Episode 1,039: WTF?! An Economic Tour of the Weird

Guest: Peter Leeson

WOODS: It takes guts to write a book called *WTF?!*, for heaven's sake. I just told people the full title, but — [laughing]

LEESON: [laughing]

WOODS: But now let's start off with actually the way you frame this. At the beginning, you actually talk about rationality and what it means to be rational, and it sounds to me like you're taking a fairly Misesian approach to what it means to be rational.

LEESON: Yeah, I'm taking an entirely Misesian approach to what it means to be rational. From my perspective, what it means, and I think from Mises' perspective as well, it simply means that people have goals and they pursue their goals as best as they can, given the limitations that they confront.

WOODS: So a lot of times, we're inclined to look at let's say some practice that we find strange that some people engage in, and we think that must be irrational. Or for example, let's just say something like a rain dance I think might be the classic example. We would say it's irrational to think that that's going to bring rain. But if we're thinking about if from the point of view of somebody who's simply pursuing a goal and he believes that his means is the correct one to achieve that goal, then from his point of view this is rational. And that's what we mean, simply that people are goal-oriented.

LEESON: Yeah.

WOODS: Now, with that in mind, you can actually look with a bit more sympathy upon things that you might find unfamiliar or even shocking, and your book is filled with these. I'm curious to know how did it come about that you wrote a book that was a collection of some practices that we are familiar with — at least we know of, like trial by battle — and others that are extremely obscure and bizarre? How did you happen to fall into these?

LEESON: Well, it's interesting. I sort of, as an economist who takes this rational choice perspective, one of the things that I find really frustrating is, especially in the era of the sort of rise of behavioral economics, or so-called behavioral economics, which is the sort of era that we live in, where people feel perfectly comfortable writing off

behaviors that admittedly on the surface don't seem to make a whole lot of sense or any sense at all as irrational.

And you know, my sort of Misesian training, my Misesian way of thinking suggests to me that that's not right, that the proper way to think about this if we want to truly understand what it is that people are doing even when it's a rain dance, so to speak, what we need to do is to think about it from their perspective and how it is that their behavior, rational from their perspective, and how their particular beliefs, for instance, would influence their incentives and perhaps even — you know, with the rain dance, you're unlikely to actually make it rain, but nevertheless, that belief may influence, say, the planting of crops, an activity which could be socially productive.

So it was sort of this general idea of, in a sense, going against I feel like a bit of what the tide is in current economics. And the other part is just my simple fascination, my curiosity with things that seem damn weird.

WOODS: Yeah, indeed. And then as you've explored them further, you've been able to say, well, not necessarily a case that I would want to observe any of these practices, but I can kind of get that there's something. It's not just pure insanity, that there's some reason that people would have by and large consented to some of these practices.

Now, before we get into specifics, I notice that you made use of the Coase theorem a number of times in the book. And maybe instead of trying to do that on the fly, can you explain — there's have been criticisms of the Coase theorem, but what exactly is Coase trying to do in the theorem? And then let's see if we can actually apply it in a case or two in your book.

LEESON: Okay, well, should point out at the outset here that the Coase theorem means different things to a of different people, and economists debate what it means. For my purposes in the books, all that the Coase theorem really refers to is the fact that people trade, as long as there are property rights of course, and that they don't stop trading until the guy who values whatever is being traded the most ends up with the thing in question. That's the basic intuition and logic behind the Coase theorem.

Now, when Coase wrote his famous paper in 1960, he described this kind of logic in a different context, of course, and he pointed out that that result, which has important implications, is true provided that what are called transaction costs — here we can think about transaction costs as the cost of actually engaging in trade — are low. In particular, when they're zero. If it's costless to trade, then two people or multiple people will keep shifting the object around, because that's free to do until the guy who wants it the most ends up with it.

On the other hand, which is what some people would argue is actually what Coase was really getting at, is that if those transaction costs are high and so trade prevents the object from moving between the people fluidly, the object ends up being stuck perhaps in the hands of somebody who doesn't value it the most. At least that's one of the important takeaways from the idea of positive transaction costs in the Coasean framework.

WOODS: All right, now having said that, let's go actually toward the very end of your book and start with trial by battle. I think people may know sort of what this is, but why don't you explain it, when it took place, and what it was expected to accomplish?

LEESON: Sure. So yes, those listeners at least who watch the HBO series *Game of Thrones* will certainly be familiar with trial by battle or trial by combat. It was an actual practice used in fact to adjudicate all real property disputes in Norman England, so land disputes, that were difficult.

And it turns out that most of those land disputes, real property disputes in this period were in fact difficult because there really wasn't a whole lot of evidence to go on if two parties contested ownership to a parcel of land. They might have charters in some cases, although it didn't take much at that time to basically write up your own charter and present it as though it were valid evidence of you having owned the land when in fact you just forged a document. Witnesses could be brought forward, but of course both litigants could find somebody, probably a friend, who would attest to the fact that the property was in fact rightfully their friend's. And so as a result of this, judicial officials, judges often found themselves in the position of not knowing to whom they should award the contested parcel of property when the litigants came before them.

Given that, I argue that they did the second-best thing that they could do. So ideally, what the judge would want to do would be to actually know who the contested land belonged to and assign the contested property right to him. But since there was in fact no way of figuring that out, there was often no correct answer, it turns out, because of feudalism during the era, which made the particular owners or who owned various aspects of private property rights difficult to discern. There wasn't always a single true owner. So the next best thing that judges could do was to assign the disputed land to the litigant who valued it more, the person who would be able to make more productive use of the property, in consequence, which would in fact be the sort of socially productive thing to do. And I argue that trial by battle or trial by combat was in fact a clever auction mechanism for securing that goal.

WOODS: Okay, that's what I find interesting, because of course you're right. No doubt this is the same reason by and large that the ordeals by hot and cold water were instituted even earlier than this, because again, you don't have modern investigative systems, you don't in many cases have as much evidence as you'd have today — like you don't have a video camera outside your house catching the criminal red-handed. So you've got to figure out some way to come up with an answer to the guilt or innocence of a person that will be satisfactory to everybody. And so you've got to come up with something, so they came up with this. So how is it that trial by battle then satisfies what you're describing? As a second-best solution, how does it accomplish this?

LEESON: So the way that it worked was that the court would order the litigants to hire legal representatives, much the same way that modern litigants in a real property dispute would hire lawyers. But instead of those legal representatives in Norman England being sort of rhetoricians if you want to think about it that way, or experts in the law, they were thugs called champions. And what they were supposed to do was to literally bang it out, to cudgel one another with clubs before an arena of spectating

citizens. And the winning champion's employer, that litigants had the contested property awarded to him.

So with that in mind, it's pretty simple I think to see the economic logic in what otherwise seems a very barbaric system, which is that these champions were hired just like lawyers are today in a marketplace. And the litigant who valued the property more was more likely other than his equal to spend more on a champion than the litigant who valued the contested parcel less. And of course, better champions were more expensive. They were in higher demand than worse champions, which means that the litigant who paid more to get a better champion was probabilistically more likely to win the contested parcel. And in effect, his purchasing of the better champion, you can think of it as a kind of auction bid that he was making for the land in question. So if you want the property more, you hire the more expensive champion because he's more likely to win, and the fact that you're spending more is revealing the fact that you value the contested land more.

Now, of course there are a lot of other things that go on here. You need to make sure that people have similar amounts of wealth who are engaged in such an auction bidding on champions, and that was in fact the case under trial by battle. But that's the gist of the idea.

WOODS: So are you basically saying that you looked at this history, you thought about it, and you said, I can see — even though again, this is not a system we're saying we want to live under today — I can see some sense in it. It's not just pure superstition and irrational. There's a core of truth here. In other words, is this a conclusion that you as an economist have drawn, or do you have any reason based on anything you've read to suspect that they also realized this was implicitly what they were doing?

LEESON: I think that it's hard to say whether or not they realized it. So going back to the ordeals, for example, the trial by boiling water, which priests conducted. A question that I often get in that context is: did the priests know — because in that case, there's actual rigging of the process involved — did the priests know what they were up to? And I think it's a really hard question to answer, because on the one hand, you could of course find evidence of people acting in ways that seemed to contradict their professed beliefs during these periods, which makes it plausible that they did in fact on level perhaps know what they were doing, in some cases.

But on the other hand, the mind is a very elastic thing, and it's certainly possible to think that, if a priest for instance in medieval Germany was, say, manipulating the outcome of an ordeal, then he may have thought that he believed that he was acting on behalf of Christ, basically, when doing that. The doctrine of in persona Christi was of course developing during this period. So it's possible to both have a belief that you are — be a true believer and to be acting with that thought in mind, but on the other hand, it's also possible people were sort of just down to nuts and bolts and knew exactly what they were up to. So I don't think there's a single answer.

But I do want to say, to me the important piece is this, that all of these practices, they lasted for centuries. And from my perspective, institutions don't last for centuries as a rule, unless they are doing something for somebody. And so that is to say there is a reason behind them. What the economists should be doing I think is trying to

establish what the reason is rather than simply writing it off again as the product of idiocy or irrationality.

WOODS: All right, we've got some more unusual things, let's just say, to talk about. First, let's thank our sponsor.

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All right, let's move along to practices and places people might be less familiar with, and now I want to jump over to — Initially I thought we would talk about the ordeals by hot and cold water, but I've got to save that for people who buy the book because that's a very interesting analysis. I used it when I was a professor. I used to just portray that as pure irrationality, and now I feel a little silly because I think your analysis of it is much more sophisticated than mine was.

But instead, I want to go to — you have a chapter called, "Chicken, Please. Hold the Poison." And this is something I knew nothing about, and I find it interesting, and it takes us far from Europe, where some of your examples come from. So introduce us to what's going on here with the chicken.

LEESON: Sure. So the chicken practice here refers actually to modern Africa. There is a group — and what I'm about to describe in various ways, ways that often look sometimes quite different, in fact, is used not only by the particular group of individuals, the Azande, who I'm going to talk about, but refers to some other groups as well, and I'm going to focus on the Azande.

So this is a very large community of — today there's a million plus Azande inhabiting various parts of Africa who consult an oracle in order to decide how to behave toward their neighbors. In fact, to make all sorts of other decisions in their lives, but perhaps most importantly to tell them how they should act toward their neighbors. And that oracle works as follows: the oracle is called Benge, and it involves taking a special poison from a tree or a vine that's located in the forest where these people live and then feeding that poison to a chicken. And then you sort of shake the chicken as one might shake a magic 8 ball and see how the chicken responds. You pose a question to the chicken just as again you would pose to a magic 8 ball before you shake it, and you can instruct the chicken's response to be either a positive or a negative answer to your question. So you're always asking a yes or no question, again, just like the 8 ball.

You can say, for instance, "Benge, tell me is my neighbor bewitching me? If yes, die. If no, live." And so in that case, if you phrase the question that way and the chicken dies, then obviously it's affirming — it's saying yes, your neighbor his bewitching you, and vice versa. Or you could ask it in the alternative fashion. It doesn't matter. It turns out, as a result of the way this oracle needs to be used, you actually have to get opposing answers that are consistent with each other in order for it to be a definitive verdict.

So that's the basic practice, and on the surface again it seems utterly insane, but in the book, I liken it to, as I kind of did here a moment ago — I liken it to the way that at least my brother and I used my magic 8 ball when I was growing up. So a lot of

times, we would end up fighting or be jointly engaged in chicanery and my parents would want to know who the ringleader was. And a lot of times, there wasn't a ring leader. My brother and I were both equally at fault, but my parents would sort of announce that until one of us came forward, we were both going to be sent up to our room and we had to stay there, for instance.

So these sorts of conflicts, obviously neither my brother nor I wanted to be the one who had to come forward with my parents, and so what we would do is we would shake my magic 8 ball and have it be like a third-party decider of which one of us would have to be the one that would go forward to my parents and, more generally, the decider of which one of us was wrong or right in whatever conflict we were engaged in.

And that kind of a device an economist would call a coordination device, and it's basically a third-party way of getting people to match up their behaviors and expectations. So if I say I need to go tell my parents that I'm wrong and my brother doesn't have to, that's one possible outcome that can work. The difficulty is what we don't want is for both my brother and I to refuse to go down to tell my parents that we were the ring leader, because if we do that, we end up both staying in our room forever. The 8-ball device, the coordination device helps us get out of that conflict by coordinating our responses. And I argue that the poisoned chicken Benge oracle works to resolve conflict among neighbors in Africa just like the 8 ball did with my brother and I.

WOODS: I want to give you time to give one more example from your book and then the rest, people are just going to have to buy to read or get more information on. I mean, for example, wife selling or auctioning, that practice. Again, these really are weird things. But let's talk about, just to try to vary it as much as possible, the people who are often known as gypsies. Who are these people and what is it about their practices that you as an economist, and just as a human being who finds them hard to understand at first glance, would want to examine?

LEESON: Sure, so gypsies is an ethnoreligious designation. It's sort of like being Jewish in that regard. And there are different gypsy groups. In the United States, the Vlach Roma are the largest gypsy group. There are quite a few in the United States, and they're the ones that I focus on. And in an important sense, sort of what defines, if you will, being a gypsy, being Roma in this regard, is holding to a very peculiar set of sort of quasi-religious beliefs.

And in very brief, essentially gypsies divide the ritual purity or cleanliness of the body at the waistline. Above the waist, the body is considered ritually pure, and below it, it's considered ritually defiled, sort of spiritually toxic or contaminated. There are other religious groups that have views that are not so different from that. But what makes gypsies especially unusual I think is that, as a consequence of that basic belief, they have devised an entire set of extremely detailed and elaborate rules that govern all aspects of their life, from the most mundane to the rarest, which basically involve logical derivations of the fact that the body is ritually contaminated below the waist and above the waist that it's pure.

For instance, as a very simple example, one would never use soap or a wash rag, for instance, that they used to clean the lower half of their body to also wash their hands and their dishes in their sink, because in a sort of Rube Goldberg type way, the contamination from the lower half of the body would spread to the soap or the washcloth, and from there from the washcloth or the soap to the dishes, and from the dishes to the eater's mouth, ritually contaminating the eater.

And so you can begin to see that if you organize every single aspect of our life more or less around this, your life becomes pretty damn hard and crazy-sounding. And so I am interested in thinking about what might be the economic rationale that explains this peculiar gypsy code, if you will, this customary system of gypsy law.

WOODS: Now, as with a lot of the book, there are practices of some people that are frankly difficult to explain on a podcast. You really do need to read the book. But given that caveat, can you try to give us a bit of an overview?

LEESON: Yeah, absolutely. So if we think about these gypsy rules, an important piece of the puzzle to understand here, and with all of these practices, and important piece of the puzzle is always figuring out the special context that people find themselves in. In economics, we say the special constraints that people are operating under that might make the practice make sense. In the case of gypsies, it is often that their economic and even their social interactions such as marriage are often not legal, or at least occupy a legal gray area. They often don't get the licenses, for example, required to engage in various independent business activities that they're engaged in. Some of those business activities are criminal, at least according to certain local codes. For example, fortune telling, which many gypsies engage in, is not legal in all municipalities.

As a result of this, gypsies often couldn't, even if they wanted to, rely on government to enforce the contracts that they make between each other, and their social contracts including marriage. Gypsies often get married before the legal age of consent in most places. So what I argue is gypsies ultimately this seemingly crazy system of spiritual beliefs, they leverage those beliefs to provide governance, contract enforcement to their commercial affairs. So it's using the spiritual to govern the worldly as a sort of substitute for government when they can't rely on government.

WOODS: All right, so in other words, what Pete is saying here is you've got to read *WTF?!*, right? That's really the underlying theme of what we've just heard, *WTF?! An Economic Tour of the Weird*. Give me examples of just a couple of other weird things people can expect to find in this book.

LEESON: Oh, you'll find cursing monks, so monastic maledictions. Your Catholic listeners, in particular — I'm Catholic as well — will be familiar with benedictions. Maledictions were exactly the opposite. The liturgical curses, horrendous curses, you'll be shocked when you read them I think that monks hurled at their enemies in the middle ages. You'll find out about trial by boiling water and trial by cold water, as you mentioned before. You'll find out about trial by poison ingestion in contemporary Liberia. It's being used right at this moment.

You'll also find out about how a lot of the different practices that the book considers, while seemingly crazy on the surface, in fact, not only are rational, but have very close analogs, they just look a bit different, in contemporary, developed contexts such as in the United States. One of the arguments that I've put forward in the book is that our judicial system actually uses ordeal-like and trial-by-poison-ingestion-like procedures to help improve its own criminal justice system.

You mentioned wife selling —

WOODS: Wife selling, yeah.

LEESON: Yeah, so wife selling was in Industrial Revolution era England, among lower-income folks, at least, it was a quite common practice to auction off one's wife to the highest bidder at ordinary public markets alongside livestock and produce, which is a pretty remarkable thing. And the way that I came to really get to know about this practice is that these auctions, both the fact that they were about to happen and then the results of what happened, were published in classified ads of newspapers at the time. So you'd find out that some woman who'd been described physically and so on was going to be for sale at the Tonbridge Market at 12 o'clock Saturday. And then after the auction had taken place, if she had in fact been sold to somebody, you might read the week later that she had been sold to so and so for two pounds and a donkey. And it's these sort of remarkable advertisements that really gave me a lot of insight into the practice of wife selling that I dig into quite a bit in order to try to make sense of this practice.

WOODS: Now, by the way, a lot of this came — I mean, I'm looking at your website — came about as the result of some scholarly articles that you'd written on various topics. Did you write those articles with the intention of collecting them into a book because they all have this same kind of theme to them?

LEESON: Not exactly, but kind of like I did with my previous book on pirates, when I write a paper, when I get excited about an idea, whether it be the economics of the Caribbean pirates or the economics of things that it doesn't seem possible for economics to explain, which is sort of the theme of *WTF?!*, I try to write a sort of series of articles to sort of flesh out different aspects of whatever that theme is in that mind. And the hope is that if the series works, then there's a way for me to weave it together in the context of a book. So that's what I did here.

But this one is quite a bit different in a way, *WTF?!*, in that the book is written in a very unusual way befitting its unusual subject matter. It's set up as a literal tour of a museum of social oddities, which the reader is being guided by me who's acting as the tour guide. But the tour is also populated by a number of colorful fellow tour-goers, tour patrons. And it's their interactions with me throughout the book that actually propel the narrative, and those interactions are quite lively, I would say. So it's an unusual book in not only substance, but in form.

WOODS: Yeah, it definitely is. I mean, you, the author, are taking the role of somebody at a — I don't want to use the word "freak show" —

LEESON: [laughing] That's an appropriate word.

WOODS: Okay, good, good, good. Because I'm thinking this book is published by Stanford University Press. This is highly respectable. But the idea is that you're answering objections as if they're being shouted at you from a crowd. Of course, I've never seen anything done that way. And the book itself on the front, just the style of the book leaves you with this impression that that's what's about to happen when you crack it open. Very interesting. PeterLeeson.com is your website. The book I will have linked at TomWoods.com/1039, which is our episode number for today. And you're on Twitter, right?

LEESON: I'm actually not, if you can believe it. I'm not [laughing].

WOODS: What?!

LEESON: I posted my very first comment on Facebook only a couple weeks ago, so that shows you how behind the times I am.

WOODS: Oh, how about that? But oh, that's right — This is funny. My assistant who assembles notes on everybody for me and who is extremely reliable to the point of 100% I think just assumed that @PeterLeeson on Twitter is you, and I looked at it, and unless you have another career, this is not you [laughing].

LEESON: [laughing] No, it's not.

WOODS: Do not look for Pete Leeson on Twitter. You will be searching in vain. All right, anyway, but PeterLeeson.com will have what you want to know. But mainly, get the book. Get the book. It's *WTF?! An Economic Tour of the Weird*. It's fun and interesting and pushes the envelope in exciting and interesting ways. Pete, thanks so much.

LEESON: Thank you, Tom. I really appreciate it.