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An Anarchist's Reflection on the Political Economy of Everyday Life

Peter Boettke

Abstract: James Scott has written a detailed ethnography on the lives of the peoples of upland Southeast Asia who choose to escape oppressive government by living at the edge of their civilization. To the political economist the fascinating story told by Scott provides useful narratives in need of analytical exposition. There remains in this work a “plea for mechanism”; the mechanisms that enable social cooperation to emerge among individuals living outside the realm of state control. Social cooperation outside the formal rules of governance, nevertheless require “rules” of social intercourse, and techniques of “enforcement” to ensure the disciplining of opportunistic behavior.

Key Words: economic development; self-regulation; political economy; peasant economy

JEL Codes: O17; P48

In reading through James C. Scott's (2009) *The Art of Not Being Governed*, the economist is first and foremost struck by the difference in intellectual temperament of an economist and that of an anthropologist; even a political scientist anthropologist. But our differences need not be a gulf that cannot be bridged. In fact, the bridge must be crossed to improve our understanding of the human dilemma and the rich diversity of lived reality for peoples across time and place. The temperament of the economist is one of stressing the universal; the temperament of the anthropologist is one of stressing the particular. But neither is completely right, nor completely wrong. Think about it this way – if human beings were perfectly identical to one another in preferences and situations, then there would be no need to study history, culture, or institutions, or travel to exotic lands, communicate in other languages, appreciate geographic and other particulars; on the other hand, if each geographic region populated by beings were so unique and so particular that there was no common

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ground at all, then the exotic would not be exotic but in fact alien and would remain alien to us forever.

We find ourselves by intellectual necessity (and by common sense) negotiating between these two polar positions. We are enough alike that we can understand the human condition across time and place, but we are different enough that we find studying the unique circumstances of time and place fascinating and rewarding. The alien becomes familiar to us as we see the universal in the particular, and in the familiar we start to see the mystery in the mundane as we come to appreciate the unique circumstances that shape our existence.

In the tale of *The Art of Not Being Governed: An Anarchist History of Upland Southeast Asia* we see how indigenous people negotiate with the institution of the nation-state, and how the universal human desire for freedom from oppression leads these indigenous people to various efforts to successfully escape state authority. And according to Scott, they have done so for thousands of years. This geographic region of Southeast Asia represents the largest territory left in the world where the people have not been incorporated into a formal nation-state. The statelessness of the region, Scott maintains, results due to the pattern of settlement, method of agricultural production, and the social structure adopted by the people.

One of the main arguments critics of anarchism often cite is that anarchistic societies are vulnerable to state conquest. But this region of the world has been able to escape and, in fact, repel state-conquest for over a thousand years. It seems that the vulnerability of statelessness is not the problem in this instance. My focus will be elsewhere. Another argument that critics of anarchism often cite is that self-enforcement can only function in primitive settings, usually associated with small groups of homogeneous agents with low

discount rates. Scott's evidence challenges aspects of that narrative, while other aspects are in fact reinforced despite some of the evidence that Scott presents. For example, the Zomanian people of Southeast Asia number in the millions and archeological evidence suggests, according to Scott, that advanced production and rational organization of enterprise has existed for a thousand years. But this last claim also demonstrates a lack of understanding by the anthropologist of what advanced material production and rational organization actually implies in terms of the exchange relationships that constitute social cooperation under the division of labor. Advanced material production and rational economic organization rely on the ability to engage in economic calculation, and incentives to channel individual effort in the direction that aligns private interests with the interests of others so the mutual gains from trade can be realized. Coordinating a large project is *not* the same thing as advanced material production, and wealth creation.

So Scott's great strength is not in demonstrating how a people who have repelled state capture for a millennium can nevertheless realize the benefits of modernity, because he provides no evidence that they can. But what he does demonstrate is a large population can live together while repelling state capture. And it is precisely in this discussion of how state capture can be avoided that his effort is focused. Anarchy is possible, sustainable, and does not lead to a life that is "nasty, brutish and short". But is it consistent with peace, prosperity and progress?

Here I think we have to depart company with Scott's strict narrative. For one, the question of anarchy and modernity is not his purpose, though it is the question that excites my imagination. For another, the "mechanisms" that are relevant to the question of whether state capture is avoidable (even in a large scale as opposed to an individual going "off the grid" so to speak) are totally different than whether anarchy is possible and whether anarchy

is compatible with modernity. But in answering those questions we can take inspiration from Scott's account of the people of Southeast Asia in *The Art of Not Being Governed*.

It is a presumption of modern political theory and political economy that state enforcement is necessary for development. In fact, in the analysis of less developed countries a major focus is state capacity and how to build up that capacity in failed and weak states in order to establish a functioning and modern state apparatus. Douglass North argued in *Structure and Change in Economic History* (1981) that the state is both responsible for development and the curtailing of economic development. Mancur Olson (1996) argued that the reason why some countries are rich while others are poor is because the rich countries have an intricate mix of institutions (both private and public) that enable individuals to realize the gains from exchange and gains from innovation that poor countries lack. The critical institution, according to Olson, is a third-party enforcer of complicated contracts. However insightful the analysis of North and Olson, one might be able to argue that they are confusing correlation with causation. Since the state apparatus exists (state capture has occurred) throughout western civilization, and economic development goes hand in hand with the post-Enlightenment development of the west, it is very easy to see a connection between the formal apparatus of the state and economic development.

The counter to this narrative is that so much of our everyday life in modern commercial society is beyond the purview of the state. Modernity has its own "art of not being governed" and that is what I believe we should be studying to get a better handle on how we can come to live better together in peace and prosperity. The normative thrust of my position is in searching for social rules whereby free and responsible individuals can prosper in a free market economy and actively live in caring communities. The formal apparatus of coercion does not aid that task, I contend, but always represents a force that

impedes this development. This does not mean that there is not a need for rules that govern social intercourse; of course there is. But governance is *not* the same as government.

There are two sets of paradoxes with respect to the question of government from an economic point of view. First, the economic justification for the state turns on the claim that in a voluntary society individuals are vulnerable to the threat of private predation. To counter private predation, a public authority is empowered with a monopoly right to employ the coercive apparatus of the state. In so doing, the effort to ward off private predation creates the opportunity for the much greater danger of public predation. In the classic libertarian story, the highway robber is much preferred to the taxman because the robber only takes from you once, while the taxman does so repeatedly. Beyond this libertarian witticism, the creation of the public authority and the potential of public predation leads us to our second paradox. A government that is strong enough to establish the apparatus of coercion to minimize private predation, and bonds that supposedly limit the opportunity for public predation, will be – almost by definition – strong enough to break those bonds anytime it desires.

James Buchanan (1975) divides the functions of the modern state into: (a) the protective state [courts, police and military], (b) the productive state [public goods such as infrastructure, etc.], and (c) the redistributive state [rent-seeking activity, etc.]. To Buchanan the puzzle of modern government is whether we can find some way to empower the protective and productive state without unleashing the redistributive state. He has sought to find constitutional constraints, but those efforts have proven futile against the ideological tenor of the times, let alone the interest group politics that characterize modern democratic regimes. The Buchanan project requires a pre-constitutional agreement on rules of restraint on political action in order to realize a politics without either dominion or discrimination.

Behind the mythical veil of ignorance, agreement on these rules of restraint can indeed be derived through agreement by rational actors, but in the post-constitutional environment it is unclear that the mechanisms can be found that will bind rational actors to respect and thus sustain those rules. But what must be acknowledged is that Buchanan, more so than either Milton Friedman (1962 and 1980) or F. A. Hayek (1960 [2011]; 1973; 1976; and 1979), thought more deeply and seriously about what freedom in constitutional contract would in fact entail. And through his career he provided various suggestions from voting rules to the organization of politics, from budgetary rules to fiscal federalism, from a monetary policy rule to a monetary constitution. Still, our political reality is one of discriminatory politics, with rent-seeking unchecked, fiscal discipline lost, and monetary irresponsibility. In short, Buchanan's, just as Milton Friedman's and F. A. Hayek's, argument for a constitutionally limited government has failed to be implemented in any meaningful sense – even in the US with its unique (and favorable) constitutional heritage -- with the result that costs due to public predation are significant in western democracies.

The mechanisms to ward off public predation appear to ultimately be ineffective. A reinterpretation of the classic public choice parable of the tale of the Roman Emperor might help us think through the implications. In this parable an Emperor is asked to judge a singing contest between two contestants, but upon hearing the first (the market), the emperor just gives the award to the second (government) under the assumption that the second clearly couldn't be any worse than the first. Traditional public choice demands that the second singer (government) sing and be critically evaluated with the same analytical scrutiny as the first singer (the market) was examined. The reinterpretation I am asking for is a reconsideration of the abilities of that first singer in light of the failed performance of the second singer. Perhaps there is some possibility of private predation, but the expected costs

of that private predation may be much lower than the costs associated with empowering the public authorities entrusted to curtail private predation, *not to mention* the possibility of public predation being much more likely and costly than the private predation that the public authority was established to address.

This point has been made in several studies of failed and weak states, as well as in less developed economies, by Leeson (2007), Leeson and Boettke (2009), Leeson and Williamson (2009), Coyne (2006a; 2006b), Powell et al. (forthcoming), and Williamson (2009). No state, or a weak state, may actually be lower cost in terms of predatory exploitation of the people than the reasonable expectation of a workable state that could be established in those particular circumstances at that particular time. As Leeson (2007) has put it, this situation means a people could be “better off state-less”.

But we still haven’t solved the problem of anarchy and modernity. The failed and weak states and less developed economies go hand-in-hand, again leading many to conclude that the less developed status is a function of the failure in state capacity to govern effectively. An alternative way to tackle this problem is to engage in a comparative historical analysis of development. All countries were more or less poor to start, while some graduated to being less poor, others continued to languish in poverty and squalor. The path to development begins with small scale trading and small scale capital accumulation, which then leads to medium size trading and medium size capital accumulation, which final results in large scale trading and large amounts of capital accumulation. The trigger along this path, I want to suggest, is *not* state capacity, but it is the establishment of working *mechanisms* which thwart private as well as public predation, and enable individuals to realize the gains from social cooperation under the division of labor. Effective governance must establish rules that limit access to scarce resources, assign accountability to those who utilize the resources,

and establish graduated penalties for those who violate those social rules. What is required is *governance* not government. And to be effective it must be to a considerable extent self-enforcing, rather than requiring the formal apparatus of the law and order state to carefully watch over every transaction conducted. A free economy works best when the need for a policeman, lawyer, and preacher is least because the internal norms of the population legitimate the transactions. David Hume (1739 [1896]) long ago argued that social order depended for its operation on the respect of property rights, the keeping of promises, and acceptance of the transference of property by consent among adults. And these rules of social intercourse are written on hearts and minds well before they are written on parchment and formalized in the law.

Modern economic life emerged as the gains from specialization and exchange expanded throughout the economy, to neighboring countries, and eventually to remote regions of the world. It required the cooperation and coordination of the activities of thousands perhaps millions of anonymous actors. And it has only grown more extensive and more complicated in the 20th and 21st century. The village evolves into the town, and the town emerges into cities, and cities become interconnected in the global economy --- and all is driven by the expansion of commerce as individuals seek to realize the gains from trade, and gains from innovation. Yet, the most extensive arena of anonymous economic relationships is the internet, and there is no governmental over-lord. There is, however, governance though not government.

Modernity is a blessing in how it delivers individuals from the 'lowest forms of barbarism to the highest opulence' and with that enables them to escape an existence of poverty, ignorance and squalor that plagued humanity for the vast majority of our existence. The state is not the prime cause of this delivery from misery, but working rules of

governance that unleash the creative capacity of individuals can be identified as a contributory factor. It is not state capacity, but the ideological transformation of the culture of western civilization that attributed dignity to the mundane commercial activity among ordinary people that constituted everyday life. The Enlightenment project resulted in the development of the scientific mindset and a culture of experimentation. As the scientific mindset comes to be combined with commercial activity, technical knowledge is transformed into commercially useful knowledge, and the entrepreneurial quest for profits spreads new knowledge throughout the economy. Government is not the source of this combustible combination that produced the economic take-off of the Industrial Revolution in the 17th, 18th and 19th century, let alone the amazing technological advancements of the 20th century. Though government is not the source, it was one of the benefactors of modernity. Technological improvements allowed government to grow in both scale and scope in a way that would have been unimaginable in the past. Yet, as Adam Smith pointed out, the power of the market to overcome impertinent laws and regulations will mean that the great progress due to the gains from trade and the gains from innovation will off-set the negative consequences of too much government interference within the market *up to some tipping point*. This produces the weird counter-factual that has plagued political economy analysis from the beginning of the discipline --- the correlation between the expansion of the economy and the growth of government. But as I stressed at the beginning correlation is not causation.

There is no necessary reason to believe that *'the art of not being governed'* is only relevant to the lived history of a people in Southeast Asia, who have made the trade-off to eschew modernity in exchange for escaping state capture of their society. If we make the important distinction between governance and government, then we can see how various forms of self-

enforcing governance evolve to limit access, assign accountability and penalize those who violate the rule of social intercourse without reliance on the state monopoly of coercion. Modernity doesn't deliver its benefits to mankind because of the state, it delivers those benefits because of the ordinary striving of men to better their condition within a context where moral worth is attributed to the commercial activities of everyday life. And this is not just an abstract ideology, but a living and breathing ideology embedded in the norms and conventions of the population. In that instance modernity and development go hand in hand, and the anarchy of production in the marketplace is coordinated through the *mechanisms of self-governance*.

Studying these mechanisms in detail is the task of the positive political economist of anarchism. Scott's work, however significant in its historical and anthropological contribution, falls short of studying the mechanisms that enable self-governance to be consistent with modern economic life. (see Boettke 2005) *The Art of Not Being Governed* should be on the shelf of all who want to study the historical functioning of societies without a state, just as earlier works by Sally Falk Moore (1978), *Law as Process*; or E. E. Evans-Pritchard (1969), *The Nuer*; or John Philip Reid (1996), *Law for the Elephant*, were read and studied carefully. But these works, in my opinion, must be supplemented by the economic work on the mechanisms of self-governance as well as the historical depictions of the rise of the west one finds in Hayek (1960 [2011]), *The Constitution of Liberty*; Bruce Benson (1990), *The Enterprise of Law*; and the modern scholarship of Edward Stringham (1999; 2002; 2003; and 2006) and Peter Leeson (2003; 2005; 2007a; 2007b; and 2007c) on the economics of anarchism.

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