

Comparative political economy when anarchism is on the table

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Abstract Scott's (2009) research on stateless Southeast Asia describes behavioral patterns amidst indigenous peoples that parallel certain contemporary social phenomena, especially, prohibition and military occupation. Unintended consequences caused by government are continuously interpreted to reaffirm the rationale for interventionism. Governments' role in social processes involving violence is presumed necessary and sufficient. As a result of conceptual biases, non-governmental processes such as markets and civil society are ignored as sources for potential solutions to complex social problems. Comparative political economy should take more seriously models developed by the tradition of constitutional political economy and classical liberalism wherein the state is recognized as a significant threat to social order.

Keywords Statelessness · Political Economy · Prohibition · Occupation · Terrorism

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“We have repeatedly learned from many studies of policy processes that no single institutional arrangement works across diverse policy areas or even diverse subtypes within a broad policy area. Copying interventions that worked well in one country may lead to a major failure in another.”

Guha-Khasnobis et al. (2006, p.8)

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1 Section I

1.1 Introduction: shatter zones and state effects

Scott's (2009) latest, *The Art of Not Being Governed: An Anarchist History of Upland Southeast Asia* describes state-sponsored genocides, during which indigenous people were forced onto hostile geographies. Without traditional government or formal law and order institutions, economic conditions were suppressed for generations. In Scott's view state power and action were fundamentally responsible for underdevelopment. Scott's (see also 1999) work, other investigatory cases of stateless communities, along with an appreciative theory of spontaneous social order, stand in contrast to most contemporary models of political economy such as market failure and public goods frameworks, wherein centralized exogenous law enforcement is presumed both necessary and sufficient.¹

It would be inappropriate to generalize from Southeast Asia to all social environments. Contemporary policies should not try to mimic tribal social norms, but Scott's case and others like it pose a serious challenge to these more popular models and their implied policy recommendations. There is a conspicuous inability for standard perspectives to explain or offer effective resolve for the social problems of stateless Southeast Asia; wherein property rights were poorly defined and information asymmetric, yet the state's effect upon social welfare was unarguably negative. Standard market-failure and public-good logics would not apply. Unlikely would foreign aid, subsidies, regulations, more central-planning, or any standard policy suggestion have promoted economic or social development given the counter-intentions of the state authority.

Scott's case requires a framework of political economy out of step with the causal relationships presumed by mainstream models. Contemporary views presume positive effects to interventionism. Doing so they often fail to recognize when government harms rather than helps social order. Social disorder is regularly misdiagnosed as the consequence of voluntary association and insufficient interventionism; when in fact certain social problems more result from mis-prescribed interventions.

Conventional models inaccurately discount the source of social cooperation and economic development - spontaneous order. Lasting levels of peace and cooperation and their associated levels of coordination and economic exchange are neither easily planned nor designed. These are instead often-tenuous processes involving tacit individual and social learning.² Institutional innovations and processes of trial, error and informational feedback are needed to discover solutions for complex social problems. Aristotle is accredited to have said, "[f]or the things we have to learn before we can do them, we learn by doing." Such seems true for both promoting the successful plans of individuals and the development of coordinative institutions at the societal level.³

¹ Bator (1958) and Stiglitz (1989) outline the market failure model. Medema (2007) traces the historical development of this theory as it relates to political economy.

² Polanyi (1969) emphasized the role of tacit learning for individual discovery and innovation. Hayek (1945) highlights tacit learning for economies to rationally allocate goods and services. De Tocqueville (1840) described the evolution of effective civil society as a process of craftsman or artisanship.

³ Leeson and Boettke (2009) see institutional entrepreneurial efforts funneled into the non-governmental sector in social contexts when traditional tasks of government are ineffective and or absent. See also Thomas and Martin (2011).

People learn to get along with one another through practice - by actually interacting with one another. Ironically, Scott sees such behavioral patterns amidst the indigenous residents of Southeast Asia - performed to cope against the harms of state predation.

Much of Scott's analysis focuses upon the geography and climate of Southeast Asia. High transaction costs made for few opportunities to exchange. Immobilized physical and human capital limited production. Nonetheless, social institutions, community bonds, and customary norms amongst refugee groups functioned and evolved generationally. Though economically limiting, nomadic practices proved rational in so far as they were effective means to evade state-predation. Scott terms "shatter zones," those geographic areas populated by emigrants, acting against their pure economic welfare but nonetheless coping-well against state-genocide, thus effectively maximizing their best-understood chances of long-term survival. Scott (2009) concludes such outcomes are the "inevitable by-products of coercive state-making (p.24)".

It is again conspicuous that Scott's case shares a series of unintended consequences with certain more-contemporary social environments, yet today's political economy models rarely model the state akin to Scott. This paper is motivated by Scott's weighting of influence behind state and non-state effects upon social order to perform a comparative institutional analysis across social contexts. Certain contemporary expansions in the scope of government invoke similar "shatter zones". Criminal prohibitions and military occupations are cases wherein the causal relationships between governments and social order are also arguably negative. In each, enduring undesirable outcomes get prescribed additional interventions - more funding, more planning, more regulation and more enforcement resources. Rather than improving social order, expansions invoke and exaggerate tensions between the formal institutions of law enforcement on the one hand, and the underlying social consciences and informal customary norms of society on the other.⁴ Prohibition, occupation and their associated social maladies endure.

Militarized strategies have not effectively deterred prohibited behaviors nor suppressed violent conflicts. Instead, these interventions are often unwelcomed by governed communities, whom react in stride. Behavioral patterns therein are perceived problematic but demonstrate "contextual rationality" (Smith 2007). Informal institutions of trust and reciprocity are imperfect but functional alternatives to formal government; they make the best of uniquely severe constraints imposed by interventionism. Criminal prohibitions and punitive sanctions inspire complex but often cutthroat behaviors in the underground economy. Similarly, armed occupations inspire unconventional but arguably effective military tactics. These results get continually diagnosed as inevitable social problems in need of additional interventions.

⁴ Smith (1759) describes similar processes of matching between formal and informal institutions.

The man of system... is apt to be very wise in his own conceit... He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own.

Hayek's (1978) distinctions between law and legislation parallel. Such topics are at the focus of Elinore Ostrom's research program (Guha-Khasnobis et al. 2006).

Why is this process of social diagnosis and government-only policy response, self-fulfilling? One commonly recognized reason is that vested political interests favor the status quo. Bureaucracies are inclined to and tend to expand (Niskanen 1971; Tullock 1965 and von Mises 1944).

A less appreciated cause: knowledge problems occur during institutional design and implementation.⁵ Contemporary applications of political economy are most often “market failure” narratives. They presume government a necessary and sufficient resolve for social problems (Cowen 1988 and Cowen and Crampton 2004). More subtle sources to complex social problems are often ignored and non-governmental solutions are unknown and thus un-considered. Planners systematically underestimate the role that individual and social learning play for the creation of effective and adaptive institutions and sustainable economic development (Scott 1999). The development process of contextually functional institutions requires local and tacit knowledge (Ostrom 1990).⁶

Central-planning cannot fix certain complex social problems because it cannot generate the necessary forms and stocks of knowledge. During processes involving violent conflict such as prohibition and occupation, social learning and its associated knowledge is absent because non-formal conflict resolution is prohibited by assumption. Without the stocks of knowledge and forms of social capital that would have accumulated absent interventions; central-planners, institutional decision-makers, and political economists suffer shear ignorance as to the range and qualities of alternative informal institutions. Such could have possibly better-improved social order.

The optimal policies and institutions to promote social order for all times, places and peoples are unknown a priori. Sometimes social problems require genuinely new solutions. Institutional innovations much like technological innovations require trial, error, real discovery and informational feedback to be stable, adaptive and sustainable.

The monopoly control of violence is the essential role of government most presumed both necessary and sufficient. By investigating explicitly stateless environments, or social contexts with anarchist and quasi-anarchist institutional conditions; how informal social processes occur to resolve violent conflict when un-intervened come to light.⁷ Coase (1974) explained, “generalizations are not likely to

⁵ See Mackenzie (2008) and Martin (2009).

⁶ The term “local” knowledge implies a direct influence from geography to social outcomes. Different locations will have different historical levels or types of development. They will also have different social institutions. Institutions are a more directly / essentially determinate to economic patterns - though social institutions can admittedly be influenced by geography. Geography’s influence can be significant though indirect.

If political economy were aiming to promote social improvements for Scott’s case, prohibited economies or military occupations, it would need to admit to the variance of particular social institutions across particular circumstances. But also admit to shared general patterns of rational, adaptive and innovative behaviors, motivations and reported mental models within those cases.

A focus upon the variance in “tacit” knowledge across social contexts better highlights the behavioral learning patterns of agents. And provides a unique dilemma for interventionist policies to surmount. If agents themselves do not participate in the actions necessary to generate tacit knowledge, those institutions dependent on such knowledge cannot exist without adequate substitute.

⁷ Scott’s (1999, 2009) work fits well within a vision of “anarchism as a progressive research program in political economy (Boettke 2005).” See also Boettke (2011a, b)

be helpful unless they are derived from studies of how such activities are actually carried out within different institutional frameworks... [they] enable us to discover which factors are important and which are not in determining the outcome... (p. 375).”⁸ Scott’s case and other similar cases allude: within the realm of the state presumed most necessary - the provision of law and order - governments sometimes fail to meet the conditions of necessity and sufficiency. Instead a monopoly control on violence can impose harm to social order that may require new (perhaps more complicated) forms of social learning in order to be resolved.

The remainder of this paper is organized as follows: Section II analyzes the phenomena of criminal prohibition, foreign military occupation, and the behavioral learning patterns therein. Like in Scott’s case, marginal interventions continually pit the coercive power of the state against the physical forces of non-formal individuals and groups. Section III concludes.

2 Section II

2.1 What we can learn from social processes in stateless contexts

Often the willingness of government to expend costs during intervention is driven by political interests and informational ignorance rather than linked to actually promoting social order or ameliorating social problems. This especially occurs during interventionist efforts involving violence.

Ideally, the benefits of interventionism would exceed costs (presuming intervention is effective at all). The knowledge and comprehension of such cost benefit ratios is imperfect and uncertain. The often-violent results surrounding non-formal behaviors amidst prohibition and occupation are in part driven by the natural rate of conflict but also in part by the unintended consequences of interventionism. The exact proportions and complete range of institutional alternatives are unknown.

The amount and severity of violence by non-formal agents represents their willingness to protect profit and value earned from performing the non-formal behaviors. That level of value is not fully known or recognizable to formal agents or outside observers. Government’s willingness to continuously invest resources towards intervention is driven by its presumed ability to lessen the social costs of these behaviors, but this is an exogenous and unrelated quantity relative to the inelastic demand for performing non-formal behaviors.

In the case of violence, government is presumed the only legitimate means of resolution. Unlike the market context, where profits and losses guide investment streams and perceived consumer value drives purchases and profits; the willingness of government to invest interventionist resources can grow exponentially without a direct link to real increases in social order or real decreases in social problems. It is instead a function of the unknown inelastic demand for non-formal behavior.

Criminal prohibition and military occupation are forms of intervention that invoke social processes similar to those described by Scott. Behaviors therein demonstrate

⁸ Amidst a vast structural variety of institutional possibilities (Ostrom 2005) economists should strive for robust applicability (Boettke and Leeson 2004).

contextual rationality and contribute to the evolution of copasetic but not necessarily optimal institutional norms. The violence of the drug trade and guerilla tactics are social problems associated with prohibition and military occupation - often perceived inherent, respectively. Intervention is repeatedly justified with reference to these persistent negative outcomes. In contrast, such results can be understood to stem from interventionism itself.

Many behaviors at first seem irrational as actors persist despite high and or rising costs.⁹ Why risk arrest and violent enforcement to participate in black markets or rebellion? Contextual rationality suggests that when behavioral imperfections such as, error, uncertainty, ignorance, cultural mores or alternative subjective preferences are admitted to the model of rationality; behaviors can be seen as adaptive, functional, rational and efficient for accomplishing certain goals (often unrecognized or mis-understood).¹⁰ The challenge of social science is to recognize and comprehend the intentions of actors to make sense of apparently anomalous behaviors.¹¹

During prohibition and military occupation, agents act against economic welfare and long-run social order when they invest in violent capital and actions. Rather than viewing these losses as inherent problems to non-formal social processes, such should be recognized as investments proportional to the costs imposed by intervention. When governmental harms are extreme, so too will evasive tactics be. Citizens invest to evade predation proportionate to the magnitude and degree of the costs imposed by predation. If it is worth \$100 in accounting fees to save \$150 in taxes, then it is also likely that individuals and groups will spend nearly all resources at their disposal if the state is perceived a deadly threat.¹² Decreased economic welfare and social order is a tragic but effective tradeoff compared to death or collective annihilation - the sometimes-extreme costs of "coercive state-making."

It is theoretically difficult to characterize such individual choices as optimal in an objective sense (North 1994). It is also difficult to characterize their resultant social patterns as economically efficient in a universal sense, because counterfactual scenarios without state interventions and their associated harms are unknown.

Because interventions in these cases involve physical force and violence, adaptive reactions often also involve investments in violent capital and violent action. The state is presumed the legitimate monopoly on violent enforcement thus these non-formal actions reaffirm the rationale of interventionism by default. Larger amounts of violence in society pose a unique obstacle to resolving social cooperation and coordination. Processes that result in increases to the stock of violent resources make the use and application of violence more opportune, thus eroding the long run stability of social order.

⁹ Becker (1962) presents a strict adherence to the rationality condition whereas Smith (2007) endogenizes contextual factors such as morality, culture, ignorance and uncertainty.

¹⁰ The market process method promoted by many within the Austrian tradition is well-tuned to identify and analyze such forms of contextual rationality (see Boettke and Prychitko 1995 and Kirzner 1997).

¹¹ von Mises (1957) borrows the method of *verstehen* "meaning" from Weber (1925) wherein ones presume the existence of some, though perhaps unknown, purpose to observed behaviors.

¹² D'Amico (2010) surveys MacDowell (1978) and Plommer (1969). Historians accredit this unique feature of the death penalty to have driven efficient bargaining in proto-state self-serving criminal systems. Calhoun (1927) and Cohen (1995) suggest this similarly motivated the constructivist rationale for murder as a distinctive criminal type.

2.2 Prohibitions induce the social organization of crime¹³

When production, distribution and consumption are deemed illegal, particular effects upon the physical capital structure ensue. Risk of arrest and confiscations impose costs to producers and consumers but do not change the elasticity nor magnitudes of demand. Making a substance criminal does not make demanders not want to consume it, nor does it make suppliers not want to profit from it (Gifford 1999). Those still-willing buyers and sellers search for and find creative substitutes.¹⁴

When various substitutes are also subjected to prohibition, relative price ratios induce an unfortunate form of the third law of demand (Alchian and Allen 1964). With transaction costs across product types, consumers opt towards higher quality on certain margins. For drugs and alcohol, this manifests a “potency effect” (Thornton 1991). Historically, consumption and production of beer and wine declined during prohibition while hard spirits increased. The rise of crack cocaine seems similar (Levitt 1998).

The costs of prohibition operate as a tax, driving a wedge between the prices consumers pay and the revenues sellers receive. Both buyers and sellers bear portions of the costs imposed by prohibition. Whom more and to what extent will depend upon the relative elasticities of demand and supply. In casual observation it appears consumers bear the bulk of the burden from prohibition: addiction, low quality goods and services, uncertainty, and risk of arrest. Producers also bear costs, they are more likely to be detected, arrested and prosecuted.

To avoid costs, production, distribution and consumption are modified. They sacrifice quality for stealth transport. Compact, more densely valuable stocks replace conspicuous bundles, but are more hazardously potent per unit. Many health risks of illegal drugs are best understood as the result of prohibition. Heroin requires consumers to prepare for final consumption; therein the probability for disease and overdose are most determined. Rusty spoons, dirty needles and makeshift tourniquets are not essential to heroin consumption, but are instead perhaps only correlated with consumption amidst prohibition and enforcement.¹⁵ Social diagnosis of the heroine trade is biased in so far as the context of enforced prohibition is the only observation available.

Marginal increases in enforced prohibition carry the opposite effect intended by increased punishment (Becker 1968). Harsher and or more probable penalties, amidst inelastic demand and supply, induce further investments in stealth production, transportation or consumption as opposed to actually deterring trade or mitigating negative outcomes.

Producers and consumers both endure costs amidst prohibition. Contrary to ordinary taxation, no source of public revenue is generated. Such losses are sheer waste, but do represent a meaningful point of comparison. In the absence of prohibition, there would be no need to expend costs to evade enforcement. There

¹³ Criminal prohibitions differ across applications. American alcohol prohibition is an obvious case, the contemporary drug war another. Less obvious are service and behavioral prohibitions such as prostitution and sexual deviancy laws. Though contexts vary, the structural effects of prohibition are similar throughout.

¹⁴ See Meadowcroft (2008) for a recent collection of applied analyses of various prohibition cases. The classic theoretical literatures are extensively surveyed therein.

¹⁵ D’Amico (2008) recognizes similar patterns of degraded product quality from tattoo prohibition amongst prison inmates.

would be no costs of lower product quality and consumer resources could have flowed to substitute products. Producer resources could have been invested to improve quality. Unknown are the precise quantities, qualities and full consequences of counterfactual investment streams. The harms born by prohibited suppliers and demanders should be recognized as an amount of resource expenditure capable and willing to be invested to improve product quality in an alternative institutional environment. A world where the health risks of heroine are zero is perhaps impossible but a world where producers and demanders are inclined to minimize the costs of consumption is only possible in a non-prohibition context.

The standard interventionist model presumes that the losses imposed by prohibition are less than those social costs that would have occurred without enforcement. I suggest that the standard model under accounts the costs of prohibition enforcement and underplays the potential for non-interventionist strategies. The potential for civil society and private markets to resolve the social costs of the drug trade are understated by default.

While many have noticed prohibition's effect on physical capital, less attend to its influence upon knowledge, social-learning processes, institutional development and the accumulation of social capital. These effects share the maladaptive but contextually rational characteristics that occur within the physical capital structure. Such processes are more complex and more difficult to effectively reform; hence they are more negative influences upon social order.

Prohibition tends to create more closely-knit social networks wherein bonds of trust are stronger and more exclusive because secrecy is highly valued and contracts must be self-enforcing (Gambetta 2011).¹⁶ Sobel and Osoba (2009) have noted for drug dealing street gangs, and Gambetta (1996) for Sicilian mafias; such groups function as quasi-governments. They provide arbitration and contract enforcement for those within their territories. In the absence of state legitimacy the functional demands for contract enforcement and conflict resolution remain inelastic.

The profit motive encourages peaceful relations amongst members within organized criminal communities and motivates resolve in intra-criminal-group conflicts. Buchanan (1973) notes an optimal level of organized crime as monopolies limit competition within territories. Leeson and Skarbek (2010) confirm in economic terms, and Kaminski (2004) socio-anthropologically; severe enforcement norms in criminal communities are compensated by popular compliance, infrequent application (Leeson 2010b), and effective checks and balances (Leeson unpublished). The degree of severity is driven by the characteristics of agents, which in turn is driven by their conditioned relegation to the non-formal sector. You need to be surly to be continuously dealing with other surly pirates, but piracy makes for surly gentlemen.¹⁷ Leeson (2009) infers it is precisely the conditions of relative statelessness that drive uniquely adaptive and rationally functional social norms.

In so far as systematic violence threatens profits,¹⁸ investments to comply with and innovate peace-making strategies will be proportionate to profits. If the costs of

¹⁶ Such strong ties are themselves limits to economic prosperity (Granovetter 1973).

¹⁷ See also Morris (2003).

¹⁸ Emotionally fueled acts of vengeance have inelastic demand curves and thus high deterrent costs. Exogenous formal enforcement also fails to abate strongly embedded cultural hostilities.

such innovations were high this would be support for intervention so long as centralized efforts were less costly. The failures of centrally planning the drug war (Miron 2004) and military occupation abound (Coyne 2007). Research implies that informal and menial communication techniques carry non-negative and significant returns in developing trust and cooperation amongst participants (Axelrod 1984).

The standard market failure model ignores the possibility that interventionism itself may contribute to the severity in type and quantity of violence. The social norms of underground communities are contextually rational as agents who frame exogenous law enforcement as unwelcomed and oppressive, seek substitutes for enforcing trades and associations without the traditional forms of state monopoly enforcement.

Again, marginally more police on the streets, increased arrests and or more stringent penalties may more inspire creative adaptations instead of deterring the prohibited behaviors that empower organized crime. If organized criminal networks find functional value in the convenient sorting caused by prohibition than marginal increases to enforcement buttress rather than deter organized crime. In criminal networks signaling provides a valuable way to gauge reputational capital. Criminal records and time spent in prison can prove ones trustworthiness, valuable levels of skill, knowledge and experience, precisely because local agents are more attune to local knowledge and their profitable applications.¹⁹ Marginally more intensive penalties and applications induce marginally more powerful signaling within the criminal realm.

Marginal increases in state intervention via more financing, resources, legislative prohibitions or enforcement severities do not universally nor proportionally deter prohibited behaviors. Such interventionist strategies induce relative price changes such that continually investing in the non-formal sector is preferred relative to forgoing the highly valued and inelastic demand for prohibited behaviors. In so far as the perceived profits to drug dealers are higher than the perceived potential losses of enduring violent enforcement; governments' marginal investments in violent technology will induce responsive investments in violent technology by dealers rather than deter drug dealing. Such increases in state intervention thus harm social order generally, in so far as increases in the stocks and effectiveness of accumulated violent technologies threaten social order.

2.3 Asymmetric economies and military technology levels invoke guerilla tactics

Military occupations invoke similar social patterns as seen in Scott's case and prohibition environments; most do not need repeating. Marginal interventions are followed by anti-state retaliations. Unintended consequences re-affirm the rationale for interventionism.

Inelastic supply and demand conditions drive high enforcement costs and induce reactive changes to the physical and social capital structures within non-formal communities. Similar inelastic conditions induce similar capital adjustments during military occupation. Historically, large cultural distance and radically disparate

¹⁹ Lipton et al. (1974) research is the classic example of surveyed findings that incarceration seemed more correlated with recidivism than with rehabilitation.

economic and technological capacities set inelastic demand curves for non-formal agents. The quantities of unwanted behaviors are weakly deterred by formal regulation. Agents in the non-formal sector do not often abandon religious beliefs or nationalist pride in the face of opposition. Interventions instead inspire an insular culture, xenophobia and or counter military guerilla and terrorist tactics (Johnson 2004).

The French and Indian War is perhaps the archetypal case (Anderson 2001). British troops with larger economic resources and more advanced weapon technologies posed a nearly unstoppable threat to Native American fighters. Bows and arrows proved ineffective against muskets and gunpowder. In addition to allied bonds with France, Native Americans replied with guerilla tactics. Rather than lined battalions, regimented marches and military uniforms; native fighters used stealth and covert strategies to disrupt British occupation - to much surprising success but eventual defeat.

In a more contemporary context, terrorist motives can similarly be represented as inelastic demand curves. It seems uncontested that religious and cultural identity are not easily changed but are instead deeply embedded within the psyches of fervently motivated actors. But this is not to say that such behaviors are incomprehensible to social science and or irrational (Iannaccone 2006). In light of extreme economic and techno-military disparity, terrorist strategies prove effective relative to other efforts. Regardless of which military power is on the side of justice, a group with significantly less military resources stands little chance of success against robotic drones, air force bombers and highly trained and equipped ground troops without resorting to strategies beyond the pale of conventional warfare.

Such conditions significantly alter the predictable effectiveness of marginal increases to military budgets. Just as in the prohibition case, Beckerian ratcheting seems to carry the opposite effects as those intended. Additional dollars spent by economically and technologically dominant forces marginally contribute to the willingness of non-formal opposition to rely on non-conventional military strategies. All the while civilians are more threatened relative to professional combatants and social order is more difficult to cultivate and sustain.

3 Section III

3.1 Conclusions – it is unknown how to optimally resolve some of the most complex social problems

Drug use and other illegitimate behaviors often carry associated social problems and are thus deemed illegal, illegitimate and relegated to the non-formal sector of society. Drugs are addictive, and violent conflicts suppress economic and social development. Such dilemmas deserve attention, inquiry and response. It is not surprising that many individuals seek to abate such social harms. The question at hand is, do the strategies currently deployed for reform actually work, if so why, and if not, what alternative strategies might be more effective?

The persistence of such social problems is often perceived as a consequence of insufficient interventionism. Drug use persists because enforcement is too lax or

military efforts fail from timing or insufficient magnitude. Rarely do policy makers or political economists question if interventionism itself is at all effective at resolving the fundamental causes of these problematic social phenomena. The conceptual framework of social diagnosis and the processes of policy design and implementation currently deployed suffer sheer ignorance. The potentials of informal social processes to resolve complex social problems are unknown and perhaps unknowable without social experimentation, trial, error, feedback and updating. When such processes involve the administration of law, law enforcement, and the application of physical violence, no consideration for non-governmental tactics are conceived or accommodated.

One can admit that addiction and insurrection deserve response, but cannot demonstrate a priori that effective resolutions are knowable for all times, places and peoples. No one knows precisely how to resolve drug addiction most effectively; furthermore the social problem has grown more complex and difficult to resolve thanks to the severity of drugs increasing under prohibition enforcement. No one knows with full precision and certainty how best to keep peace across times and cultures. Such processes grow more challenging daily and continuously serve to justify expansions to the scope of government.

Recent research within the related fields of developmental economics, self-enforcing exchange and comparative political economy²⁰ is taking more seriously the potentially harmful effects of excessive and misapplied interventionism.²¹ Case studies of stateless and quasi-anarchist institutional environments do well at avoiding the diagnostic biases of most models within contemporary political economy. Such cases as surveyed in section III, like Scott's, simultaneously highlight processes of governmental failure and demonstrate the infra-marginal functionalities of more organically voluntary processes of institutional development outside the traditional confines of the nation state, market failure and public goods logics.

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²⁰ Djankov et al. (2003) posit an institutional possibilities frontier. Leeson (2007) suggests some governmental forms are more destructive to development than conditions of statelessness. Easterly (2007) explains foreign aid subsidizes ineffective and or abusive domestic government. Rajan (2004) suggests institutional quality not be taken for granted. Political economy should “assume anarchy.”

²¹ Such is the central focus of the long tradition of Classical Liberalism (Hayek 1960) and the subfield of Constitutional Political Economy (Buchanan 1990). The civil and market realms are identified as the dominant source of social order and economic welfare whilst government stands the greatest potential threat to said processes.

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