (or exacts a penalty) because it economizes on search” (1961: 224). One might question what is to be done in those

¹⁹ Interestingly, in a later article, Tullock shifts his position and seems to recognize the great importance of continuous dealings in the market:

“In ordinary life we engage in many transactions with other people in which there is potential profit for both parties from some kind of cheating. Normally, we do not see much of this cheating...If we worried about it, we would...take precautions, with the result that socially we would be worse off by the cost of these precautions...What Adam Smith called “the discipline of continuous dealings” takes care of the matter...We shall see that Smith was right, and there are some cases, indeed practically very important cases, where what appears to be a prisoner’s dilemma in fact leads to cooperative behavior” (1985: 1073).

It must be noted that although in this later article Tullock is more favorable toward the role of continuous dealings, he does not explicitly apply it to longer-term credit transactions.

situations where the reputation of one of the trade participants is unknown. This is a clear market opportunity for an entrepreneur to provide information regarding the reputation of the seller and his product.²⁰ These information sources will also aid in overcoming the problems of fraud, stealth and deception which Tullock raises.

Additionally, even with the coercive state, we see entrepreneurs providing services which record and make available comments and complaints about various sellers to members.²¹

While Tullock recognizes the possibility of continuous dealings for immediate transactions, what are we to say about longer-term, credit transactions? While it is true that these longer-term transactions involve issues which are not present in immediate transactions, recent research (Stringham, 2002) has shown that we need not abandon the

²⁰ There is a wide range of examples of such services: “Consumer Reports” magazine which provides information, testing and rankings of numerous consumer products, 1-800-Dentist which provides information on dentists to potential customers and Moody’s, Standard & Poor’s and Morningstar which provide financial analysis and rankings for various companies in many industries. Tullock uses the example of a real estate broker who has assisted him in selling a house and who where “...very knowledgeable not only on what was in the market and the legal precautions necessary to see to it that I was not cheated, but also on the reputation of various parties” (1985: 1081). In the same paper, Tullock recognizes the importance of reputation when he develops a game theory framework for the discipline of continuous dealings. “A reputation for being “sound” is a valuable asset, and we would expect people to make every effort to get it” (ibid: 1078). The importance of reputation is obvious when the game is played in continuous rounds. In such a setting, it makes sense for those involved to cooperate so others will continue to interact with them in future rounds. If in fact, someone does play a non-cooperative strategy, Tullock notes:

“Almost certainly, he would have to offer some-side-payments until he had established something in the way of a reputation...Anyone who chose to defect in any given game would, in essence, put himself in a situation where it would be extremely difficult for him to get partners for any future game. In all of these cases, the prisoners’ dilemma vanishes because the individual players have a strong desire to establish credibility... (ibid: 1075-76, 1078).

For a further discussion of the role and importance of reputation in social interaction, see Klein, 1997.

²¹ Examples of services that provide information on sellers are credit card companies, credit rating agencies and Ebay. Of course, the only way for an individual to completely avoid fraud and deception, even in the presence of a coercive state, is to cease trading and interacting with others. In addition to the institutions which will develop on the market to prevent these problems, what is needed are the mechanisms for dealing with them if they do in fact occur. In addition to the private courts, support groups, etc. discussed above, we see institutions arise to remove uncertainty from social interaction. One such example is credit card companies protecting their customers from fraud by agreeing to investigate and remove customer responsibility for fraudulent charges. Such guarantees provide incentive for interaction and minimize uncertainty.

Interestingly, Tullock fails to address the possibility that government agents will deceive and fraud the ruled. Since other potential competitive government organizations are to be banned, and “fees” are charged no matter what, what are the ruled to do if they are even able to recognize such fraud and deception?

concept of continuous dealing and can rest assured that the market will provide efficient mechanisms and institutions to facilitate such transactions. Writing on the role of reputation and continuous dealings in the development of financial markets in seventeenth century Amsterdam – in the absence of state involvement – Stringham states:

“The fact that it was open to newcomers who had to build their reputation indicates they used a multilateral reputation mechanism...it was an informal institution that created incentives for bargains to be upheld. Although the Bourse was not a club that could exclude all cheats, brokers could boycott those they deemed unreliable. Since traders developed reputations it was in their incentive to act in a dependable manner...At the Amsterdam Bourse each broker had to work to get customers. Capitalists and merchants were able to make the trades themselves so they would only choose to go to the broker and pay his fee if they were getting value out of such an arrangement. When confronted with this situation we would expect the brokers to act judiciously...Deals struck at the spur of the moment were presumably without formal contracts, yet they did not break down. In such an anarchic market it is not feasible for brokers’ contracts to be continually reviewed and adjudicated in the courts, yet in the absence of legal oversights we see that bargains are kept. Because of the discipline of continuous dealings, such honesty, cooperation and accuracy is not surprising” (2002).²²

Yet another potential market solution to potential difficulties in longer-term dealings is for a third party with a well known and highly regarded reputation to vouch for and insure execution by the party with a lesser known reputation in exchange for a fee. In this case the third party that vouches for those involved in the transaction assumes responsibility in the case of default. Furthermore, as we have discussed, customary law will develop over time to facilitate longer-term transactions through contracts and the enforcement of such transactions. One such example is the law which governs international commercial law which Benson characterizes as:

“...a universal law. It has moved away from the restrictions of national law, thus overcoming the difference in the political and authoritarian legal systems of the world...The merchants themselves are the only potential source of...uniformity...and their agreements have to produce that uniformity since agreements between governments are unlikely. Arbitration and mediation are the means of resolving disputes in international trade. The decisions and agreements that arise are not backed by government, but by the reciprocal arrangements of the international commercial community. Many international trade associations have their own conflict resolution procedures...The international Law Merchant, free from the dominant influence of governments

²² As Stringham indicates, markets developed for a wide-range of financial products including equities, options, forwards and other derivatives which were longer-term credit transactions.

and localized politics, has developed and grown much more easily and effectively than has the intra-national commercial law of most nation-states” (1990b: 229).

We have now illustrated how laws, rules and enforcement mechanisms can and do develop in the uninhibited market. Additionally, we have seen the important role that continuous dealings play in social interaction in the absence of the state. There is one further noteworthy point that must be considered. Tullock seems to place blind faith in the ruling group to rarely abuse their power and when abuse does occur, he relies on other members of the ruling group to discipline those who have acted inappropriately. This discipline will supposedly occur at the hands of a “posse,” voluntarily formed and composed of the ruling members, which will inflict a punishment on the offender. However, Tullock fails to consider the same possibility occurring on the market to deal with conflict. As discussed above, there are many historical examples of the formation of support groups to assist members in settling disputes. This glaring oversight is even more interesting because Tullock fails to suitably apply methodological individualism – a cornerstone of public choice analysis – to his study. That is, if we are to assume that individuals, as economic actors, act in a rational, self-interested manner, why are we to assume that as rulers they will act on behalf of the ruled and not in their own, self-serving interest? If the ruled are dissatisfied with the rulers, Tullock concludes that they should seek to throw them out. This is a dubious possibility since Tullock believes that the ruling group should have the ability to grant itself a monopoly over governing – that is, the ability to outlaw all other competing organizations that might form. If this is the case, why couldn’t that same government prevent the ruled from ousting them from their

positions of power via the threat of force?²³ Once these factors are considered, Tullock's theory of government, grounded in continuous dealings and the discipline of the ruling group from within, is significantly weakened. The check on government that we are left with is simply that the rulers will want to maximize their income and therefore will want to provide incentives to the ruled to maximize output. But since Tullock has given the government the ability to grant monopolies at will, what would stop the rulers from simply demanding that the ruled work using the threat of force?

Conclusion

In this paper, we have reconsidered Tullock's analysis of social interaction in the absence of the state. In doing so, we clarified what is meant by the term anarchy and contemplated the market provision of the various institutions – laws, courts, enforcement mechanisms, information services, etc. – which would (and do) develop to facilitate social interaction. In considering the possibility of the market supply of these institutions, we were able to realize the key oversights in Tullock's analysis. Moreover, we are able to recognize the inaccuracy of Tullock's conclusion which rests on the unsupported assumption that the perceived problems that arise in anarchy can somehow be averted by a coercive government. This in turn assumes that there is a fundamental

²³ Along the same lines, Tullock's government could also outlaw any private watch groups that pose a potential threat to their ruling power. Tullock's fear of fraud, stealth and deception should apply even more so to a coercive state given its ability to outlaw those mechanisms that arise in the uninhibited market to disseminate information about the parties involved in transactions. Tullock recognizes this in his later work when he notes that if people are to free to change their jurisdiction, and therefore their government, "then governmental 'cheating' has only short-run payoffs...It is, indeed, true that the freedom to change what government you serve under will make it easier for you to better your lot. It is also true that the privilege will mean that governments, regardless of their formal structure, will find it necessary to pay considerable attention to the wishes of their citizenry" (1985: 1080).

This conclusion supports the case for anarchy and competing government organizations as compared to a single, coercive government with the monopoly power to outlaw competing groups which may pose a potential threat to its ruling power.

difference between how the strong will act in the absence of the state compared to how they will act in its presence.

We can conclude that in exploring “genuine anarchy” as Tullock sets out to do, a contemplation of the potential market provision of the key institutions to facilitate social interaction must also be considered as a viable option. This involves extending the realization that individuals act in a rational, self-interested manner to the analysis of social interaction without the state. In doing so, one will realize the importance of social interaction and cooperation and the very real possibility of individuals aligning and associating with various market supplied institutions to enable such interactions.

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