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Order in the Jungle

Social Interaction Without the State

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CHRISTOPHER J. COYNE

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 N. Rothbard, *Power and Market: Government and the Economy*

Social order is perhaps the most enduring issue in the social sciences. Thirty years ago Gordon Tullock analyzed this problem in “The Edge of the Jungle” (1972), an essay in which he explores social interaction without the state as well as the evolution of the state as a necessity for the facilitation of social interaction.

Tullock begins by accepting Winston Bush’s (1972) postulate that in “genuine anarchy” two patterns of individual behavior may arise. One possibility is the Hobbesian jungle in which, without a central authority, individuals can either expend their energy on the production of goods or simply take goods from others by force. The second possibility reflects the Proudhonian notion that in the absence of social rules, individuals will develop their natural talents and live in harmony. Besides accepting these notions of anarchy, Tullock makes several modifications. He acknowledges the possibility of “cooperative organizations” that may engage either in peaceful interaction or in fighting with other groups or individuals. Moreover, he postulates that individuals or groups will not trade when the stronger can simply take from the weaker.

In this article, I first clarify the meaning of anarchy. I then argue that Tullock’s concept of anarchy is flawed and that it leads to an inaccurate analysis of law without the state. Next, I reassess Tullock’s analysis of the interaction of individuals and groups in a social setting with no central authority as well as his conclusion that the

Christopher J. Coyne is a graduate student in the Department of Economics at George Mason University and a fellow in the Social Change Group at the Mercatus Center, Arlington, Virginia.

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state is a necessary institution. Finally, I explore the facilitation of social order and interaction in anarchy. In passing through this discussion, we will come to realize that Tullock's entire critique of anarchy applies equally to any notion of the state.

Anarchy Defined and the Development of Law Without the State

To begin, let us develop a clear understanding of the meaning of genuine anarchy and of the basic postulates of anarchist theory. Tullock presents the concept of anarchy as one of two extremes. We have either a Hobbesian jungle, in which individuals must rely on their natural talents to produce, take goods by force, and protect their own lives and property, or we have a Proudhonian utopia, in which individuals focus on developing their natural talents, conflict is absent, and all exist in harmony. Does Tullock's binary conception adequately express the concept of anarchy?

According to the Merriam-Webster dictionary, anarchy is defined as "a political theory holding all forms of governmental authority to be unnecessary and undesirable." Clearly, anarchists may believe in the importance of social norms, rules, laws, and controls. What anarchists oppose is the provision and enforcement of such social constraints by a central, compulsive, state monopoly. Anarchists argue that the government's ability to alter laws as it sees fit corrupts and violates the true rule of law (Osterfeld 1989).

Must a central authority create the laws? If not, who or what will develop them? Anarchists maintain that the laws need not be imposed by a central authority—that is, laid down as authoritative law—but can and do arise through customary arrangements and understandings that evolve over time. Customs serve as signposts that guide the actions of individuals in their interactions with others. As customs prove successful and gain acceptance, people gain the ability to anticipate others' actions and reactions (Hayek 1973).¹

Authoritative law requires the use of extensive force for both implementation and enforcement, in contrast to customary law, which arises through social interaction. Juxtaposing customary and authoritative law, Bruce Benson has observed, "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 and acceptance" (1990b, 12). The coercive state evidently is not a prerequisite for the development of social norms, rules, and laws.²

Anarchists are not under the illusion that in the absence of a compulsive state no social conflict will occur. Rather, they presume that the market will provide the means to facilitate and maintain social order and interaction, including the development of

1. For examples of reciprocal exchange and its role in law throughout U.S. history, see Benson 1991.

2. For a discussion of the development of customary law and a comparison of customary and authoritative law, see Benson 1990b. For a discussion of potential problems and solutions in customary law, see Hayek 1973 and Osterfeld 1989.

rules and laws as well as their enforcement (Stringham 1999). The choice is not between having social rules enforced by a compulsive state and not having social rules at all. What is really at stake is the means by which the development and enforcement of such rules takes place; the root issue is state versus private provision. Tullock not only fails to consider customary law but also neglects the possibility of the private provision of enforcement. Anarchists argue that the state is not necessary to resolve disputes or to enforce laws. They claim that individuals will have strong incentives to form mutual support groups with others to deal with conflicts and legal problems (Benson 1990b).³

Having clarified the concept of anarchism and the development and enforcement of rules and laws in the absence of the state, we can understand better how various 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 consider 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 easily reach the conclusion that a compulsive state is needed as an effective enforcement mechanism. The former choice is dismissed on the grounds of continued violence and conflict, and the latter is rejected because a conflict-free society is impossible to imagine. Once the possibility of the market provision of rules, laws, and enforcement mechanisms is admitted, however, the conclusion that the state is the necessary and only source of order is exposed as a misconception.

Tullock's Analysis of Exchange, Interaction, and Enforcement

Exchange is more beneficial than everyone's simply taking by force and violence. The market provides a framework that allows all—both the physically weak and the strong—to reap benefits by concentrating on the form of production in which each possesses a comparative advantage and then exchanging outputs with others. Tullock seems to agree 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” (1972, 67). Although Tullock recognizes the potential gains from trade, he anticipates potential problems in the absence of some protection mechanism.

Considering a situation in which two persons—one weak, one strong—inhabit the same area of land, and the weak person cannot produce enough to sustain both individuals, Tullock supposes that the stronger individual would produce but also would exploit the weaker individual up to the point that the victim will accept without retaliation. Of course, to maintain ongoing trade (“continuous dealings”), the weak person must expect

3. For a discussion of the operation of private courts, see Barnett 1986; Benson 1990a, 1990b, and 1998; Friedman 1989; Osterfeld 1989; and Rothbard 1973.

to receive something in exchange; otherwise, he will stop producing. Although in this scenario continuous dealing serves as a check against complete exploitation of the weaker by the stronger, Tullock is concerned that it does not serve to eliminate predation completely. “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” (68).

Furthermore, the concept of continuous dealings has other limitations. According to Tullock, continuous dealing will persist only as long as no considerable accumulations of property exist. “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.” Nor is force the only potential problem in such a setting: “fraud, stealth and deception are also possible” (68). Yet another problem arises with 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 perceived problems is to introduce what Patrick Gunning (1972) calls the “supergiant” (that is, government), which threatens individuals with punishment if they violate the rules (Tullock 1972, 69). Tullock recognizes that the result might be a ruling group that controls a much larger ruled group. In deciding what fees to extract from the ruled, Tullock claims, the rulers’ goal would be to reach what he calls the point of maximum taxable capacity—namely, that point at which an increment of taxes would be offset by a fall in society’s total product.

Remarkably, after pointing out the limitations of continuous dealings in the uninhibited market, Tullock grounds his entire theory of government on this very foundation: “They [the rulers] 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” (72). If the subjects are unhappy with the level of taxation—that is, if they gain a lesser value than they surrender in taxes—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 by threatening force, Tullock does not discuss. Finally, although he notes that nothing in his analyses prevents the formation of competing groups by members of the ruling group or of the ruled group, he quickly dismisses the idea: “But here the discipline 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 market’s potential to serve as the mechanism facilitating societal relations. Every potential difficulty that he finds in the absence of a coercive state, however, will exist also in the presence of the state.

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

In Tullock's analysis of interaction between two individuals, one physically stronger than the other, he concludes that an incentive exists for the stronger to trade with the weaker but also for the stronger to take from the weaker so long as the weaker's cost of retaliating exceeds his cost of continued submission to the exploitation. If significant accumulations of property exist, the stronger takes from the weaker if the value of the taking exceeds the discounted expected profits from future trades. Although Tullock recognizes property rights, he does not discuss how they are assigned or enforced (1972, 68). We must ask, then, why the weaker would allow the stronger to take his property, especially if he has accumulated large amounts.

The advocate of pure *laissez-faire* might note that even in a Hobbesian situation individuals have some idea about how others will act. In any coordination scenario, certain focal strategies or courses of action are more obvious than others. To be sure, there is a wide range of possibilities. Nor will others always act as expected. Nevertheless, two or more persons in a situation in which they must choose how to interact will perceive certain focal points (fight, exchange, and so forth) that will be obvious to them, if not to everyone. Therefore, each individual will have a bundle of expectations of how others will act. For example, if Jones, a physically weaker individual, is considering a first-time interaction with Smith, a physically stronger individual, he may have some expectation of making a mutually beneficial exchange. Likewise, he may have some expectation of being attacked or exploited by Smith and may protect himself as this expectation warrants. As individuals continue to interact over time, they will become more confident about how their counterparts will act. In addition, we must recognize that predation is costly. Smith initially must consider the probability that Jones will not retaliate when attacked. He must consider also the probability that if Jones does retaliate, he himself potentially will bear part of the cost in terms of either bodily injuries or the loss of part (or all) of his preattack endowment of assets. Given each individual's expectations of how others will act, there are several possibilities, all arising on the market, that allow weaker individuals to protect themselves from predation by the strong.

The most obvious way for the weak to protect themselves is by increasing their personal protective measures, which may include simple tactics such as keeping doors locked or installing alarms as well as more costly options such as accumulating weapons to compensate for deficiencies in physical strength. Other alternatives also permit individuals, whether physically weak or strong, to protect their property more effectively. One potential solution is for the weak to join together to form support groups to assist members exploited by those who are physically stronger. In such a scenario, what the individual members lack in physical strength, they compensate for in numbers. Examples of such cooperative groups are community watches, neighborhood patrols of streets and buildings, and escort services to accompany and protect

those desiring such assistance (Benson 1990a, 30–31, 1998, 80–86). Moreover, entrepreneurs may cater to the market demand by selling protection services to the weak.⁴ Examples of such market services include the patrols formed or financed by businesses to protect their property. We see such activity in malls, office and apartment complexes, amusement parks, and resorts (Benson 1998, 92; Stringham 1999, 56). University police provide yet another example of the private production of security and policing in a private community (Stringham 1999).

Exploitation and predation obviously are not unique to the uninhibited market but also arise from the state. And just as laws, rules, norms, and the institutions of enforcement (private courts, support groups, and so forth) develop on the market, so too will institutions that serve to protect the individual and his property. Moreover, individuals will be able to satisfy their specific needs with regard to the amount, quality, and cost of the services they obtain.

Although Tullock recognizes that continuous dealings, at least for immediate transactions, will serve to facilitate societal relations, he clearly underestimates the importance of the role they play in the interactions between individuals on the uninhibited market. The key elements of continuous dealings are the participants' reputations, which are grounded in other people's subjective views and beliefs. On the free market, entrepreneurs, driven by the profit motive, attempt to maximize profits and minimize losses. In an effort to maintain current market share and gain new market share, entrepreneurs attempt to meet customer needs best in terms of product quality, service, and price—crucial variables in determining a seller's reputation. The entrepreneurial quest reveals itself in advertisements, which seek to establish a brand name and shape a product's image and therefore to establish the seller's reputation. In this connection, 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 firm's reputation—to the seller. As George 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 situations where the reputation of one of the traders is unknown. Such situations, however, provide a market opportunity for an entrepreneur to supply information regarding the reputation of the seller and his product (Klein 1997). These information sources also aid in overcoming the problems of fraud, stealth, and deception to which Tullock refers. Examples of such services include Consumer Reports magazine, which provides information, testing, and rankings for numerous consumer products; "1-800-Dentist," which provides information on dentists to potential patients; and Moody's, Standard & Poor's, and Morningstar, which provide financial analysis, rankings, and information for various

4. For more on private security, see Benson 1990a, 1990b, 1998; Hoppe 1998. For an analysis of the private production of defense, see Hoppe 1999. For a discussion of private police and security services and the interaction of competing agencies and private prisons, see Osterfeld 1989 and Sneed 1977.

companies in many industries. Even with a coercive state, we see entrepreneurs providing services that record and make available comments and complaints about various sellers. Examples of services that provide information on sellers are credit card companies, credit rating agencies, and Ebay. Finally, we might note that Tullock fails to consider the possibility that government agents themselves will deceive and defraud the ruled. Because other potential, competitive government organizations are to be banned, and “fees” are to be charged no matter what, the ruled have no effective recourse even if they recognize such fraud and deception.

What about the longer-term and credit transactions that Tullock views as so problematical for anarchy? Even for them, recent research (Stringham forthcoming) has shown that we need not abandon the concept of continuous dealing and that we can have confidence that the market will provide efficient mechanisms and institutions to facilitate transactions. Researching the role of reputation and continuous dealings in the development of financial markets in seventeenth-century Amsterdam, Stringham has found that traders developed reputations that allowed them to interact in financial transactions of varying maturity dates and complexities. Cheating or renegeing rarely occurred because such transgressions would mar the miscreant’s reputation permanently.

Yet another potential market solution to possible difficulties in longer-term dealings is for a third party with a well-known and highly regarded reputation to vouch for and ensure 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 noted previously, 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 that governs international commercial dealings, which is separate from any specific national law. Merchants trading across national borders must enter into agreements and settle disputes without the assistance of a coercive government. In many cases, international trade associations have developed their own procedures to resolve conflicts (Benson 1990b).

A Reconsideration of Tullock’s Notion of Government

Tullock seems to have blind faith that the ruling group, acting as a rational income maximizer, will rarely abuse its power. When abuse does in fact occur, he relies on other members of the ruling group to discipline those who have acted inappropriately. This discipline supposedly will occur at the hands of a “posse,” voluntarily formed and composed of ruling members, which will inflict a punishment on the offender. However, Tullock fails to consider the possibility that the same type of law enforcement to deal with conflict might occur on the market. As noted earlier, many historical examples show the formation of support groups to assist members in settling disputes. Underlying Tullock’s oversight is his characterization of the rulers as monetary income maximizers. It is critical to remember, however, that through action people attempt to maximize psychic income. This is not limited to monetary income but includes nonpecuniary forms of income as well. Rulers may gain (psychic) income by

holding and wielding power even though they may not maximize monetary revenue by doing so. And, if they do so, their actions may conflict with the ruled group's interests far more than Tullock's analysis suggests.

Further, the government in the Tullock formulation fails to solve the problem of the social order. What prevents internal strife among the rulers from causing a return to the initial state of the Hobbesian jungle? If we accept that a ruling group can achieve a peaceful equilibrium, why can't a similar equilibrium be attained on the market without government?

If the ruled are dissatisfied with the rulers, Tullock concludes that the former should seek to throw the latter out. This possibility is a dubious one, inasmuch as 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. Under such conditions, why can't the same government officials prevent the ruled from ousting them from their positions of power by threat of force? Along the same lines, Tullock's government also can outlaw any private watch groups that pose a potential threat to the rulers' power. The fear of fraud, stealth, and deception should apply even more to a coercive state, given its ability to outlaw the mechanisms that arise in the uninhibited market to disseminate information about the parties involved in transactions.

Moreover, within Tullock's framework, the notion of continuous dealings is inapplicable—that is, in the case in which one of the parties is a coercive government. The concept of continuous dealings rests on the assumption that parties continue to interact over time because all involved expect to benefit. If one or more parties believe they will not benefit from the exchange, they can voluntarily cease to exchange with one party and instead begin to interact with other parties. When the coercive state is one of the parties involved, however, such continuous dealings cannot be a possibility because some parties are forced to continue the exchange. The very existence of a coercive state completely obviates the possibility of genuine continuous dealings. Once these factors are considered, Tullock's theory of government, grounded in continuous dealings and the discipline of the ruling group from within, is weakened significantly. The only remaining check on government is that the rulers will want to maximize their monetary income and therefore will provide incentives for the ruled to maximize output. Because Tullock has conceded to the government the ability to grant or exercise monopolies at will, however, what can stop the rulers from simply demanding that the ruled work under the threat of force?

Conclusion

In the foregoing discussion, I have reconsidered Gordon Tullock's analysis of social interaction in the absence of the state. In doing so, I have sought to clarify the meaning of anarchy and have considered the market provision of the various institutions—laws, courts, enforcement mechanisms, information services, and so forth—that might develop to further social interaction (and, indeed, already do to some extent).

In considering the possibility of the market supply of these institutions, I have identified critical oversights in Tullock's analysis. His conclusions rest on the unsupported assumption that the perceived problems that arise in anarchy can be averted somehow by a coercive government. This assumption takes for granted that the strong will act differently, depending on the existence of a state.

In exploring "genuine anarchy," as Tullock set out to do, we must consider as a viable option the market provision of key institutions facilitating social interaction. Numerous social orders fall between the Hobbesian jungle and the Proudhonian utopia. By extending the idea that individuals act in a rational, self-interested manner to the analysis of social interaction without the state, we come to understand better the importance of social interaction and cooperation and the genuine possibility that individuals can promote such interaction and cooperation by means of market-supplied institutions.

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