

SUBSCRIBE NOW AND RECEIVE *CRISIS AND LEVIATHAN** FREE!



"*The Independent Review* does not accept pronouncements of government officials nor the conventional wisdom at face value."

—**JOHN R. MACARTHUR**, Publisher, *Harper's*

"*The Independent Review* is excellent."

—**GARY BECKER**, Noble Laureate in Economic Sciences

Subscribe to [*The Independent Review*](#) and receive a free book of your choice* such as the 25th Anniversary Edition of *Crisis and Leviathan: Critical Episodes in the Growth of American Government*, by Founding Editor Robert Higgs. This quarterly journal, guided by co-editors Christopher J. Coyne, and Michael C. Munger, and Robert M. Whaples offers leading-edge insights on today's most critical issues in economics, healthcare, education, law, history, political science, philosophy, and sociology.

Thought-provoking and educational, [*The Independent Review*](#) is blazing the way toward informed debate!

Student? Educator? Journalist? Business or civic leader? Engaged citizen? This journal is for YOU!



*Order today for more **FREE** book options

SUBSCRIBE

Perfect for students or anyone on the go! *The Independent Review* is available on mobile devices or tablets: iOS devices, Amazon Kindle Fire, or Android through Magzter.



Self-Governance in San Pedro Prison

◆

DAVID B. SKARBEEK

History provides many examples of self-governing communities that maintained extensive economic exchange and order despite the absence of a government that enforced the law or protected property rights. In such cases, individuals engaging in economic activity with different groups or with others in a single group must develop self-enforcing mechanisms that will induce cooperation, such as abiding by contracts. Individuals facilitate cooperation by various means, including reputation, signaling, and commitment mechanisms, which allow self-enforcing exchange in a diversity of situations. For example, Edward Stringham (2003) identifies the self-enforcing mechanisms that facilitated the rise of seventeenth-century stock exchanges in Amsterdam. Exchange occurred among medieval traders with the assistance of institutions such as the law merchant (Greif 1989; Milgrom, North, and Weingast 1990). Peter Leeson (2007b, 2008) identifies the signaling and commitment mechanisms that facilitated exchange in precolonial African trade. Emily Schaeffer (2008) examines a modern-day manifestation of these types of self-enforcing reputation mechanisms in the case of Hawala traders, who act as intermediaries in international financial transactions. For a contemporary stateless society, Benjamin Powell, Ryan Ford, and Alex Nowrasteh (2008) find that Somalia's relative economic performance has improved during its period of statelessness. (See Stringham 2007 for an excellent collection of related essays on anarchy and the law.) These studies demonstrate the remarkable variety of situations in which people benefit from mutually beneficial exchange and establish order without the assistance of the state.

David B. Skarbek is a Ph.D. candidate in economics at George Mason University.

The Independent Review, v. 14, n. 4, Spring 2010, ISSN 1086-1653, Copyright © 2010, pp. 569-585.

In these studies, no particular bias exists that causes the people involved to be relatively uncooperative, so it is unclear how robust the outcomes are compared to those for less-cooperative individuals.¹ To understand better the role of the agents' type in self-enforcing exchanges, I examine here how inmates of the San Pedro Prison in La Paz, Bolivia, where inmates must govern themselves, overcome particularly serious impediments to the establishment of order. Cooperation among prison inmates is especially unlikely because criminals have high discount rates, lack the ability to exclude noncooperators from their community, and cannot migrate away from predatory groups. Nonetheless, San Pedro Prison has not deteriorated into a predatory environment in which a single group abuses others. On the contrary, inmates have secure, long-term property rights in their housing and other valuable resources and engage in extensive economic exchange; and outsiders voluntarily associate with and even live among the prisoners.

Past research on self-governance in a prison environment examined the Andersonville prison camp that operated in Georgia during the War Between the States and concluded that such an institutional setting was likely to produce a dominant predatory group (Hogarty [1972] 2006). Opening in 1864, Andersonville quickly filled with captured Union soldiers. The prison received more than forty thousand inmates, 40 percent of whom died (Costa and Kahn 2007). The survivors suffered at starvation levels of subsistence and were plagued by sickness and disease, and many endured physical abuse by other inmates. Bands of "Raiders" brutalized, pilfered, and abused newly arriving prisoners. Thomas Hogarty ([1972] 2006) cites MacKinlay Kantor's (1955) depiction of the Raiders' robbery of these "fresh fish."² The leader of the Raiders, John Sarsfield,

shouldered forward and wrenched the [blanket] roll away from the nearest prisoner. The man hallooed, Sarsfield knocked him flat, the balance of the fresh fish leaped toward Sarsfield, Sarsfield's Raiders swatted, stabbed, kicked. This fight was over in less than a minute. Six of the [new prisoners] lay on the ground and the rest had fallen back into the watching throng—several others shy of their blanket rolls, as was the first man. All of the new-come prisoners were bleeding, two were unconscious. Sarsfield's Raiders were the richer by eleven blanket rolls filled with combs, socks, extra shoes, Bibles (these could be bartered), gilt melaineotypes, housewives, knives, eating utensils, and name-it-if-you-like. (Hogarty [1972] 2006, 107)

1. Other studies have examined self-governance among biased agent types; for example, Leeson 2007a examines order among eighteen-century pirates, and Skarbek forthcoming investigates self-governance in a California prison gang.

2. Hogarty's article, originally a part of Gordon Tullock's (1972) collection *Explorations in the Theory of Anarchy*, is reprinted in Edward Stringham's thought-provoking 2006 collection of essays on public choice and anarchy. The latter book includes essays by members of the Virginia School of Public Choice, such as James Buchanan and Gordon Tullock, who criticize anarchy. The volume then presents essays defending anarchy, including work by Scott Beaulier, Christopher Coyne, Peter Leeson, Benjamin Powell, and Virgil Storr (all listed in the references).

Only after another group of prisoners, known as the Regulators, grouped together with the assistance of the prison guards were the Raiders overthrown and order restored.

Hogarty argues that the events at Andersonville show that situations of self-governance will necessarily be chaotic. In particular, he finds evidence confirming the hypothesis that self-governing communities will give rise to domination by a group of people—the most “criminal” ones—over other, productive members of the community, and the dominators will attack the others to benefit themselves. The dominant group will consist of the most criminal individuals because, according to Hogarty, they will “‘feel more at home’ than they did in the society of rules” ([1972] 2006, 108, 100).³

In general, prisons differ from a situation approximating anarchy in several important ways that make order more difficult to achieve. First, as Virgil Storr notes, prisoners have few opportunities for productive enterprise (2006, 120).⁴ Some trading occurred in Andersonville, but the extent of the market was greatly restricted. With few options for productive enterprise, it is more likely that people will come into conflict, biasing prisons toward more violence and less order. Second, prisoners have few resources with which to protect themselves from roving bandits in the facility. Inmates at Andersonville, for example, lived in tents in an open field. Inmates in typical prisons in the United States lack the materials and authority to construct secure buildings to protect their property and lives. Third, exit from prison is impossible. As Storr (2006) argues, freedom of exit is an important mechanism for checking the power of potential predators in a community (see, for example, Nozick 1974), and the inability to exit makes violence more likely than in an ideal situation of anarchy. Fourth, the Andersonville prison was necessarily temporary in nature: the imprisoned soldiers expected to be released at the war’s conclusion. They believed that the Union would participate in a prisoner-exchange program and free them from Andersonville *very soon* (Marvel 1994, 92, 157). Their short time horizon discouraged capital accumulation and reduced the potential gains from repeated dealings. Most prisons prevent inmates from investing resources productively and thereby prohibit an important method of keeping order in anarchy.⁵ Thus, prisons represent a particularly difficult situation for self-governing mechanisms, relative to an ideal state of anarchy, where production and exchange are possible, exit may occur, and group selection processes can sort members.⁶

3. For a recent survey of public choice and the economic analysis of anarchy, see Powell and Stringham 2009.

4. Storr’s (2006) critique also argues that Hogarty equates anarchy with chaos.

5. Hogarty’s analysis seeks to identify the endogenous formation of a dominant group, but in Andersonville the prison guards actively intervened by supplying the Regulators with clubs to attack the Raiders (Hogarty 2006, 107). For a better analysis of Hogarty’s hypothesis, the environment under study must exclude exogenous interference.

6. One aspect of prison makes order easier to achieve: prison guards may effectively protect the inmates from external threats.

In this article, I examine successful self-governance in a Bolivian prison, which, because the facility differs from the typical prison, provides insights into the mechanisms that facilitate order. Inmates effectively govern themselves because of two institutional features of this unique prison that move it closer to a situation of anarchy than most prisons. First, inmates are allowed to engage in economic exchange within the prison—for example, by opening restaurants, offering carpentry services, and operating commissaries. In addition, prison guards allow nonprisoners to enter the facility, so economic exchange with people outside the prison walls creates a greater division of labor and improved economic opportunities. The freedom to exchange raises the cost of engaging in conflict and provides resources to protect an inmate's person and property.

Second, secure property rights and well-established markets (including for inmate-owned cells) exist in the prison. These markets, which inmates expect to persist into the future, provide incentives to invest resources in productive ways. Because the inmates are the residual claimants, owners of prison real estate have incentives to create and enforce rules to protect their property's value. These rules include homeowners' associations and committees to adjudicate disputes and resolve conflict. The primary factors that facilitate establishment of a self-governing community are an increasing division of labor, economic exchange, residual claimants with secure property rights, and well-established markets that people expect to persist. I find in this case that even under the unfavorable conditions that a prison presents, such as a biased agent type and immobility, self-governing communities can accomplish order.

Obtaining accurate information about the activities in an inmate-governed foreign prison presents a challenge because no official documents report on the facility. Three types of firsthand accounts of San Pedro Prison, from diverse perspectives, provide evidence. First, an inmate incarcerated for almost five years for smuggling cocaine recounts in detail his experience in San Pedro Prison (Young and McFadden 2003). He explains the prison's organization, the inmate economy, formal rules created by the inmates, and the social norms.⁷ Second, official reports prepared by governments and nongovernmental organizations—including reports by the U.S. Department of State, the National Lawyers Guild, and the Inter-American Commission on Human Rights—provide evidence.

Finally, a unique source of evidence consists of the reports of nonincarcerated people who have taken inmate-led tours of the prison. Prison administrators do not officially approve of these tours, but for a small bribe to the guards, tourists can enter the prison. According to one journalist, the tour costs \$35 and lasts about two hours, and the inmates give tours to approximately fifty people a day (Baker 2009). For an

7. Personal accounts from prisoners provide important insights that are difficult to obtain from other sources. For example, Marek Kaminski's (2004) important work identifies and models the informal norms in a Polish prison based on his own experience as a political prisoner.

extra fee, tourists can stay in the prison overnight (Young and McFadden 2003). Lonely Planet's guide to Bolivia describes the prison tour as one of the "world's most bizarre visitor attractions" (Swaney 2001, 159). Short tours by international visitors cannot shed light on many aspects of the prison, such as the system of social norms among inmates, but reports from these visitors confirm many aspects of prison life documented in alternative sources. In addition, the tours' very existence testifies to the social coordination within San Pedro Prison. Given the obscurity of the environment of study, judging the reliability of any particular personal account is difficult, so whenever possible I use these multiple sources to corroborate facts.

San Pedro Prison: Self-Governance behind Bars

San Pedro Prison sits in downtown La Paz, Bolivia. Like correctional facilities in the United States, it has tall, concrete walls around it and guards who stand ominously at its gates. However, unlike prison officials in the United States, those at San Pedro do little more than prevent inmates from escaping—no guards maintain order inside the prison. The guards' primary job is to keep the inmates inside the prison and to call the roll once a day (Romei 2003; Young and McFadden 2003, 141). Inmates do not wear uniforms; bars do not block the cell doors and windows (Estefania 2009). According to a report by the National Lawyers Guild, "the prison administration provides no rehabilitation services, no schools, and minimal health care" (Baltimore et al. 2007, 24). In fact, inmates must pay for any medical services they receive, and the inmates themselves provide these services (Young and McFadden 2003, 58–61). About food services, the guild reports, "Although the prison provides a gruel-like soup and bread twice a day (and meat twice a week), prisoners report that it tastes bad and causes ulcers and hepatitis. Therefore all those who can afford it purchase or cook their own food. The kitchen itself was filthy, and the prisoners working in the kitchen were there as a three month form of unpaid punishment, so they had no incentive to do their job well" (Baltimore et al. 2007, 24). A delegation from the Inter-American Commission on Human Rights concurs that the "food is not properly prepared, which might lead in many cases to epidemics and gastrointestinal infections, and that food is also insufficient, obliging many prisoners to pay for their own food, if they have the money to do so" (Organization of American States 2007, 54).⁸

Designed to hold 250 inmates, San Pedro Prison now houses from 1,300 to 1,500 (Ceaser 1998; Organization of American States 2007, 49; Estefania 2009).⁹ In addition, many inmates' wives and children also reside in the prison. Prison officials do not assign cells to inmates, who must purchase their own living quarters from

8. Andersonville prison guards similarly provided small rations of poor-quality food to inmates (Marvel 1994). As at San Pedro, the rations were often insufficient to meet the inmates' nutritional needs.

9. Officials likewise crowded into Andersonville more than four times the number of prisoners for which the camp was designed.

other inmates. The members of this prison community must provide for themselves without assistance from their jailers.

Inside the prison, officials do not protect property rights, enforce contracts, or do anything to prevent the rise of a dominant group. The guards are “cowed, outnumbered, or corrupt enough that their goal is merely to keep the inmates in, and leave maintaining the prison to [the prisoners]” (Gassaway 2004, XX).¹⁰ The inmates are unconstrained by bars or armed guards, and they “have complete freedom of movement within the prison” (Baltimore et al. 2007, 23). The police do not enter the facility, but instead focus on maintaining external security and inspecting visitors (Organization of American States 2007; Estefania 2009). The National Lawyers Guild concludes that San Pedro Prison is “essentially self-governed” (Baltimore et al. 2007, 23).

Inmates must mediate all conflicts that arise inside the prison. The primary means by which they do so is through democratically elected representatives from the eight different housing sections inside the prison (Estefania 2009). Housing sections have developed disciplinary committees to adjudicate disputes and punish misconduct (Romei 2003). For example, in one case of theft committed inside the prison the disciplinary committee beat the “convicted” inmate with sticks (Romei 2003). Rusty Young (2009), a writer who lived in the prison for four months, explains that inmates commonly use the section representatives to mediate conflict, which he says is one of the representatives’ primary jobs.

Section representatives also have the power to send inmates to isolation cells (Young and McFadden 2003, 279). These cells resemble those in a more traditional prison: official prison guards (not prisoners) oversee the small cells, control prisoner movements, and provide meals. Prisoners in these isolation cells have no access to shops or restaurants, as the other prisoners do (Young and McFadden 2003, 293–306).¹¹ If the inmate continues to misbehave after returning to the prison community, the section representatives may request his transfer to the maximum-security Chonchocorro Prison. The threat of banishment to this more restrictive and dangerous prison gives section representatives additional power to motivate good behavior on the part of potentially violent inmates.¹²

Representatives of each housing section manage their communities much as a neighborhood association does—adjudicating disputes, providing “club” goods, and

10. Reports from former inmates and from the U.S. Department of State also indicate that guards will allow inmates out of the prison for a price. “Ability to pay can determine . . . day-pass eligibility . . . even length of confinement” (U.S. Department of State 2000; See also Young and McFadden 2003, 141–49).

11. Prison officials can affect life inside the prison, for example, by transferring inmates to different prisons or by raiding the facility in search of weapons. In one instance, news reports about cocaine distribution inside the prison allegedly motivated prison officials to send an inmate into these isolation cells (Young and McFadden 2003, 283, 293).

12. No evidence exists to explain the prisoners’ choice between external enforcement (the incarceration cells) and internal enforcement (inmate-led assaults). The choice made may depend on the perpetrator. In the past, the prisoners have used external enforcement for violent criminals and more serious offenses.

organizing community activities. Inmates campaign for positions in each housing section, including positions as representative, treasurer, discipline secretary, culture and education secretary, sports secretary, and health secretary. To be eligible for an elected position, an inmate must have lived in the prison for more than six months, have an unmortgaged cell, and have no outstanding debt (Young and McFadden 2003, 279).¹³

In Andersonville, the Raiders often attacked newly arriving inmates because the new prisoners were not prepared to defend themselves. To protect newcomers in San Pedro Prison, the inmates' Reception Committee greets them when they enter. The Inter-American Commission on Human Rights explains that the Reception Committee, consisting of volunteer inmates, protects the "newcomer from abuse by other prisoners, and advise[s] him of the rules he must respect within the prison, and the rights he will enjoy. The committee works with the newcomer to find him lodging" (Organization of American States 2007, 53, citing the "General Direction of Prisons"). Inside the prison, the Catholic Church welcomes some newly arriving inmates with a cell, and Bolivian churches and charities provide money, clothes, antibiotics, and food to some prisoners (see, for example, Young and McFadden 2003, 60).

Although these housing section representatives and committees reduce conflict in the prison, inmates do act violently against one particular group, sexual offenders, whom they punish brutally (Burnett 2003; Young and McFadden 2003, 176–81). An inmate explains that when a sexual offender arrives, the other inmates throw him into a pit, assault him, and sometimes kill him (Young and McFadden 2003, 176–81). The U.S. Department of State also reports for the year 2005, "Several deaths due to violence in prisons occurred during the year, including the death of a child molester/rapist who was killed by his fellow inmates" (2006).

Violence obviously occurs in the prison. For example, in 1997 an inmate raped and murdered a girl during a New Year's Eve celebration (Ceaser 1998; Young and McFadden 2003, 328). During the daytime, violence is relatively contained, but at night inmates sometimes "steal from each other and fight with knives" (Estefania 2009). At one point, official prison estimates indicated that "about four deaths a month [occurred] from both natural causes and 'accidents'" (Estefania 2009). According to Young, the most common motivation for stabbings is drug addicts' failure to pay debts to prison drug dealers. However, "on the whole, [the prison is] fairly ordered" (2009).

13. Although the evidentiary sources provide no explanation for these rules, it is likely that effective governance in these roles requires knowledge of the prison. Having been incarcerated for at least six months provides assurance to inmates that the representative has the requisite abilities. Having no debt or mortgage on one's cell may indicate the individual's interest is sufficiently encompassing to provide him with an incentive to make good decisions while in office. These requirements might also signal that the individual has disciplined financial habits and is not addicted to base cocaine (as many prisoners are).

Some inmates exert an influence on the prison economy. “There weren’t any standover men demanding protection money from you,” explains a former inmate, “but there were certain powerful people who you knew you had to look after” (Young and McFadden 2003, 229). Violent inmates reside in the prison, but they apparently compete more often in the marketplace rather than with violence. For example, one tour guide explains that the people who “controlled the economy of the prison liked to run everything themselves, so they tried to set up rival tour operations in order to run me out of business” (Young and McFadden 2003, 217). Thus, rather than extorting or killing the tour guide, the inmates offered competing services in the prison economy.

Violence against tourists rarely occurs. The most popular tour guide claims that on only one occasion did a tourist have his pocket picked. On that occasion, the tour guide located the thief, physically assaulted him, and returned the wallet to the rightful owner (Young and McFadden 2003, 273). Estimates of fifty tourists per day visiting the prison suggest that the facility is fairly safe (Baker 2009).

The central feature of Hogarty’s hypothesis is that subordinate groups in a self-governed prison will be subject to violence from a dominant group composed of the most criminal individuals. At San Pedro, however, no dominant group attacks weaker groups. When violence occurs, it often involves the prison community at large (rather than only the worst inmates) and serves to protect the community from sexual offenders. Prisoners use violence to increase the prison’s safety, especially for the women and children who live there, rather than to benefit a dominant group. Violence of this nature is more akin to providing a service to the community than to providing private redistributive benefits to a dominant group.

One potential exception to these peaceful relations is that inmates reportedly dislike and attack people from the United States. The only evidence of such action, however, is a story about how inmates mistook an English prisoner for an American and attacked him on several occasions (Young and McFadden 2003, 85, 89–91). Many Bolivian prisoners reportedly dislike the United States because they blame its drug policy for their incarceration (Young and McFadden 2003, 104). However, Young (2009) saw no Americans among the prisoners during his time in San Pedro, so it is not possible to examine the welfare of this group in light of this claim. That American visitors tour the prison in safety casts doubt on the claim.

In Bolivian prisons, inmates’ families may live with them. According to Article 26 of Bolivia’s Law on the Execution of Criminal Sentences, the government allows children under the age of six to live with incarcerated parents, but prison officials have not prevented older children and wives from living with incarcerated relatives as well (Llana 2007; Organization of American States 2007, 55). According to penitentiary system director José Orias, “It’s a custom that was permitted and no authority wanted to put a stop to it. The previous administrations wanted to ingratiate themselves to the prisoners rather than enforce the law” (Ceaser 1998). As a result, whole families live behind bars, with the inmates’ children and spouses free to enter and exit as they

wish, subject to a small fee to the guards (Gassaway 2004; Baker 2009). Commenting on this familial incarceration, a journalist explains that “the arrangement provides a type of social security that the inmates’ immediate families don’t get from either their extended families or the state. Without the father working, women must find jobs, not act as caretakers. In other cases, mothers themselves are in jail or have abandoned the family altogether. When whole families move in it’s often for moral support, to keep the family together, and because, in many instances, they have nowhere else to go” (Llana 2007). For some families, the prison provides a better living environment than their own community outside the walls does.

Estimates of the total number of children behind bars in the country range from 654 to 1,624, depending on the year (U.S. Department of State 2000, 2002, 2003). Recent estimates indicate that 211 children reside in San Pedro Prison: “there are 118 boys and 93 girls living with their fathers. Of these, 107 children are younger than 6, 74 children are between the ages of 7 and 12, and 30 children are older than 12” (McFarren and Poslu 2009, 1). Social workers report that the number of children rises to approximately 400 around Christmas because “during vacation, they all come to visit an uncle or a brother” (Ceaser 1998).

One eight-year-old who had lived in the prison for a year stated that she had no problems and explained, “I like it here . . . I have friends, there are lots of fruits and my dad’s here.” The prison, however, is certainly not an ideal environment for children. One ten-year-old commented: “There are thieves, rapists, murderers. . . . In the mornings they’re high on drugs, at night sometimes they steal and the young men fight.” But, he said, they also “have everything here, free lunches, free bread. . . . We play soccer, jump into the pool” (Ceaser 1998).¹⁴

The prison has an inmate-run parents’ association. The group’s president says that the parents ensure the safety of the prison for their children (Llana 2007). He admits that some inmates abuse drugs and curse, but he says they are the minority. The prison parent’s association holds inmates accountable for their behavior toward children: “If anything happens [to the children], we call a meeting, and [the prisoner responsible is] immediately punished. . . . It is more secure in here than out there” (Llana 2007).

The inmates follow one particular rule closely: no fighting in the presence of children. When conflict occurs among inmates and a child is nearby, the inmates must immediately stop fighting. According to a former inmate, prisoners follow this rule closely (Young and McFadden 2003, 90–91, 333). Young says, “That’s one of the most important rules. I saw it happen myself. Mid-fight, they stopped, held their positions when a child went past, then continued belting each other when the child had passed” (2009).

14. Rather than becoming more prone to criminal behavior, this child explains that growing up in prison encourages him not to break the law: “Entering jail means losing years. . . . Being shut in is bad” (Ceaser 1998). A priest who works in the prison supports the policy of allowing families to enter the facility because the “[t]he worst family is always better than the best institution.” In fact, he argues, “[t]he kids here humanize the prison” (Llana 2007).

As noted, violence and crime clearly occur inside San Pedro Prison. Inmates assault and sometimes kill sexual offenders and other inmates; some prisoners steal from and attack each other. However, the limited evidence available suggests no dominant group systematically attacks subordinate groups for its own benefit. Rather than preying on the weakest groups, as the Raiders did in Andersonville, San Pedro's prisoners have established rules that protect the weakest groups, including new prisoners, women, and children. That women and children choose to reside in the prison suggests that, for them, it provides a better home than is available outside the prison.

The Prison Economy

Because women and children are free to enter and exit the prison, they facilitate economic exchange between inmates and people outside the prison. Women also bring substantial amounts of resources into San Pedro. The ability to exchange with people both inside and outside the prison provides inmates with an opportunity to engage in productive activity.

In Andersonville, "*very few* prisoners were able to engage in normal labor activity profitably . . . [and] the volume of [business] depended, *inter alia*, on the proprietor's ability to discourage the presence of raiders in their midst" (Hogarty [1972] 2006, 107, emphasis in original). Economic exchange necessitated protection from the dominant group. In San Pedro, despite the lack of government protection, the inmate-established order protects property rights well enough to facilitate a vibrant economy.

One inmate explains that inside San Pedro Prison, "everything [is] about money. And I mean *everything*" (Young and McFadden 2003, 81, emphasis in original). The prison, "apart from being a social microcosm, is also a microeconomy that operates under basic capitalist principles. In fact, it's probably more efficient than the whole Bolivian national economy" (107). Inmates cannot rely on prison officials "for anything, not even to maintain the buildings, so everything that need[s] to be done or bought [is] done or bought by the prisoners themselves. And because of this, anyone who [isn't] independently wealthy [has] to have a job" (134).

Because inmates must pay for their cells and the prison food is unsanitary, inmates find ways to earn incomes to provide for their needs. Many own small grocery stores, restaurants, barbershops, butcher shops, and copying centers (Baltimore et al. 2007, 23; Baker 2009; Estefania 2009). Some inmates offer carpentry services to those who want to improve their living arrangements. The owner of a food stall explains: "Not everyone likes the food in the canteen, so we sell snacks and sandwiches here for inmates and for their families when they come to visit. . . . The chorizo sandwich with tomato and salad costs three bolivianos [about forty-three cents]. With the money I make, I pay my rent and keep a few bolivianos for cigarettes" (Estefania 2009).

Many inmates manage profitable businesses in the prison, especially those who had experience in a trade before their incarceration. According to one inmate, during the time he was at San Pedro the prison's economy included

cooks, painters, restaurateurs, carpenters, electricians, cleaners, accountants and doctors. There were *artesanos* who sold their artwork and tiny handicrafts—such as paintings and figurines—to visitors. There was even a lawyer in for fraud, who, although he obviously couldn't accompany them to court, offered cheap legal advice to inmates. Basically, anything you wanted done or anything you wanted to buy, you could, and if they didn't have it, someone could get it in for you for a small commission. But in fact, many of the services were actually cheaper than on the outside, so sometimes bargain hunters came into the prison to visit imprisoned barbers and dentists who offered cut-price deals to attract trade. (Young and McFadden 2003, 134)

Inmates who lack skills in a trade earn incomes by performing simple tasks, such as shining shoes and relaying messages to inmates when they have a visitor at the prison gate. Some inmates manufacture narcotics inside the prison, and guards, women, and children smuggle the cocaine out of the prison (Young and McFadden 2003, 74, 237–39).¹⁵

Compared to Andersonville prisoners, the inmates at San Pedro have more opportunities to engage in productive activity, which reduces their engagement in violence and conflict. Economic exchange creates wealth, which inmates can use to protect their property and lives. The flourishing of markets inside the prison evinces the extent to which the self-ordering prisoners successfully enforce their property rights.

Property Rights and Established Markets

Andersonville prisoners constantly discussed the possibility of the prison's releasing them in exchange for captured Confederate soldiers (Marvel 1994, 92, 157). In contrast, inmates in San Pedro Prison have access to well-established markets inside the prison and an expectation that both these markets and the prison will persist. This permanency creates several beneficial incentives for inmates. First, the length of a civil prison sentence is more certain than the period a prisoner of war will be detained, so San Pedro's inmates can make a better estimate of the costs and benefits of investing in capital goods.¹⁶ Second, Andersonville prisoners assumed that the authorities would close the camp at the war's conclusion, which would eliminate the value of

15. The opportunity to consume high-quality drugs is apparently one reason for some tourists' interest in visiting the facility (Ceaser 1998; Young and McFadden 2003, 220).

16. Seventy-five percent of the inmates in San Pedro are awaiting trial (Estefania 2009).

prison-based investments, but San Pedro has well-developed real estate markets for selling housing to the continual flow of incoming inmates. An inmate who purchases a cell can sell it as his departure from the prison approaches. Prisoners invest more in productive activities because they have a reasonable expectation of profiting when their incarceration concludes; these investments secure their property and lives and increase their safety inside the prison.

Housing serves an important purpose for inmates—protection. Secure, locked cells give inmates a place to leave valuables and to enjoy personal safety. The National Lawyers Guild reports that inside San Pedro, the “living units are unlike cells in that there are no bars. If there are locks on the doors, the keys are kept by the prisoner who can lock his unit at any time” (Baltimore et al. 2007, 24). In Andersonville, prisoners had to rely on burying valuable goods inside or near their tents to protect them from theft. In San Pedro Prison, inmates have long time horizons and a secure property right to their residences, so they invest in more and better housing facilities, which increase their safety in the prison.

The San Pedro Prison requires inmates to purchase their cells, and inmates, to avoid sleeping in the prison’s corridors and courtyards, rent or buy their own housing from other inmates (Baltimore et al. 2007; Organization of American States 2007, 52). These accommodations vary a great deal, from bare six-by-nine-foot rooms to relatively luxurious multistory apartments (Ceaser 1998; Estefania 2009). Some inmates occupy small cells “with no ventilation, lighting, or beds. Crowding in some ‘low-rent’ sections obliges inmates to sleep sitting up” (U.S. Department of State 2001). However, as one inmate reports, “If you have money you can live like a king” (Estefania 2009). One wealthy inmate constructed a second floor to his cell and purchased a piano (Young and McFadden 2003, 134, 231; Gassaway 2004). Many prisoners have televisions, stoves, refrigerators, microwaves, and other modern conveniences (Baltimore et al. 2007, 24).

Cells at San Pedro exist in eight different housing sections named Posta, Pinos, Alamos, San Martin, Prefectura, Palmar, Guanay, and Cancha (Young and McFadden 2003, 80; Estefania 2009). The Posta, Pinos, and Alamos sections operate like gated communities, and each housing section has a rating that indicates its quality (Young and McFadden 2003, 92). During the day, inmates can freely move about all sections except the nicest one, but at night representatives of the nicer sections lock out nonresidents, usually at 9:00 P.M. (Young and McFadden 2003, 94; Baltimore et al. 2007, 24). The lower-quality housing sections do not have gates to keep nonresidents out at night, and they are dirty and house many of the drug-addicted inmates (Young and McFadden 2003, 96). These sections, according to one inmate, are “where all the stabbings occur . . . [but] it’s perfectly safe during the day. At night is when you have to look out” (Young and McFadden 2003, 96).

In a report on Bolivians’ legal rights, the National Lawyers Guild explains that in San Pedro, “[e]ach section has the feel of a neighborhood or even a small village with its own courtyard plaza and shops. The committee in charge of each section

manages the section, repairing the sidewalks or painting the walls. Each ‘directiva’ sets an assessment charge for prisoners in the section and each committee is responsible for its own budget. Inmates pay for all services” (Baltimore et al. 2007, 23). Part of a cell’s purchase price pays for access to that particular section’s amenities, and some sections have billiard tables and kiosks selling fresh juice and different types of food. Many sections even sponsor intersectional soccer tournaments (Baltimore et al. 2007, 24; Estefania 2009). Inmates enjoy gambling on matches between the sections’ soccer teams, so the section leaders sometimes buy nice cells in their sections for the most skilled players (Gassaway 2004). The Coca-Cola Company sponsors teams inside the prison and provides tables, chairs, and umbrellas in exchange for a monopoly of the prison’s soft drink business (Young and McFadden 2003, 233; Gassaway 2004).

Housing prices vary between \$20 and \$5,000, depending on the quality (U.S. Department of State 2001; Baltimore et al. 2007, 23). Inmates purchase cells for the duration of their sentences, but owners may put their housing units on the real-estate market at any time. Owners often place a “for sale” sign or hire an intermediary to sell the unit to an incoming or current inmate (Baltimore et al. 2007, 23). Inmates usually buy cells either from the prison’s major upon entry into the facility or from freelance real-estate agents. When new inmates arrive, the major provides a listing of currently available cells and acts as intermediary to sell a housing unit to the new arrival (Young and McFadden 2003, 54). According to inmates, however, the major charges about 50 percent more than when inmates buy cells on their own (Young and McFadden 2003, 80). The freelance real-estate agents work on commission, and they often place advertisements in prison restaurants and on bulletin boards in each section (Young and McFadden 2003, 81).

Each housing section charges a nonrefundable fee, usually 20 percent or 25 percent, when an inmate purchases a cell (Young and McFadden 2003, 82). These funds “cover section expenses such as maintenance, administration, cleaning, renovations and the occasional social event such as the Prisoners’ Day party every September, when the section delegates [cook] a barbecue and [hire] a band for the inmates” (Young and McFadden 2003, 81). Sections rarely refuse an inmate as long as he has paid the entrance fee and a cell is available (81). However, the more expensive sections sometimes require that a current resident recommend an applicant. In some parts of the prison, section representatives can expel residents for smoking base cocaine (94).

Inmate real-estate owners use the housing-section representatives to protect their property from squatters. Each cell owner holds a title to the property that contains such information as the room number, location, a brief description, the name of the previous owner, and the sale price (Young and McFadden 2003, 82). The owner holds the original title, and many inmates make copies and deposit them with their section register. When inmates agree on an acceptable price, they sign a sale-purchase contract in front of the section delegate, who verifies the transaction and stamps the contract with the section’s official seal. A witness also signs the contract to certify the exchange.

An inmate who cannot afford to buy a cell can rent space in someone else's cell or from an inmate who owns multiple cells. An inmate explains: "I can't afford to buy [a cell], so I rent it for 80 bolivianos (\$10; £6) a month. I am awaiting trial. I could be here another three months or two years—nobody knows. I am accused of drug trafficking. I have this cell to myself—it has a kitchenette and a tiny window to see the sun, so I guess it's not that bad" (Estefania 2009). Some housing sections will allow a poor prisoner to stay in a small room if he works for the section—for example, cleaning the bathrooms (Young and McFadden 2003, 83).

Inmates have secure property rights to their housing in the prison and access to markets, so they have an incentive to devise mechanisms for protecting their property. Democratically elected representatives coordinate the provision of club goods and safety within their community. Current residents have an incentive to maintain security in their sections and to improve their property to increase its market value. Residents in the poorer sections of the prison are less capable of protecting themselves; however, even a cell with a locking door provides some safety. Inmates at San Pedro know that a functioning real-estate market exists and will persist, so they invest in housing, which protects both themselves and their property.

Conclusion

San Pedro Prison in La Paz, Bolivia, provides an opportunity to examine the operation of self-governance in a unique environment and to identify how robust self-enforcing mechanisms are for biased agents. In contrast to the situation at Andersonville prison camp in Georgia during the U.S. Civil War, no group of individuals dominates San Pedro Prison, and the factors that allow this relatively orderly existence are those that approximate anarchy more closely. Because inmates may engage in economic exchange, have access to established markets in real estate, and hold their property rights with security from external appropriation, they have the necessary means to establish order and to engage in productive activities. Property rights in San Pedro are secure enough to allow extensive economic exchange, including in housing markets, and the prison is safe enough that many women and children choose to live there.

Violence still occurs in San Pedro, though, and many prisoners are poor and addicted to drugs. The National Lawyers Guild reports:

Make no mistake, however, the prison was as poor as most of the rest of Bolivia. With the lack of medical care and adequate nutrition (unless a prisoner had the means to purchase it), the absence of meaningful education or occupational programs and the anxiety from not knowing how long a prisoner might be confined, the punishment of the deprivation of liberty in Bolivia is still very severe. However, because family ties can be maintained and because the prisoner can actually earn money inside to help support

himself with even a little for the family outside, prison life just seemed much more approximated to life on the outside. (Baltimore et al. 2007)

Despite the hardships of living in this Bolivian prison, the violence that came to epitomize Andersonville prison camp does not characterize San Pedro Prison.

The San Pedro Prison case study provides an example of self-governance in prison that results in order because alternative institutional features mitigate violence. The violence associated with a Hobbesian jungle ignores the fact that self-interested people often have incentives to develop mechanisms to reduce conflict. These mechanisms emerge more easily when the return to productive activity improves. Specialization and the division of labor expand with the extent of the market, reducing the need to resort to violence. The arrangements in San Pedro Prison suggest that self-ordering communities in a prison can establish property rights, vibrant markets, and safety, thereby avoiding the predation highlighted in past research on self-governed prisons.

References

- Baker, Vicky. 2009. Prison Break. *The Guardian*, January 17.
- Baltimore, Beth, Antoine J. Bastien van der Meer, Melissa Brennan, Mark Burton, Mercedes Castillo, Leonard Cavise, Angela Davis, Jean Friedman-Rudovsky, Angie Mendoza, Denise Oliveira, Judy Somberg, Vanessa Spinazola, Kerrin Staskawicz, Lawrence Mark Stern, and Lee Tockman. 2007. *Report of Delegation to Bolivia: January 1–10, 2007*. New York: National Lawyers Guild, July.
- Beaulier, Scott. 2006. Polycentrism and Power: A Reply to Warren Samuels. In *Anarchy, State, and Public Choice*, edited by Edward Stringham, 178–90. Northampton, Mass.: Edward Elgar.
- Burnett, Thane. 2003. Kindergarten behind Bars. *Toronto Sun*, Sunday final edition, December 14.
- Ceaser, Mike. 1998. In Bolivia, Children Often Live with Their Fathers in Prison. *Miami Herald*, December 17.
- Costa, Dora, and Matthew Kahn. 2007. Surviving Andersonville: The Benefits of Social Networks in POW Camps. *American Economic Review* 97: 1467–87.
- Coyne, Christopher. 2006. Social Interaction Without the State. In *Anarchy, State, and Public Choice*, edited by Edward Stringham, 49–59. Northampton, Mass.: Edward Elgar.
- Estefania, Rafael. 2009. Photo Journal: Inside a Bolivian Jail. *BBC News*, MONTH XX. Available at: http://news.bbc.co.uk/2/shared/spl/hi/picture_gallery/06/americas_inside_a_bolivian_jail/html/1.stm. Accessed April 29, 2009.
- Gassaway, David. 2004. Inside San Pedro. *Old Town Review* (January). Available at: <http://www.fluxfactory.org/otr/gassawaysanpedro.htm>.
- Greif, Avner. 1989. Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders. *Journal of Economic History* 49: 857–82.
- Hogarty, Thomas. [1972] 2006. Cases in Anarchy. In *Anarchy, State, and Public Choice*, edited by Edward Stringham, 98–112. Northampton, Mass.: Edward Elgar.

- Kaminski, Marek. 2004. *Games Prisoners Play: The Tragicomic Worlds of Polish Prisons*. Princeton, N.J.: Princeton University Press.
- Kantor, MacKinlay. 1955. *Andersonville*. New York: World.
- Leeson, Peter. 2006. Do Contracts Require Formal Enforcement? In *Anarchy, State, and Public Choice*, edited by Edward Stringham, 67–76. Northampton, Mass.: Edward Elgar.
- . 2007a. An-*arrgh*-chy: The Law and Economics of Pirate Organization. *Journal of Political Economy* 115, no. 6: 1049–94.
- . 2007b. Trading with Bandits. *Journal of Law and Economics* 50: 303–21.
- . 2008. Social Distance and Self-Enforcing Exchange. *Journal of Legal Studies* 37: 161–88.
- Llana, Sara Miller. 2007. Serving Prison Time as a Family. *Christian Science Monitor*, April 11.
- Marvel, William. 1994. *Andersonville: The Last Depot*. Chapel Hill: University of North Carolina Press.
- McFarren, Daniela, and Ezel Poslu. 2009. *Peace in Jail: A Proposal*. Davis Projects for Peace. Project no. 178. Middlebury, Vt.: Davis United World College Scholars Program.
- Milgrom, Paul, Douglass North, and Barry Weingast. 1990. The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs. *Economics & Politics* 2: 1–23.
- Nozick, Robert. 1974. *Anarchy, State, and Utopia*. New York: Basic.
- Organization of American States. 2007. *Access to Justice and Social Inclusion: The Road Towards Strengthening Democracy in Bolivia*. Washington, D.C.: Inter-American Commission on Human Rights.
- Powell, Benjamin. 2006. Public Choice and Leviathan. In *Anarchy, State, and Public Choice*, edited by Edward Stringham, 88–97. Northampton, Mass.: Edward Elgar.
- Powell, Benjamin, Ryan Ford, and Alex Nowrasteh. 2008. Somalia after State Collapse: Chaos or Improvement? *Journal of Economic Behavior and Organization* 67, nos. 3–4: 657–70.
- Powell, Benjamin, and Edward Stringham. 2009. Public Choice and the Economic Analysis of Anarchy: A Survey. *Public Choice* 140, no. 3–4: 503–38.
- Romei, Stephen. 2003. Paying the Price for Crime. *The Australian*, Thursday preprints edition, October 9.
- Schaeffer, Emily. 2008. Remittances and Reputations of Hawala Money Transfer Systems: Self-Enforcing Exchange on an International Scale. *Journal of Private Enterprise* 24, no. 1: 95–117.
- Skarbek, David B. Forthcoming. Putting the “Con” into Constitutions: The Economics of Prison Gangs. *Journal of Law, Economics, and Organization*.
- Storr, Virgil Henry. 2006. Defining Anarchy as Rock ‘n’ Roll: Rethinking Hogarty’s Three Cases. In *Anarchy, State, and Public Choice*, edited by Edward Stringham, 113–22. Northampton, Mass.: Edward Elgar.
- Stringham, Edward. 2003. Extralegal Development of Securities Trading in Seventeenth Century Amsterdam. *Quarterly Review of Economics and Finance* 43: 321–44.
- , ed. 2006. *Anarchy, State, and Public Choice*. Northampton, Mass.: Edward Elgar.

-
- , ed. 2007. *Anarchy and the Law: The Political Economy of Choice*. New Brunswick, N.J.: Transaction.
- Swaney, Deanna. 2001. *Lonely Planet Bolivia*. 4th ed. Victoria, Australia: Lonely Planet.
- Tullock, Gordon, ed. 1972. *Explorations in the Theory of Anarchy*. Blacksburg, Va.: Center for the Study of Public Choice.
- U.S. Department of State. 2000, 2001, 2002, 2003, 2006. *Bolivia: Country Reports on Human Rights Practices, Bureau of Democracy, Human Rights, and Labor 1999*. Available at: <http://www.state.gov/g/drl/rls/hrrpt/2000/wha/715.htm>.
- Young, Rusty. 2009. Personal correspondence, May 1, 2009.
- Young, Rusty, and Thomas McFadden. 2003. *Marching Powder: A True Story of Friendship, Cocaine, and South America's Strangest Jail*. New York: St. Martin's Griffin.

Acknowledgments: I thank two anonymous referees, Chris Coyne, Stewart Dompe, Emily Schaeffer, and Brian Skarbek for helpful comments; Edward Stringham for suggesting the topic; and Rusty Young for clarifying details of life inside the prison. I also gratefully acknowledge generous financial support from the Mercatus Center at George Mason University and the Horowitz Foundation for Social Policy for providing a research grant to support this project.