ON THE CONSPICUOUS ABSENCE OF PRIVATE DEFENSE

JOSEPH MICHAEL NEWHARD*

Introduction

The concept of private defense originates with Molinari ([1849] 2009), who first observed that defense is not exempt from the economic principle that consumer welfare is maximized under perfect competition and that state provision results in higher prices, reduced quantity, and inferior quality. To this day, there is an ongoing debate over the feasibility of market anarchism. Along with most economic research on the subject, Cowen (1992), Cowen and Sutter (1999, 2005), and Holcombe (2004) argue against its feasibility. The minority opinion includes Caplan (1993), Caplan and Stringham (2003), Friedman (1994), Leeson (2007a, 2007b), Benson (2007), and Stringham and Hummel (2009). The last of these argues that new social conditions may arise that will allow anarchism to emerge in the future. Below, I attempt to clarify the debate over the feasibility of market anarchism without repeating too much of what has already been said on the matter.

In the literature, feasibility seems to refer loosely to the ability of private defense agencies—the instruments for protecting an anarchist society—to emerge and survive without collapsing or becoming states themselves. I offer a narrow conception of feasibility in arguing that as opposed to worldwide anarchism, the emergence of a single stateless pocket of effective, privately provided defense for a “reasonable” length of time is sufficient to affirm feasibility. I then consider the failure of private defense

*Joseph Michael Newhard is a postdoctoral research associate in the Private Enterprise Research Center at Texas A&M University.

CITATION INFORMATION FOR THIS ARTICLE:

agencies to achieve even this standard. In doing so, I identify five possible explanations for the conspicuous absence of private defense agencies, which I describe as entrepreneurial, technological, or economic in nature, or resulting from a lack of consumer demand or a lack of incentive for violence specialists to refrain from aggression. Of these, only an economic deficiency renders anarchism permanently unworkable.

1. Feasibility

Above all else, a functioning anarcho-capitalist society requires the effective provision of what is colloquially referred to as national defense. Market anarchism cannot be said to exist where a population is compelled by force to subsidize the activities of a state, and a state’s grip on lower-order public goods such as law and infrastructure invariably follows from its ability to maintain its monopoly status through its war-making powers. The purely private provision of goods such as roads may even be conditional on first displacing, expelling, and repelling meddlesome states and their apologists from anarchist lands entirely, and in doing so, achieving and maintaining territorial sovereignty through an effective national defense. Such considerations preclude the establishment of a market-anarchist social order while participants remain under the institutionalized rule of the state; no social order that emerges under state oppression can properly be referred to as market anarchism.

Therefore, at a minimum, for a social order to constitute market anarchism, what we refer to as national defense—the collective defense of individual policyholders and their private property against state invasions—must be produced and traded on an open market with all participants voluntarily engaged. It requires that defense be produced not by compulsory monopolists but by privately owned, profit-seeking, competitive firms that operate beyond the sanction of the state and that are often referred to as private defense agencies; the emergence of functioning and effective private defense agencies will singularly mark the achievement of market anarchism.

---

1 Stringham and Miles (2012) write on the peoples of upland Southeast Asia who have successfully and deliberately disincentivized state conquest by geographic, economic, and cultural means. Nonetheless, I assume in this essay that market anarchists will be targeted by states and must be prepared to defend against them. If it is to enjoy a high standard of living, the anarchist society must accumulate a significant capital stock, and it will do so only if private defense agencies present a credible defense against invasion. In turn, this capital accumulation will make anarchist society an increasingly attractive target for states.
Yet no such society exists; the defense agencies advocated by anarchists are nowhere to be found. The private military firms currently in operation that provide mercenary services operate according to the “laws” of their home states. None today operate as true private defense agencies as market anarchists understand the concept, as each answers to the state like any other firm. This conspicuous absence raises serious and attention-worthy doubts regarding the ability and willingness of such agencies to defend the lives and fortunes of consumers. Perhaps the reason no private defense agencies exist is because they are inherently unstable and are unable to rival state power under any conditions. If so, then anarchism is infeasible for all time. Or perhaps they arise only under certain conditions that are not currently met. If by “feasible” we mean that market anarchism is a stable equilibrium in all times and places, then the absence of private defense agencies today would indeed prove infeasibility.

Let us consider a lower standard: market anarchism is feasible if it can successfully emerge and be sustained for a reasonable period of time in some realistic scenarios even if not in others. Under this standard, private defense agencies need not exist worldwide and need not be eternal to be considered feasible; so, their current absence is not inconsistent with their potential feasibility. Yet their absence is nonetheless disconcerting because it reveals that at best, there are conditions under which anarchism cannot emerge and sustain itself, apparently including present conditions.

Should we remain agnostic as to what those conditions are when we assess feasibility? For instance, perhaps private defense agencies can emerge and thrive only in the absence of the state, meaning they cannot emerge now or in the immediate future. This may be the case if anarchism and statism, though mutually incompatible, are stable equilibria due to a first-mover advantage. Is it reasonable to declare private defense agencies feasible if they can survive only in a stateless world? Probably not, and a more narrow standard of feasibility is required. I offer the following propositions about establishing a standard of feasibility in the private provision of defense:

**Proposition 1:** If private defense agencies cannot arise or operate within territory claimed by states, then market anarchism is infeasible.

**Proposition 2:** If private defense agencies are able to emerge and thrive under some states, then market anarchism is feasible.

Since states are the primary aggressors against which humans need protection, and since states now claim ownership of the world population, an appropriate benchmark for feasibility requires that private defense agencies cannot depend on the permission of these aggressors, against which they will be defending their clients. If feasibility has any real meaning, it refers to the
ability of private defense agencies to emerge within states, preserve themselves against the will of states, and defend their clients against these states for a reasonable period of time in an environment where they must compete not only with states but with each other. This standard does not require that they be able to emerge within and defend against all states, just as successful states need not be able to defend against all other states; we need not hold private defense agencies to a higher standard than existing states. Market anarchism should be considered a success not when it appears worldwide but when those who want it have it while the rest of the human population continues to suffer under the states they pledge allegiance to. But given the well-known power of states, and the anticipated hostility of the statist world, which will be directed against anarchist territories for motives of conquest, jealousy, or spite, we must consider and scrutinize the relative strength of private defense agencies.

Having established a standard of feasibility, we are left to consider the theoretical effectiveness of private defense agencies. The argument that they are infeasible is certainly compatible with their observed absence, and we must consider this possibility. However, their absence alone does not conclusively settle the issue, as alternative accounts may explain it. Below, I identify five of these: lack of demand, lack of incentive to supply, entrepreneurial failure, technological primitivism, and economic inefficiency. Of these, only the last can render market anarchism infeasible by the above standard.

2. Effectiveness

The present analysis concerns only anarchist movements located on land rather than at sea, let alone any future developments in air and space. Governments claim ownership of all the world’s lands. Therefore, aside from attempts at seasteading, the success of market anarchism depends on the following:

1. the ability of anarchists to displace the current government, creating a power vacuum;
2. the ability of anarchists to supplant government not with another government but with a private market for defense; and
3. the ability to preserve market anarchism for some extended period of time, resisting economic collapse or the re-emergence of a syndicate with a monopoly on violence.

Market anarchism cannot emerge within a given state-controlled territory without meeting these three conditions. This will require tremendous resources including ordnance and supplies. Superior strength of
private defense agencies will be necessary to successfully deter state aggression; when deterrence fails, effective defense will be required; when defense fails, devastating retaliation will be called for. The society that is unable to preserve superior strength in the hands of those who would only use it in a nonaggressive capacity can neither deter nor defend nor punish—an aggressor’s paradise. The private-property society can be maintained only so long as those who desire it have a superior capacity for violence than those who would aggress against it.

Among the libertarian detractors who argue against the feasibility of private defense are those who offer minarchism as a viable alternative, as a workable compromise between private property and socialism. Yet unlike in the case of market anarchism, the nonviability of minarchism is well documented. The historical record is clear: the state is a grave threat to liberty and property regardless of its founding principles or the organization of its power. Those who find compelling the theoretical claim that market anarchism falls short of its ambitions must find doubly persuasive the argument that “limited government” suffers the same fate, a fact established not merely by theoretical suppositions but by the tragic unfolding of history.

In assessing the feasibility of market anarchism, the pertinent question is not whether it defends property rights absolutely but how well it fares relative to statism. The fact that arms races and wars will occur and that some clients will be killed or have their property destroyed by enemy combatants does not indict market anarchism, since these things also occur under the state. Only an increase in such destruction relative to destruction under the state’s monopoly provision of defense need concern us. No human institution is eternal, and all societies might collapse, whether by invasion from a powerful outside force or by domestic infiltration by a sufficient number of parasites. Even states are invaded and conquered, and empires rise and fall. Assuming that all systems return to barbarism over a long enough timeline, we seek to determine only whether anarchism devolves into economic collapse more slowly than does statism.

The consensus among economists seems to be that while civilization may unravel and collapse over the course of centuries under government, the inherent instability of market anarchism will result in chaos from the beginning. Holcombe (2007a, 2007b, 2007c, 2007d) consistently argues that anarchism is not a viable alternative and that we should instead work toward reducing government. Yet to defend the state at all, in any form, is to defend the state as it exists today in all its tyrannical grandeur, in effect if not in principle. To reduce the state would be a short-lived victory followed by its subsequent return to its present size and scope. Every indication suggests that the growth of the state is limited neither by institutional constraints nor the
civic virtue of its rulers but by its own hubris and by modest opposition to the economic stagnation it breeds. Over time, states converge toward the apex of the Laffer curve (Hummel, 2003); their only concern is to maximize their rents (Newhard, 2016). By the yardstick of defense of liberty and property, the state fails immensely and at the outset; it fails by its very nature. Meanwhile, it is not a foregone conclusion that market anarchism will immediately devolve into chaos.

If Holcombe is correct and market anarchism is infeasible, then its absence is understandable; however, its absence alone is not proof that it is not viable. We must fully consider the two possible alternatives consistent with the absence of market anarchism: either anarchism is totally infeasible, or it is feasible only under ideal conditions not yet present, which may include economic, political, social, or scientific factors. There are five possible explanations for the absence of private defense agencies. These are

1. lack of demand;
2. entrepreneurial failure;
3. technological primitivism;
4. economic inefficiency; and
5. lack of incentive to supply.

The first of these concerns the demand side of the market, while the remaining four concern the supply side. The last, on the incentives of those who control these agencies, is addressed separately in section 3. Here let us consider the other four in turn.

The absence of private defense agencies persists despite a known consumer demand for their services. We know this demand exists because a positive number of humans self-identify as market anarchists. To be a market anarchist is to desire to bring about private defense agencies and purchase their services. It is likely that non-anarchists would also patronize these agencies if they had the opportunity to do so, perhaps after an initial period during which these agencies established themselves as credible suppliers of defense, offering superior quality at a lower price than states. Given present and future demand for private defense, we are able to rule out lack of demand as an explanation for the worldwide absence of private defense agencies.

We must further consider a possible lack of sufficient demand as the explanation for their absence. In this scenario, while some demand exists, it falls short of a critical mass of support necessary to build an effective fighting force under voluntarism. For instance, if the fixed costs of defense
production are sufficiently large, a large number of clients may be required to reduce average cost to a level below the reservation price of most anarchists. Falling short of this critical mass, the private provision of defense yields negative profits, dissuading entry by firms. However, this shortcoming may be one of economic efficiency; to overcome it, as states clearly have, anarchists may need to work on increasing their numbers through cultural propagation. Failing this, however, entrepreneurs with anarchist ambitions must work to reduce these fixed costs and improve at transforming available resources into military power. Given all this, I ask readers to continue on to the discussion of efficiency below.

Before turning to the entrepreneurial, technological, and economic explanations for the absence of anarchism, let us consider more concretely what might occur if the first private defense agencies attempted to establish themselves tomorrow. There are four possible outcomes:

1. They would be unable to develop a critical mass of strength, and they would falter at the outset.
2. They would establish themselves, merge, and become a syndicate with a monopoly on violence.
3. They would establish themselves and soon collapse; the local state apparatus would resume control.
4. They would establish themselves, effectively defend themselves, and achieve a lasting state of anarchy.

The first three outcomes are consistent with a lack of feasibility as defined above, but also may demonstrate merely that private defense agencies are unable to thrive under present conditions. We may also consider the second and third outcomes as successes, depending on the timeline. If anarchy were to last for a hundred years before it withered away, then we must consider these outcomes a success by the above standard of feasibility. If the private defense agencies provided a century of liberty that would otherwise have been violated, this would not be a trivial achievement.

Within whatever timeline is appropriate, it is clear that private defense agencies must be of sufficient strength and stability to liberate their clients from the states that aggress against them. We must consider possible explanations for outcomes (1), (2), and (3) above, which reveal the agencies’ inability to develop or maintain sufficient strength to preserve anarchism. Given that sufficiency here is defined by the strength of their chief rivals—states—I offer three conjectures on the relative strength of private defense agencies. Ceteris paribus, one of the following is true:
1. they are generally superior to states in strength, but this fact is obscured because none have yet been established;

2. they are superior to states in strength only after meeting certain thresholds that have not yet been met by any aspiring innovators; or

3. they are inherently weak, costly, inefficient, or unstable institutions and lack the ability to successfully compete with state power.

If the first conjecture is true, the notable absence of private defense agencies is entrepreneurial in nature. If the second is true, the absence is technological. If the third is true, the absence is economic. The last of these would involve the well-known free-rider problem, among other possible deficiencies. Only in the first two conjectures is anarchism feasible, because the problems they highlight can be overcome in time. If (1) is true, we are only awaiting a genius inventor who will make use of presently available resources to devise an effective private defense service able to rival state power. If (2) is true, anarchism will be delayed until the appropriate advanced technology is developed that will enable such a minor political movement to build the massive strength necessary to achieve anarchism. If (3) is true, states will always defeat private defense agencies and anarchism is infeasible for all time.

To restate the matter in terms of worldwide viability, assume that tomorrow a group of anarchist venture capitalists will succeed in establishing the world’s first privately owned, profit-seeking defense company operating outside the bounds of the “law.” Then there are three subsequent possibilities for such companies’ long-term prospects, ceteris paribus:

1. They will be unambiguously superior to states and, upon emergence, will spread worldwide, displacing all states.

2. They will be strong enough to survive and defend themselves only in concentrated pockets of liberty that coexist with existing states, and statism will remain the mode of human existence.

3. They will be too weak to survive, and will fail due either to outside invasion or collapse from within.

Clearly the first outcome is preferred by all who value liberty and prosperity not only for themselves but for all people. It would mean that we merely need to pioneer the first effective private defense agency to cause such agencies to spread worldwide. The second outcome is acceptable; in such a world, anarchists retain the option of abandoning statism and achieving anarchism while statists are left behind to suffer the consequences of the policies of violence they advocate. This outcome also meets the above standard of feasibility. The third outcome is a tragedy: it describes a world in which voluntary provision of military power always falls short of the strength
necessary to survive—one where liberty is forever elusive. Having considered the ability of private defense agencies to defend clients, I now turn to their incentive to do so.

3. Incentives

If private defense agencies are infeasible, statism is the equilibrium to which humans are forever bound. If they are feasible, we can expect that some future generation of anarchists will live to see their emergence and the accompanying displacement of the state. Unless private defense agencies simply lack features essential to navigate and survive in a world of aggressors, their absence can only be explained by temporary circumstances that prevent their emergence at this time: they may emerge at some future date when the environment changes. Determining whether market anarchism is feasible—whether private forces will have both the ability and the willingness to defend clients against states—will help to assess whether their absence is temporary or permanent.

It is due to economic scarcity that all living beings have to compete to acquire the resources necessary for life, well-being, and procreation. Given their unlimited wants and limited means, conflicts arise. In an environment of scarcity, a peaceful private-property order may emerge among those who seek to acquire wealth through production, specialization, and trade, but this order can be maintained only to the extent that they are able to defend it against outside savages with brute strength and a disposition for violence. If the anarcho-capitalists are of sufficient strength, property, peace, and production will be preserved against the onslaught of the barbarous hordes. If not, the stateless social order will be destroyed. It is thus the anarchist’s aspiration that the men of virtue and the men of superior strength are the same men; then, those who would aggress would be deterred from doing so while those of physical superiority would use their power only to preserve peace. If this described our own world, market anarchism would be the modal form of human existence. Unfortunately, aggressors often get the upper hand, generating a demand for effective military defense among those not inclined to aggress against others. Such military defense requires organized violence of a sufficient strength wielded by men who lack the incentives to use the apparatus aggressively. Hopefully, private defense agencies will satisfy both conditions.

In a world of heterogeneous individuals, power differentials emerge; some people have a comparative advantage in the use of violence. If private defense agencies ever emerged and thrived, their management would hold a comparative advantage in the production of violence and defense services.
But the agencies might potentially use the resulting power differential to exploit their own clients. For market anarchism to be feasible, it is not sufficient that private defense agencies be able to defend their clients from states. Some legitimately fear that the agencies might become aggressive and adopt the behaviors now exhibited by states, turning on their own former clients. Undoubtedly, they would be in an excellent position to exploit their clients if they chose to do so, given their large caches of defense-related weapons and the high degree of substitutability between defensive weapons and offensive ones. To avoid this exploitation, they must also be willing to refrain from attacking their own clients—their incentives must be aligned so as to ensure peace.

It cannot be taken for granted that an organization with billions of dollars of weapons and ammunition would refrain from using it aggressively—although it is possible, as power differentials arise routinely among civilized people without either party turning to violence. Consider a human relationship between two agents who may differ in their physical power. There are several possibilities for the use of power between them:

1. A is stronger than B and rules over B.
2. A is stronger than B and refrains from ruling over B.
3. A and B are equal in strength, and their autonomy is maintained through the balance of power.
4. B is stronger than A and refrains from ruling over A.
5. B is stronger than A and rules over A.

Both (1) and (5) are conditions of tyranny, while (2), (3), and (4) are conditions of peace. Yet (2) and (4) depend on the man of superior strength refraining from aggression; if an incentive for the stronger to attack the weaker arises, he will do so. The market-anarchist society would be most stable under (3) since parity in power presents an incentive for each man to refrain from aggression. However, such parity is not realistic given the differences in strength and other traits among men that give rise to specialization. Due to specialization, private defense agencies—like states—would enjoy an enormous advantage in power over their clients. Thus the market-anarchist society, as long as it lasts, would be characterized by scenarios (2) or (4). Assuming private defense agencies would be able to effectively produce violence, the long-term functioning of market anarchism would depend on their being run by those who find it in their self-interest to behave virtuously. It would require that specialists in defensive violence with large inventories of weapons not have the incentive to become aggressors.
Let us further consider the incentives of violence specialists. Following McCormick and Tollison (1981) in their modeling of political transfers, I frame the “market” for violence as follows. There are two classes of individuals: violence specialists and all other Producers. Following their incentives, a subset of violence specialists become Defenders and the remainder become Aggressors. All Producers pay Defenders up to one dollar to defend one dollar’s worth of their property. Defenders spend up to one dollar in defense services to collect one dollar in fees from Producers. Meanwhile, Aggressors spend up to one dollar to steal a dollar from a Producer. Violence specialists differ in their ability to defend or to aggress due to differences in information costs, transaction costs, and so on. These differentials result in a rising supply curve of Defenders and a falling demand curve of Aggressors. Where these intersect determines the equilibrium level of predation in society.

Violence specialists defend or aggress against Producers depending on which strategy maximizes their own net advantage. Violence specialists who, in providing defense, are able to spend so much less than a dollar in earning one dollar that they yield a profit that exceeds any gain to them in aggression become Defenders. Violence specialists who in stealing one dollar from producers are able to spend enough less than one dollar that their expected profits exceed their expected profits in providing defense become Aggressors. No violence specialists operate where it costs more than one dollar to gain a dollar, and so they do not defend or predate as doing so is too costly. If both strategies are profitable to a violence specialist, he will choose the more lucrative one. If only one strategy is profitable given his own unique strengths and talents, then that is the strategy he will choose. All of this merely assumes that specialists pursue their own self-interest and so adopt whatever strategy is most profitable.

After the violence specialists who find neither strategy to be profitable exit the market, we are left with four groups of violence specialists: those who find only defense profitable, those who find only aggression profitable, those who find both strategies profitable but defense relatively more so, and those who find both strategies profitable but aggression relatively more so. It would seem that an important question is what percentage of violence specialists find defense more profitable. If it is a very low percentage, this may suggest that market anarchism is not viable for any extended period of time because the most successful of the Aggressors are likely to establish themselves as states. The present paper does not set out to settle once and for all whether Defenders will be greatly outnumbered by Aggressors. However, we may make some generalizations. If the nature of defense is such that it generally costs more per unit to supply it than to supply aggression,
this makes aggression a more lucrative strategy for most violence specialists. If either defense or aggression systematically benefits from greater financing opportunities and greater access to credit, that strategy will be generally preferred by violence specialists. Additionally, if the production of either defense or aggression yields advantages in reducing transaction costs or information costs, this will further affect the incentives of violence specialists. All in all, if aggression is relatively attractive, violence specialists will gravitate toward it and abandon voluntary defense provision, causing anarchism to break down.

4. Conclusion

Freedom in this world comes only when those who desire it are strong enough to take it for themselves and hold it. They cannot rely on the benevolence of the state nor the restraint of the mob. The preservation of liberty requires tremendous resources; thus, market anarchism depends on a great deal of wealth and military power accruing to peaceful and productive individuals who manage private defense agencies. Private defense agencies must be both willing and able to defend clients from states for market anarchism to emerge and thrive. If they are willing but weak, states will continue to thrive. If they are strong but roguish, they will become states themselves. The success of market anarchism depends on these hypothetical institutions of violence being both willing and able to preserve the peace. Two separate issues equally deserving of attention are whether private defense agencies will be able to compete with states in strength and violence, and whether they will have the proper incentives to refrain from becoming aggressors themselves. If we have reason to believe that private defense agencies will either lack the strength to provide effective defense services or will be unwilling to do so, such that they are never to arise anywhere in this world, we should declare market anarchism infeasible and devote our energy to finding a second-best solution to achieve liberty, as Holcombe recommends. Otherwise, we must work urgently to produce the conditions that will facilitate the emergence of market anarchism.

References


