

CHAPTER 1 — DEFENSE SERVICES ON THE FREE MARKET

CHAPTER SUMMARY

Economists often talk of the “free market” without analyzing the nature of property rights, and in particular the legal system that would prevail in a truly free market society. Economists also typically assume that “the market” is a frail arrangement that crucially depends upon *government* provision of defense (broadly including military, police, and judicial services). However, if we are truly interested in studying the *free* market, we must suppose that even defense services are provided through voluntary exchange of justly derived property titles.

Two crucial aspects of the State are: (1) It derives funds through coercive taxation, and (2) it arrogates to itself a geographical monopoly.

One objection to market-based defense is that the State must initially define property rights, and *then* the market process can proceed. This is simply wrong, as legal scholars using their reason and voluntary persuasion can realize the objective properties of a free legal order. In particular, they would discover the necessity and justice of self-ownership and the homesteading principle.

A related objection is that defense is a necessary precondition of market activity, and hence the market cannot be trusted to provide it. Yet this argument would also prove that the State needs to provide food, clothing, or shelter.

A third objection is that there allegedly must be a court of final opinion. Yet the world itself has no such ultimate ruler; the minimal statist usually do not call for one world government.

A free market in defense would probably consist in protection agencies selling subscriptions and providing their services on call. Insurance companies would probably be involved, as they would stand to gain from limiting theft, property destruction, and violence to their clients. If two protection agencies had a dispute concerning interactions between their clients, they would almost certainly not resort to violence to settle the matter, as this would be expensive and would frighten off potential customers. Rather they would sign binding arbitration agreements and take their case to a third party, which would be chosen only because of past excellence and objectivity in such cases.

In a free society, the great majority of judges would unilaterally endorse the Law Code that enshrined the nonaggression axiom and spelled out its implications. The function of the judges would be to apply the Code to the specific cases brought before them *voluntarily* by disputants.

It is certainly possible that particular agencies might become criminal. The difference is that there would be no systematic *legalized* method of plunder in a libertarian society. Everyone would immediately recognize the criminal activities for what they were. In contrast, many subjects under States (especially democratic ones) view taxes as voluntary “contributions” that are agreed upon at the polls. Because of the excellent propaganda efforts of the intelligentsia, most people do not consider taxation as theft, or war as mass murder, or conscription as indentured servitude.

The notion of limited government is a contradiction. Once we abandon unbridled property rights, it is arbitrary to set limits on government.

NOTABLE CONTRIBUTIONS

- Although Rothbard is not the first free market economist, nor the first advocate of the stateless society, his work represented the most mature marriage of sound economics and anti-statist political theory. The earliest representative of this view is Gustav de Molinari.

TECHNICAL MATTERS

- The nonaggression axiom states that no individual may *initiate* the use of force. It is sometimes supplemented to explicitly prohibit the initiation of theft and fraud. Ultimately the axiom (upon which the libertarian Law Code would be built, according to Rothbard) means that the default position is a universal respect for everyone's just property rights. However, once someone violates those rights, at that point it is permissible to use force against the aggressor.
- The nonaggression axiom immediately implies the “moderate” libertarian positions on drug prohibition, conscription, government schools, minimum wages, etc. Yet it also implies the “radical” abolition of all taxation and government monopoly of the courts.
- A proponent of limited government might object to Rothbard's argument on the top of page 1055 along the following lines: “Yes, the ‘worst’ that could happen following an anarchist experiment is that the State would re-emerge, but it might be a far worse State than what we have now.”

STUDY QUESTIONS

- (1) What is the “insoluble contradiction” of those who believe the State must protect property rights? (pp. 1048-1049)
- (2) Are there any historical precedents for Rothbard's vision of private law? (p. 1051)
- (3) Should an anarcho-capitalist be able to give a complete blueprint of a private defense industry? (p. 1051)
- (4) Would vigilantism be allowed in Rothbard's ideal society? (p. 1052, fn 3)
- (5) Wouldn't defendants be able to appeal their cases indefinitely? (p. 1053)
- (6) Would libertarians have to use force to enshrine the Law Code? (p. 1053, fn 4)

- (7) Do anarcho-capitalists naïvely assume that most people are basically good? (p. 1054)
- (8) Why might it be easier to contain rogue protection agencies under anarchy, rather than an expanding State under minarchy? (pp. 1054-1055)
- (9) How do mainstream economists use the “collective goods” argument to justify the State? (p. 1055)
- (10) What is the “inner contradiction” of limited government? (p. 1056)