

But...Somalia!
Guest: Ben Powell
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Ben Powell is a professor of economics at the Rawls College of Business at Texas Tech University, where he is also director of the Free Market Institute.

WOODS: Before we get started, before you save our hides by helping us to understand the Somalia situation, first I want you to tell us something about this great gig you have going over at Texas Tech. I got to visit you down there earlier this year, and you have your own free-market institute down there. Tell us about it.

POWELL: Thanks, Tom, and it was great to have you out and speaking to our audience there. We are building a new free-market institute at Texas Tech that I took over directing last January when they founded it. And we're trying to make ourselves a beacon of free-market economic thought here in the United States and for that matter the world. I'm recruiting two new hardcore free market faculty members this year, and I'm working on some programs to hopefully bring in a few more faculty members in the following year. We work with graduate students, undergraduate students, public programming, conduct research, the whole nine yards there, and it's amazingly been a very hospitable environment at that university for this type of thought.

WOODS: Is there an easy URL that you can link people to? Otherwise I'll put a URL with the show description, but is there an easy one?

POWELL: Sure: www.fmi.ttu.edu, so, "FMI" is Free Market Institute, and then, "TTU" is Texas Tech.

WOODS: That's not so bad. Let's jump into Somalia, because as you may know, Ben, the classic anti-libertarian comeback is, "Why don't you libertarians go live in Somalia?" I think it's not such a good comeback to say, "Yeah, well why don't you go live in Stalin's Russia?" or something. This doesn't really work. First of all, tell us a little something about the work you've done. You've actually written some scholarly work on this, so give us a little bit of background about your work. And then how do we start unpacking the Somalia claims that we hear?

POWELL: You're absolutely right that this is a crazy attack that libertarians have to deal with. There's even an online video talking about it. It's two people on a beach, and they're like, "What, this is a public beach? If you don't like beach socialism go to Somalia!" Then it shows hideous conditions there, and at the end the girl's like, "Oh, and I caught cholera."

It's just the wrong comparison. We're not comparing the United States today to Somalia. Somalia's definitely a poor, impoverished country like much of the African continent.

What really we need to do is relevant institutional comparisons. Basically, how well does any given country do, given its level of development, compared to its less-state or stateless alternatives? It's not fair to compare a First World country to a Third World country regardless of what type of institutions we're talking about. So there's definitely something that's out there, and I'm glad you're taking the time to address it on the show.

My own work on Somalia started eight years or so ago, and I was working with some students. The first thing that attracted me, believe it or not: the World Bank of all places published a little study that said Somalia might not be doing so bad. This was around 2004 or 2005, something like that, and it just pointed to a few minor indicators. I think the number of improved roads, I don't know, and two other living-standard-type metrics. And what the World Bank authors said was, compared to its immediate three neighbors Somalia's not obviously doing worse than the other ones. I said, well, this could be interesting.

So I started investigating further and ended up working with a couple of students to work on research. How does Somalia do in its statelessness compared to both when it had a state and to the other 42 sub-Saharan African countries? Because that's the relevant comparison. Not Somalia to the United States but Somalia to its peer group.

WOODS: And by the way, that is the type of error I think that we get in many, many situations. Like people, for example, who read about the Industrial Revolution in their seventh-grade textbook, and they see that kids are working in mines or kids are working in factories in very unsafe conditions. Everybody has a very low income, and they say, "But today, now that we have big government, we don't have these things." Well, again, the relevant comparison is not the United States now and the Industrial Revolution then. It's the people living then as compared to what they were living like 50 years earlier.

By the way, that's also a fact that needs to be borne in mind in some of your related work, on sweatshops. I want to have you on when your book on sweatshops comes out, so I don't want to give too much of it away. But you do have a book coming out. Is it published by Cambridge?

POWELL: Yeah, it's coming out this December with Cambridge University Press. It's called *Sweatshops: Improving Lives and Economic Growth*.

WOODS: Because there people would say, well look at this kid working in a sweatshop, look at this adult working in a sweatshop, and compare it to some guy working at Google.

POWELL: Right, it's just utterly the wrong comparison, and you're absolutely right about the conditions during the Industrial Revolution and the change, but what most people miss is we didn't get our laws and our big government mandating safety standards and child labor laws and such until after those problems basically disappeared already because of market forces. The first child labor law in the United States was in my home state Massachusetts, and I think it's something along these lines and this isn't precisely right, but this is basically what it said: Children under 10 years old can't work for more than eight hours a day in factories. So basically it wasn't much of a binding constraint at all, and that was in the mid 1850s. We didn't get national child labor law until the 1930s.

WOODS: Getting back to Somalia, what is it like living there, though? Maybe they do have better economic performance than some other African countries, but as an absolute standard that's not anything that would draw me to move there. I know you're not claiming that we want to move there. We're just trying to draw some lessons. But how is it possible? Is there any law and order at all, or is it just absolute chaos, and people are throwing rocks at each other all day?

POWELL: Let me try to break your question into two separate ones. One is, how are they doing in this statelessness? And two: is statelessness chaotic Hobbesian anarchy, or is it anarchy with governments and laws? Let's take the first one. So what we did is we looked at, I think it was about a dozen or so different standards-of-living measures that we could get consistently reported from Somalia over a period of about 25, 30 years, and the other 42 sub-Saharan African states. We looked at things like life expectancy, instances of immunization, access to improved water sources, infant mortality, and interestingly also telecommunications access both in regular telephone lines and cellular telephone lines, things like that. So we're trying to get as broad a measure of standard of living as possible.

What we find is most of these—so we look at it in 1985, 1990, and 2005, and we're looking at: "what was the effect of statelessness?"—Well we see in both of these, Somalia's ranking among the 42 sub-Saharan African countries is declining dramatically from 1985 to 1990, its last years of having a state. It's improved dramatically in a number of these measures. They rank in the top half of African countries in roughly half of the measures. They're darn near the top in terms of access to telecommunications, because the rest of that continent is just a disaster with state monopolies. And interestingly, this is a tough thing to do well. It's not like a trivial market to solve, because there's potential spillover here like cellular phones, anybody can throw up a cell tower in Somalia which should get your prices down, but you have the potential at least for overlapping use of radio waves or cell phone radio signals. But yet, we find that they actually have one of the clearest signals in all of Africa coming out of that country. So the market seems to have sorted that out fairly well.

Important I think is life expectancy. I think Somalia's the third-biggest improver since 1990, and life expectancy on the continent of Africa. So basically what we're establishing here is not an absolute standard. I'm still sitting and talking to you from the United States. I don't plan to move there. The point is how well have they done compared to what they were like? And they've improved in absolute terms from what they were like, and they've improved not just in absolute terms but relative to the average improvement that happened in the continent. So standard of living measures are low, because it's poor. But they're getting better during statelessness—not worse, as many libertarian critics would suggest.

WOODS: But how exactly then does law and order occur? You would take for granted there has to be some kind of law or some kind of security provision. Then who's doing that? How is that all occurring?

POWELL: So that's the key, is that there is—because of course, you couldn't have improving economic conditions or other standards of living performance without having some sort of respect for property rights, some sort of system of governance of law. And the Somalis have that. The best book on it is actually called the *Law of the Somalis* by van Notten. It came out maybe eight years or so ago, and what he documents is that there's a robust customary legal system that's always operated in Somalia but was pushed back to the rural areas, first under colonialism and now under their national state. That is what's come out and provided the law and order in Somalia since the collapse of the state. Basically the way it works is they have a legal code that specifies activities that are illegal. If you believe you've been wronged by somebody else—and these largely focus on things libertarians would care about, about physical invasion of people's person and property—and if you have a dispute, you are born into a clan in Somalia, and you go to your clan elder and tell him what the dispute is. Tom, if you and I are both in the same clan and one of us goes to the elder, the other one's just called before him. He'll make a decision, and that becomes binding on us.

The decision—there's no Somali jails. It's a restitution-based legal system, so it's provide compensation. The legal code spells out actually in livestock, and in practice, it's done with money. Now, exactly how much you're supposed to compensate somebody for different types of rule violations—it's easy enough when you're within the same clan, but they also get extended order and law out of this. Of if you're in one clan, and I'm in another, we both appeal to our own clan elders. The two of them try to mediate and come to a mutual decision. If they can't they appeal to a third party clan, somebody else who will then make a decision that becomes binding on both clans. These elders that are selected aren't like a hereditary title. They're chosen voluntarily by the community based on custom. "Are these people the best at interpreting what current custom is?" So it's a customary legal system much like old English common law before the royal governments interfered with it.

This is how the law evolves, through kind of like a common law dispute resolution system. As one ruling is made from the third party clan, that becomes the norm for all three of them. The law spreads organically like this throughout Somalia. So what it does mean is that the law is kind of slow to change, so one thing that it hasn't been particularly good at is adopting outsiders largely because the customary legal system was working in the background and wasn't allowed to deal with international trade issues under the nation-state and under prior colonialism. But the system has worked relatively well at providing law and order. So there is still crime. But there's not like wide-scale Hobbesian anarchy or anything like that in Somalia. Most of the violence we see is centered around Mogadishu and attempts to install new governments there.

WOODS: I often thought that, especially when we're talking about people like you and me who favor the stateless version of libertarianism, that you can't really evaluate a situation like this completely when you have a situation where most people have never heard of the option of a fully stateless society. I'm sure many of them feel like probably someday we may go back to the system where there's a state, and in which some people monopolize some services. So it's not a real full-scale test when you have a lot of people pouring energies not into entrepreneurialism but into political entrepreneurialism, into hoping that maybe someday we'll be the monopolists again. Most of these people have not cracked open books and read Rothbard and thought: "Okay, let's see. Maybe we can have entrepreneurial solutions to the security problem or whatever." So in light of that, since most people have no idea, they've never philosophized about it or never thought about a blueprint of what society would be like, it's all the more impressive that when you have a non-state legal system like this that it produces at least a tolerable outcome.

POWELL: Yeah, and I think you point to a couple key things in here. First, under the first like four or five years of government collapse in Somalia, there was widespread civil war, because different clans were trying to make themselves the new monopoly. Because their entire experience with government has been an extremely predatory, extractive one, and they wanted to make sure they were on the receiving end. They only settled down once it was clear that there wasn't going to be enough force by any one of them to establish themselves as a new monopolist. Then they kind of settled into this more peaceful equilibrium.

I think you're exactly right about the United States. This Somalia research I've done is not like, "QED, anarchy works great for the United States." I think if we abolish the U.S. state tomorrow, we'd probably have a U.S. state again the next day or some collection of states and most of them would be worse than what we have right now. Specifically because we don't have the ideology of people thinking about these alternative systems as much as we should. But I would encourage people to think about, how much law and order does our society get that really is

non-state right now? If you think about the vast majority of at least commercial situations that you find yourself in, most of them aren't going to be practically enforced by formal law.

I mean if you ever ate at a restaurant, how easy is it to just walk out on your check? Virtually any restaurant I've ever been in, I would have been able to walk out without paying, yet we don't. With as many informal norms and customs, internal moral constraints constrain what we're doing. So does reputation or a number of other commercial mechanisms that mean we don't have to rely on our formal governmental legal system as much as many people believe—that seems to be what's giving us order. It's actually not.

WOODS: Our mutual friend Ed Stringham has a really great edited collection of articles and essays on the general subject of how it's possible to have law without monopolistic state provision. It's called *Anarchy and the Law*, and it just blows your mind. That book and Bruce Benson's book *The Enterprise of Law*, were a couple of the most mind-blowing books I encountered in my sort of, I hate to say, reeducation. It sounds Stalinist. You know what I mean. My evolution. That flows off the tongue a little bit better. But what do you recommend people read—I mean, now that we're sort of a little bit off the specific case of Somalia, but what we are trying to talk about here is the possibility that people could have some kind of remote prospect of civilized life without Nancy Pelosi or John McCain. This is strong medicine for a lot of people. Where do you direct people when they're sort of curious about this? They're not entirely convinced, but they're willing to give you a shot.

POWELL: I have a few for you here, but first just in light of mentioning Bruce Benson's book, it is a nice bridge to Somalia topics actually, because Bruce and his *Enterprise*, there's a lot of historical description of how early English common law evolved and worked and then how it eventually became a government monopoly. What he describes in there is a restitution-based common law legal system based on custom. It's not unlike the system that we find in Somalia today. What he documents is that there was no failure of the legal system that led to the change to a governmental one. It was marginal encroachments by the crown again and again that monopolized more of the crimes and revenue for itself rather than some failure of the spontaneous system that was there. So it's an absolutely fantastic book.

Other places you can look—actually a great starting point to plug one of my own things with Ed Stringham, our friend that you mentioned—the two of us did a survey article a couple of years ago. It was called “Public Choice and the Economic Analysis of Anarchy,” because we knew even among our scholarly libertarian friends, many of them didn't really know the vast amount of scholarship that's been published on anarchy, not just within libertarian-type journals but in mainstream economic journals. So we did a collection that reviews everything that's out there. You can get that off my website www.BenjaminWPowell.com. It would be on a page called

Scholarly Articles, and there's one there that says "Public Choice of Economic Analysis of Anarchy," and you can download it there. It's just a ton of literature that it can refer you to. For books that's really encouraging, there's going to be two very interesting ones coming out over the next about year and a half. Stringham's got a new one that he's working on that I think is going to be about a year and a half out, and Peter Leeson's got one out. I think it's called *Anarchy Unbound* that's going to be due out I think it's in February or the spring. His is studying how violent private enforcement can make anarchy feasible, whereas Stringham's is much more on how passive and cultural norms can do a lot of the enforcement for us.

WOODS: I just talked to David Friedman the other day, who tells me he's got a third edition of his *Machinery of Freedom* coming out, because he's given a lot more thought to a lot of these issues, especially the hard case of national defense. So I don't know if it's some kind of crazy renaissance we're living through, Ben. I mean who'd have thought ten years ago that we would be living through such a thing? But here we are.