



Episode 1,062: Debate: Can the Free Market Provide National Defense?

Guest: Bob Murphy and Todd Lewis

WOODS: Before I introduce the guests, I'm going to tell you what it is they are going to be debating. It is, "Resolved: the free market can supply national defense."

Arguing in the affirmative is your old friend Bob Murphy and my cohost on the podcast *Contra Krugman*. You all know Bob. He's got a PhD in economics from New York University. He's the author of many books. His website is Consulting by RPM, where you can click on the blog and read his Free Advice blog. So Bob's arguing in the affirmative. And arguing in the negative is Todd Lewis, who holds degrees in history and philosophy from Malone University and who has previously debated Stephan Kinsella and Walter Block on the nonaggression principle, so it should be an interesting debate.

The way it's going to work is these two gentlemen, each one will begin with up to seven minutes for an opening statement. Then each will get to rebut the other's opening statement. Then we will turn to a question that each one will pose to the other. Then I'm going to take questions from my supporting listeners, and of course if you're not one, you can join at SupportingListeners.com. We have a special group and occasionally I solicit questions for episodes like this. And then we will have closing statements and then go about the rest of our days.

So, having said that – and incidentally, I have asked both debaters – they're both very fine folks, so I don't expect there to be a problem – to try to police themselves in terms of the time so I don't have to go, "Ding, ding, ding," because that would just be sad. So having said that, we'll turn things over to Bob because, since he's arguing in the affirmative, it's traditional for him to begin. So off you go, Bob.

MURPHY: Great, thanks for having us, Tom, providing a forum for this debate. This was Todd's idea, so I appreciate this opportunity. And I should also mention at the outset here that, if the self-policing doesn't work in terms of our timing, then that will prove the case for anarchism is flawed. So let's hope that does work.

So what I'm going to be arguing here – obviously we have just a very brief timespan to make our case – I'm going to be appeal to the kind of listener of *The Tom Woods Show* who's a big fan of the free market but just has some doubts. Like, yeah, sure, TV provision, car provision, computer provision obviously should be handled by the free market. Education, of course. Roads, it gets a little bit trickier, but yeah, sure, okay. Money, yeah, normal people don't see how that could be possible, but somebody who's

listened to *The Tom Woods Show* of course knows both historically and theoretically it makes sense, that government just screws things up when it gets involved in the money production.

So now the issue is, though, that you have some doubts: how in the world is it possible that the free market could provide military defense on a broad scale, the kind of thing where, if you had a region that was otherwise laissez-faire, is it really safe, does it make sense that that region could repel an invasion from some neighboring state with its huge armies and so forth, ICBMs, what have you? So I understand the difficulty there, the concern, and this is serious stuff.

What I want to say at the outset is, if I had described your progress – you presumably didn't come out of the womb as someone who's a minarchist, let's say. You probably grew up in a normal household that had conventional views, and then over time, you became more and more receptive and saw that the free market could provide more and more services that you originally would have doubted.

So I want to just ask for the benefit of the doubt here, that really the onus should be on Todd to explain why is it the market can provide all of these other things, and yet for some reason the same politicians that we would not trust with our health care, we wouldn't trust them with roads, we wouldn't trust them with our schools, we wouldn't trust them with the money – we're going to hand over nuclear weapons and armies to them and say, *Okay, but you guys better be good with these and we're going to entrust our entire security to you.*

So I'm saying that doesn't work. The standard reasons that you wouldn't trust the political process for all these other things – the problems of monopoly, the problems of lack of feedback, corruption, why the worst can get on top in any sort of political sphere as opposed to the voluntary sector – all those problems are still there when it comes to the military. There's nothing special about military technology per se that means it would be good for the state to provide that. So all you could really do is bring up and say all the reasons that you normally get a market provision and it works for TVs, roads, what have you, for some reason there's some drawback, some limitation that the market can't provide defense and so we have no choice but to fall back on the state.

Okay, so I'm assuming here. I'm trying to frame it. I think your view has to be something like that if you're a standard Tom Woods fan and yet you don't think that the market can provide military defense. So you're the kind of person I'm appealing to for the rest of this debate. And so really, framing it this way, you must be committed to the view that central planning is a horrible system except when it comes to repelling foreign invaders. That's the one case in your view or the one area where central planning not only would work, but is essential for survival. And I want to just say: think about that. Does that seem plausible?

So what you need – I think you're going to say, *Okay, you've got to give me a mechanism, Murphy.* I can see how the market could provide TVs. It gets a little trickier with roads, but I could see how that could work. You've got EZ Pass, tolls, and – I got it. But military defense, wow, I just can't even conceive. What would a market in that look like? So there's lots of literature. I have a book called *Chaos Theory*. You

can go look at that. It's very simple, PDF download. It's free. I make the case very quickly.

But the big picture is I think in a modern, sort of industrialized or post-industrial society like the United States or a rich Western country, I think the mechanism by which the market would provide funding for what we now call national defense – it wouldn't be called that in a market setting – but it would come from insurance companies. So imagine a city like New York City. Lots of big skyscrapers. There's lots of value there. So there'd be standard insurance contracts in case there's a fire in the skyscraper, you know, they have fire insurance. So if they're sitting right now and there's currently no military defense, formal, just people with their personal weapons and so on, that is a big sitting duck for some neighboring state to come in and take over.

So I think, if nothing else, if there were no other mechanism that filled the gap, filled the breach, what would happen is insurance companies would offer policies telling the owners of those skyscrapers and banks and so forth, if your property gets destroyed or taken over by foreign armies or foreign missiles coming in, then we will indemnify you. Keep in mind, the owners and the insurance companies don't need to be located in New York City. So you could say – it makes sense. It's not just you're paying money to a dead person, because they could evacuate if they saw an armada coming across the ocean.

So given that now, the insurance companies then, they're collecting hundreds of billions of dollars of premiums for these policies, so they would have the means to pay for mining the harbor, building up a small force of infantry that could then be expanded rapidly in the case of an emergency, having a small navy, anti-aircraft and so forth. So that's the funding mechanism. So you would try to think of without taxation, how would we raise funds for military. I think it would operate like that.

And so there would be competition in this arena, and the thing is all the companies would need to follow the legal system. So you don't get to just violate the law, break property rights just because you're providing defense. And so that's the basic framework, and we can spell that out as the debate goes back and forth, but that's my vision. And I said that would work and there's the market provision for you. You get all the benefits from calculation and so on that you lack under central planning.

Now, I've got about 45 seconds left here. Let me quickly run over three mistakes when you start thinking in this area, three things you want to avoid, pitfalls. Number one, don't just say, gee, I'm picturing a little anarchocapitalist world that's got 50,000 people and there's no way they could repel Nazi Germany, so therefore this must be a stupid idea. That's the wrong comparison, because, look, France tried a statist defense and they lost to Nazi Germany.

Second mistake: don't picture a little, tiny island versus the whole U.S. military budget, because the U.S. is not going to devote its entire budget just to defeating this little anarchist island.

Third mistake: you're thinking in terms of warlords, of, oh my gosh, wouldn't there be different competing groups all vying for power with machetes and AK-47s? Yeah, that

could happen, but what I want to say is the kind of world where a state monopoly would lead to peace and not civil war is also the kind of society where the market provision would be even more orderly. Okay, so –

WOODS: All right, that's going to have to be it. You've got to monitor your time. Okay, so that's Bob. Now, Todd, you have your seven minutes starting now.

LEWIS: All right, well, thank you very much, Tom, for giving me this platform. In our debate on the possibility of privatizing national defense, it behooves us to define it. For a security provider to provide a service that can be called national defense, three criteria need to be met. One, the military must pose a credible threat to foreign invasion and domestic civil war. Two, it must reasonably protect the life and property of its inhabitants. And three, it must protect trade. I'll argue a libertarian society cannot provide any of these services reliably.

There are three main issues with the libertarian solution to the privatization of national defense. One, finance; two, mobilization; and three, strategy. The problem of finance: the incentives of insurance companies are not to proactively prevent the risk they are insuring against. We don't see hurricane insurance companies maintaining private fleets of aircraft to seed hurricanes with iodine to reduce the payout damage when the hurricane hits the coast. The proactive measures are too expensive, too uncertain, and will cause them to raise their rates.

A war insurance company that maintains a private army will be at a competitive disadvantage against one that does not because it will have higher premium rates than the one that does not and people in their rational self-interest will choose to pay for the cheapest rates, which will mean that the insurance companies that just pay damages after the fact like with hurricanes and floods will be the ones that predominate in the market.

Insurance companies don't like large payouts. The payout for 9/11 was \$40 billion. The cost was so burdensome that in 2002, the Terrorism Risk Insurance Act was passed, rendering them liable for only \$10 billion. If two 9/11s were too great a burden for the U.S. insurance companies to shoulder, it is highly improbable that they could finance a long-term war effort.

This also leads to the market incentive of the PDA to violate the NAP. Given that the PDA will be averse to paying out property damages, it will be incentivized to wage war on the other nation's soil to reduce damages to their own property, and it will be incentivized before a conflict with preemptive strikes against key leaders.

Given that in a libertarian economy there will be no government handouts or legislative protection, corporations are likely to be small. The problem that arises is that for military equipment production, economies of scale are needed. Most modern military production firms that reached the economy of scale reached that level due to government funding and legislative protection. Take that away and the libertarians predict the company would rapidly decrease in size and thence decrease in output. We see that the market incentives at work lead to an underproduction of security services.

The problem of mobilization: the negative market incentive of soldiers-for-hire is obvious. There's no payday if you're dead. Private volunteers during the American Revolution, War of 1812, and War of Northern Aggression were all paid cash bounties. The volunteers would show up, accept the bounty, and go home. They were called bounty jumpers. This is why Washington, Lincoln, and Jefferson Davis turned to conscription.

There are four problems with mercenaries. One, it is in the rational self-interest of a mercenary to switch sides. They are likely to receive higher wages, and two, given their intimate knowledge including weaknesses of their employer's army, they will calculate that the odds of living and getting paid are higher by betraying their employer to the other side, of whose playing an organization they are likely comparatively ignorant of. Three, since they only get paid in war, they have an incentive to provoke war. And four, when there is no war and no likelihood of war, they are incentivized to loot and plunder unarmed or poorly organized civilians. A purely volunteer and mercenary army will lead to an underproduction of military personnel.

Having dealt with the finance and mobilization, we turn to the problem of strategy. There are five options provided by libertarians to prosecute a war: privateers, mercenaries, militias, PDAs, and guerrilla warfare. I will deal with each in turn. A navy must provide three services: protect the coast, protect trade, and power projection. Historical examples demonstrate privateers provide none of these. In the American Revolution and the War of 1812, British naval forces were able to land marines with impunity across the Eastern seaboard, sweep U.S. shipping off the high seas, and project naval power to our very doorstep. The privateer fleet could provide none of these services. Privateering leads to an underproduction of naval security.

The perverse incentives of mercenaries have already been covered. The historical examples of the Carthage's Mercenary War, the Hundred Years' War, and the Italian condottieri and the Thirty Years' War provide ample support of this.

Militias, being decentralized in nature and usually lacking in organization in the leadership, are marginally effective at best. Numerous bodies of armed men tend to lead to civil war, as seen in Afghanistan post-Soviet invasion, Iraq post-U.S. invasion, medieval Ireland, and contemporary Lebanon. Militias are unreliable, as seen in the poor performance of the U.S. militias in the American Revolution and War of 1812. Militias are generally most effective as part of a compulsory military system, such as Switzerland in World War II.

Private armies are as predatory if not more than their state counterparts. Beginning in the 80s BC, the civil war waged by the private armies of Marius and Sulla sparked 100 years of internecine struggle only ended by Octavius. In the 18th century in India and the East Indies, we see internecine struggle between the British, Dutch, and French East India Companies and the native regimes they exploited. The historical record shows that private armies are more than willing to redress their grievances with violence.

Guerrilla warfare is of nature one of the weak, thereby implicitly conceding that a libertarian society would be the weaker of the two in any such struggle. Guerrilla

warfare is more often than not unsuccessful, and even when it is, the insurgents usually require aid from foreign powers and they are occupied for years or decades in which massive destruction to life and property occurs. Nobody is going to provide for a defense service provider that advertises with, "We will protect you from the state by allowing our assets to be occupied 10 to 15 years and bound back to the Stone Age by the U.S. military."

Lastly, organizing and motivating the war effort is largely beyond the free market's ability. The incentive of PDAs' CEOs is to sell out rather than fight to the death. It is in the rational self-interest of the CEO to take a deal with the invaders rather than risk losing everything in a people's struggle for self-determination for the simple reason that an endeavor with high risks and low payoffs is less desirable with low risks and high payoffs.

Given that the libertarian philosophy states we have no positive obligation to each other, it is highly unlikely that the individual libertarian soldiers will have the solidarity to wage a 10- or 15-year guerrilla war against a foreign occupying power. History shows us again and again that without central command – [00:15:49] in World War I or Giap in Vietnam – victory is rarely achieved. Yet libertarians revel in their lack of united military command. The problem of organizing overlapping jurisdictions of PDAs has thus far been unexplored. Even the praised Swiss redoubt in World War II was essentially planned by the Generalissimo Henri Garcon, as was Finland's war effort against Stalin by Gustaf Mannerheim.

We see that each of the proposed solutions to the problem of privatizing national defense are in fact non-solutions. I will conclude with three remarks. Privatizing national defense will lead to an underproduction of security in the form of an underproduction of military equipment and military personnel. History shows us that competing national security firms is another word for civil war. And the only examples of national security being provided are as state monopoly services. I yield the time.

WOODS: Okay, very good. All right, so now – boy, that was very well-timed, by the way. You deserve – I don't know, you get the kudos of the moderator, for what that's worth. All right, now we move into the rebuttal portion of our event here, so Bob, you have three minutes to respond to what Todd just said.

MURPHY: Great, so I'm going to just hit as many of those points as I can in my time. So notice he started out in saying there'd be the issue of financing, and he said insurance companies, according to Murphy's model, you'd expect insurance companies that provide coverage for a hurricane, for example, they would go out and try to seed clouds or whatever and do things to stop the hurricane from happening in the first place. They don't do that, so therefore we must conclude insurance companies that are providing coverage for military invasion would just sit there and do nothing and not try to prevent it.

Well, I mean, obviously that's just because the nature of the technologies is different. It's the cost-benefit, you really can't stop a hurricane right now given what humans are capable of, and so there you go. In contrast, there are means we can use to deter invasions or to mitigate the damage in case they get underway, and so you would expect insurance companies to go ahead and do that.

He also brought up the burden of financing and talked about economies of scale. But I mean, forget military defense. Any other area, imagine if he said we need to have the state produce cars because, in a free market, there'd be very small corporations, and so we would just have thousands of little car producers. But we know there's economies of scale in car production and that just wouldn't happen under a free market, so therefore, we need the federal government to provide all cars to everybody and tax them. That would be an obvious non sequitur. So the same thing happens here. If it makes sense to have massive capital investment and to have economies of scale, you would have that in the market.

As far as mobilization, he made what I think is a pretty shocking move in the debate, where he was complaining about bounty jumpers and saying that you can't trust these people and that's why you need conscription. So I just want to highlight that and make sure people realize that what Todd is arguing here is not merely that we need to have taxation and monopoly provision of military defense, but also the government needs to ability to be able to conscript people, to have the draft. And so in terms of this particular debate, one side versus the other, realize that's what he's arguing for. It's much broader than simply saying we need to have taxation and spending on this public good. He's also saying we need to have slavery in this sector, that sometimes slavery works and this is one of the examples. So again, I just want to make sure people caught that.

As far as the strategic concerns, he lists a bunch of historical examples. Look, I'm not a historian. I'm not going to be able to come in and give the precise details in each of these cases, but let me just make some general observations. He's trying to hold up the example of look what the British did against the Americans and he was trying to show that that's embarrassing to the case for the tactics or strategy that the Americans were employing, but yet notice the Americans won those military conflicts. Okay, so if anything, I can just flip it and say if he's admitting that when it comes to the British versus the colonists or then later in the War of 1812 that the Americans are my side, well, then they won. So if anything, that proves I won. Thank you.

WOODS: Okay, very good. Oh, good, good, good. You've managed your time very well. All right, Todd, it's your turn to have three minutes.

LEWIS: All right. I will begin with the initial statement that Bob made, the anticipation of a small nation versus France. This comes from his article – I think it was his essay on chaos theory, where he says that France as a state couldn't beat Germany, so then why should we assume that anarchists couldn't do it either? Well, the problem is if we use – let's say the state is a variable X and the anarchist is a variable Y, there is no example of Y beating X. Sometimes Xs conquer other Xs, but it takes an X to beat an X. Ys haven't been able to beat Xs yet. So that's one historical problem. The small island problem, I'm not going to make that one. The warlord problem, it's not that big of a deal.

With the hurricanes, the hurricanes aren't the only option, though. We don't see insurance companies that provide flood insurance maintain levies and dykes. We don't see fire insurance companies maintaining fleets of fire trucks. Even when fire was privatized in the 19th century, those were separate private fire trucks. Insurance companies don't have the market incentive to produce proactive measures, because

the proactive measures for any risk that's being insured, as we see in the current market, is such that it's too expensive and it's easier to just pay out the damages after the fact.

Now, we see with the Americans versus the British, yes, it's true the Americans won, but it was the French navy that blockaded Cornwallis at Yorktown that prevented him from escaping while the American Continentals and the French Regulars stormed the barricades. The militia and the privateers were non sequiturs in the decisive battle that ended the war.

And second of all, in the War of 1812, Britain was also engaged in a decades-long continental struggle with France, so the fact is America only won the American Revolutionary war because it had relied on these assets – gold from Spain and France, the French navy, the French troops, its own Continental troops.

And the other problem with insurance costs is that the cost of war as we see it today is such that it is so massively expensive that they're not going to cover it. They don't even want to cover the risk of two terrorist attacks, let alone a war that is likely going to cost billions, if not trillions of dollars. So I'll yield the floor here.

WOODS: Okay, very good. All right, so now we've moved to the portion of our program in which the two debaters, each one gets to ask the other a question. So, Bob, I will turn things over to you for you to ask a question of Todd.

MURPHY: Thanks. So, Todd, if I can boil down your position, it seems like a lot of what you're talking about is just the problems you have with my mechanism of insurance companies. And you're saying, for example, insurance companies, look at how they treat hurricanes or with flooding, and there's areas where the government is the one that builds levies and dykes and provides fire trucks and so on. So prima facia, it sounds like you would be saying – so if I were just talking about, *You know what? We don't need the government to provide levies and dykes; we don't need the government to provide fire insurance. The market could provide those things.* And then someone would say, *Where's the funding going to come from?* I'd say one possible mechanism is insurance companies. Would you then come back and say, *No, history shows that wouldn't work; therefore, we need state provision of response to after a hurricane, building levies and dykes and infrastructure, because this is just too expensive for the free market to provide?* So my question is: would you take that route, or actually could the free market provide all these other sectors that you're using to somehow embarrass the case for private defense?

WOODS: And just so everybody knows – I didn't clarify this – every question that's asked, the respondent gets two minutes. So if you think, boy, that wasn't as substantive an answer as I'd like, that's because of the two-minute constraint. All right, Todd, go ahead.

LEWIS: All right, two minutes. So the question was to clarify would I use the same argument against other modes of insurance. Not necessarily. It would be a case-by-case basis. But the point is insurance companies want to insure risk and the rationale involved is that not everybody's going to have the same accident happen to them at once. So with a hurricane or a flood, the people that share the risk of insuring against

this are not likely all going to have payouts at once. During a war, that's almost guaranteed, especially if your strategy is guerrilla warfare and getting occupied for a long time, which seems to be Hummel's strategy. So it's almost a guarantee that everybody's got to pay out in property damages, and that's not the calculation that insurance companies are rolling with. And when they did have to have something remotely close to that with 9/11, they asked the government to bail them out. The cost is just too great for them to pool their risk that way, and so it would just go under-produced. Whereas for the case of fire and flooding, no, the cost isn't that great, so there's no intrinsic reason why it would go under-produced in the market. So that's it.

WOODS: Okay, so Todd, now you have a minute to ask Bob a question.

LEWIS: All right, so Bob, you seem to advocate that the private militaries would – or private defense agencies, which are another word for private militaries – would communicate together and not resort to violence immediately. It's in your "Wouldn't Warlords Take Over?" and is a common libertarian talking point. *Well, they're going to negotiate their services and not resort to violence first and foremost.* The closest examples we have to privately financed armies are the East India Companies, and they did exactly the opposite. They resorted to guns first, as well as in the American colonies in the Hudson Bay Company. These were all companies, chartered private companies. They resorted to violence as soon as they were able to because it's in their rational interest, if you have guns and the other guy doesn't. So the question is: why do you think the private armies would not resort to violence when the historical record is exactly the opposite, they have the incentive to engage in violence?

MURPHY: Okay, so I dispute that reading of history. I mean, we could just as well say you can't have private mall security. You're going to give guys guns who aren't duly sworn agents of the state? I mean, clearly, any time customers walk into those stores, the private security guard is going to hold them up. Why wouldn't they do that? And so that's clearly absurd, and I think we can see that bringing in competition would minimize the amount of violence.

And yes, certainly, looking back through history you are going to find examples of individuals who were armed and did things that were criminal and immoral, and it's not going to be the case that every single example, oh, yeah, the state caused that. I'm Christian, so I think the human heart is evil and men need to be restrained by external authority, but the point is, precisely because of that, you're not making the situation better by just granting monopoly to one group. So I can certainly ask – to flip it back and say, *Okay, well, you think it's good* – for example, take the mercenary example. You're pointing to mercenaries possibly looting the public and that's why you're afraid of them. And so your solution to that is to have a standing army that's on the payroll of the state? And so I could say, doesn't history show us the dangers of standing armies? So the question is always doing apples to apples.

So I am not making the case that you take any group of people whatsoever with any value system, any amount of hatred of their neighbors and so on or different clans, and as long as they have property rights, problem solved. That's not what I'm saying. I'm saying, for any group of people, the more you have decentralization and you don't

have this idea that one group is above the law and should have all the guns, you're going to have less violence. And I think history and theory prove that out.

WOODS: All right, before we get to the listener-supplied questions, which is yet another miracle of the Internet that we're able to do this, let me tell you about yet another miracle of the Internet, our sponsor for today.

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All right, so now we have some fun, because now I get to take some questions from the audience, so to speak, from the supporting listeners group and pose them in turn to Bob and Todd. So Bob, as the affirmative debater, you will get the first question. So as I say, we're going to do four questions for each side. I'm not sure I said that, but four questions for each side. So the first one for Bob is as follows –

MURPHY: For each of these, we just have two minutes to respond?

WOODS: Yeah, that's right. And what's interesting is the overwhelming majority of questions were for Bob, even though I would say most people in the group sympathize with Bob. But they wanted to get more information. So okay, here's the first question. "As an American, I enjoy a certain level of comfort knowing that I am secure from the greatest threats in the world. Why would I give up this clear and practical security for an entirely speculative security that I would enjoy from the prospect of a private defense?"

MURPHY: Okay, at first, that sounds like it's a good question. It sounds plausible, I grant you. But I think upon reflection, you'll see it's the other way around, that the people who could most afford the risk, if you will, of decentralizing military defense and devolving it down from the central government and distributing it either to small governments or ideally to private provision would be people who live in the United States right now. So in contrast, I could totally understand some of the people in a small, little country in Europe or something or some little country in Asia or Africa saying, yeah, I'm reading this stuff about Rothbardian defense agencies and, I'm sorry, but there are just neighbors around here who could really wipe us out if our military is even down for two weeks. Whereas with the United States because of geography and so on, I think we just have natural advantages.

So if anything, I would say what the U.S. government has been doing the last hundred years is clearly making Americans less safe. Take any major – This is a conventional – Again, I'm not a historian, folks, but let me just make the case here just to get you to see it from this perspective. Standard historians, not just right-wing conspiracy theorists or even left-wing conspiracy theorists or revisionists, as it were, would say, if the U.S. hadn't gone into World War I, it probably would have been better, all things considered. We probably wouldn't have had Hitler. It would have just been more peace. We wouldn't have needed World War II. So historians debate that, but that's on the table as a conventional, seriously respectable opinion. So clearly, if the U.S. government hadn't been providing military services at that point, the U.S. would have stayed out.

Now, it gets harder with World War II, but even there, that paved the way for the Cold War. Okay, so with each of these major things, notice it just keeps setting up the same problems. *Oh, now we've got to fight the Soviets. Oh, then we've got to fight Islamic terrorists. Oh, then we've got to fight ISIS.* And it's the same pattern you see with domestic intervention, and so I think you would be very safe without the U.S. government providing military services.

WOODS: All right, Todd, question for you. "If you believe monopolies are harmful and yield lower quality goods at higher prices, how is this insight compatible with a monopoly on the provision of defense?"

LEWIS: I actually don't believe that monopolies always lead to higher costs and less services, which is in part why I'm arguing for the case of monopoly provision of national defense. But I guess since that was a really short answer, I'll add to that, that to argue that competing private firms or private armies would create a security commons necessary for us to even have a modicum of civilized life is not borne out at all by the historical record. Japan had a 150-year civil war called the Sengoku period where private shoguns were tearing each other apart, and it only ended when Tokugawa Ieyasu took over, leveled the castles, and took away the Samurai swords. We have the same thing in the collapse of the Roman Empire when the Germanic Barbarians were – to use modern terminology, the Western Roman state outsourced its security services to private contractors. Those private Germanic contractors sacked the Empire. And then the Republican era when they outsourced their protection services to private actors like Caesar, Pompey, Marius, and Sulla, they had a hundred years of civil war. So I say what reason does anyone have to think that competing private military firms would lead to order?

WOODS: Okay. I had another question for Bob. The question is as follows: "It seems that defense would lend itself to economies of scale, so what prevents one or two agencies from becoming de facto states?"

MURPHY: Okay, great question. So here again, this is what I was talking about in my opening remarks about the problem of wouldn't these big agencies just take over and wouldn't there be fighting among them. So my essay here that you want to go look at is called "Wouldn't Warlords Take Over?" So if you Google my name, that's where you can find the case put on more fully. So I am not here to say, yes, I can prove through these five simple steps that private provision of military defense would guarantee that no one agency would take over and turn bad, as it were. I can't guarantee that.

What I can say, though, is it doesn't make any sense to say, *Oh, you know what? Because we're afraid of that, let's take away the voluntarism. Let's force the entire population to patronize one defense agency and give all of the weapons into their hands, and that's the way we're going to prevent one group of people from tyrannizing over the society at large.* Just think about that.

Let me just say that again, because it seems real glib or whatever, but I want to say it again. You're concerned that if we started out with 10 or 20 defense agencies that were all competing companies, that because of economies of scale, one of them might become dominant and be able to subjugate the others and then we would be at that company's and the people who own it, the shareholders' mercy because they have all

the guns. And so in order to prevent that horrible outcome, that position of vulnerability, we are going to from the outset grant a monopoly and not only say you're the only company that's allowed to own these super powerful weapons, but you have a legal right to compel payment for services from everyone in the community. So I'm saying, to avoid this bad outcome that might happen under freedom, we're going to rush and implement that from the outset as a way to prevent that horrible outcome. That doesn't make any sense. I'll stop there.

WOODS: All right, Todd, this question: "Considering the estimated 262 million murdered by governments in the 20th century via R.J. Rommel, how would you rate the performance of public defense, and do you feel that the number would have been higher or lower had defense services been provided on the open market, and why?"

LEWIS: Okay, so there's two things here. When we look at the use of violence by these states – for instance, we have *The Black Book of Communism* with 100 million conservative figure, many of these states are totalitarian regimes. Now, if we filter those out, we still have the regimes caused by U.S. and British imperialism, which, while lower, are still enough to give us pause. The question is not so much who provides security, like which state is more offensive in its imperialism, but for there to be a provision of security of the kind that we're debating, that is the kind of institution that you would need to have to provide that security. Now, as we know, there's many different kinds of states. Switzerland is pretty inoffensive. The Soviet Union and North Korea are pretty offensive. So there's not just this one thing called "the state." There's different kinds of states, and the way people construct those states can mitigate between this or that impulse to use the forces for violent aggression. But the point is I have yet to see an account of how the libertarian society could provide the service that's under contention.

WOODS: Okay, question for Bob: "Mercenary companies of old were notorious for instigating problems both overtly and covertly to drum up business. How could people in a free society guard against their defense agencies from playing wag the dog?"

MURPHY: Again, I apologize, folks, if I seem like a broken record, but I want to say yes, that's a real problem. You don't fix it by giving a monopoly to the government. So it's certainly not true that Americans – you know, to avoid the problem of having a false threat drummed up and getting us whipped up into believing that some group of people or some other political organization needs to be preemptively attacked by us – you know, in order to prevent that, because that kind of thing could happen under a free market provision of military services, so thank goodness we have the U.S. federal government providing military services, and that's why we have never found ourselves in an engagement that actually maybe was based on faulty intelligence or from people who wanted to gin up a war in order to make profits and for other political aims.

So in case my sarcasm isn't dripping through, my point is that's what we have right now. Plenty of other examples of people defending state intervention in an area and saying, Oh my gosh, the market would be so terrible. That's why it makes sense to have monopoly provision by the state. The horrors they list of the types of things that would happen allegedly with free market provision are what we have right now with state provision.

And in particular, the way he would get around that, the sorts of mechanisms that might combat that in a market have been crippled. So yes, it is true, other things equal, that a mercenary service or whatever, people who sell bombs or assault rifles, they would want the public to be afraid of invasion or they would want the public to support higher military spending. But again, you have that under the normal system.

How would you combat that with competition? So other organizations, decentralization with no privileged position given to the intelligence agencies and saying, *Oh, well, they have secret information, national security*. You wouldn't have any of that. So if somebody were lying, if there were one false war started by some agency or some company, that would be a pretty big black mark on it. And so you don't have that correction mechanism under the current system.

WOODS: Okay, for Todd: "The Austrian/Misesian calculation problem, socialist calculation problem was a huge insight that appears to render socialism/state-funded enterprises infinitely inferior to free-market alternatives. This is due to the lack of profit and loss signals via a price system. Why would the production of defense not be equally susceptible to the calculation problem? After all, it is run by government and the costs are socialized, meaning there is no real way to calculate and the resources will not be put to their most productive use."

LEWIS: Okay, so the first point here is that I don't know how this got started. There seems to be a misconception that what I'm advocating is government running of factories. I'm not advocating that, and no mainstream economist who argues for government providing national defense argues for that. I mean, Lockheed Martin is still sensitive to market signals.

Now, the other thing is the mobilization and production – When you're in a total war scenario like in World War II or World War I, when you produce the equipment for the war effort, the problem you're solving is an engineering problem. It's a problem of logistics and mathematical optimization. So the problem is the question is misformed. It's like saying, how can I solve this math problem by appealing to music theory? Well, music theory isn't going to solve that math problem for you, just like solving the problem of figuring out how many cans of beans your troops are going to need to eat if you're going to deploy to Tarawa. That's an engineering problem that was, in the case of the United States, solved by Wedemeyer.

And the other problem is this is a fundamental mistake that libertarians make. War and peace, they assume that the market incentives at work in peace would work in war. But war and peace are two radically different states, for the most obvious fact that people are shooting at each other and you only really need one production: war assets. Civilian production is deleterious to your war effort.

WOODS: Okay, for Bob – and I believe, if my math is right here, this is the last question for Bob. This is a hypothetical situation: "Ancapistan's neighbor Statistan builds up to threaten the richer Ancapistan. Why should we be confident that Ancapistan's 12 competing defense agencies will pull together to deter and repel the threat?"

MURPHY: Okay, so if we had a state provision – because why would we expect the state to be able to repel invasion? We'd just start listing all the reasons. Well, I don't want to see my family get slaughtered. I kind of like where I grew up and I don't want to see these buildings get blown up and incinerated. Every single thing you list for why would we expect the state and its personnel to not just twiddle their thumbs and ignore the fact that this incoming invasion is imminent would also be true of the private defense services, but we'd have an advantage of we wouldn't have all of our eggs in one basket.

Okay, so yes, the French, for example, after World War I were very concerned about an invasion from Germany, and so they built the Maginot Line and, oops, that didn't work out very well. So they had their defense. They had the state provision of defense. And this particular strategy and tactics they went for turned out not to work. They were fighting the last war, is like the common way of phrasing that.

So with a private, decentralized provision of defense, you have competing agencies, so it's not just a matter of the incentive of one taking over; you have millions of minds at work. In contrast, when it comes to defense being provided by the central government, you have just a small group of people, the military planners who have access to all this top-secret intelligence or whatever, and the rest of the public is kept in the dark. So if there were 20 entrepreneurs out there who all have better ideas for how to defend the population from this invasion, they're being cut off. So the society is tying 99% of its hands behind its back and assuming that all the best ideas for how do we defend ourselves are just going to come out of these people who were promoted and who knew how to survive in the political process as opposed to exhibiting merit.

WOODS: Okay, and then finally, the last question for Todd – and as I say, the overwhelming majority of questions really were for Bob, so I could refer people to previous episodes of the show in which Bob has discussed this, but there are always more questions because it's a tricky issue. Anyway, let's go on to Todd's final question, which would be: "Why does the state make so many enemies, and how is it just for the population to be forced to live in the crossfires of hostility?"

LEWIS: So why does the state create so many enemies? I mean, I could turn the question and say why do corporations make so many enemies? They're generally seen – in the third world, they're not looked on very kindly, Exxon Mobil and Dutch Shell Oil. Now, the other question is why should people be forced to pay for that. Well, this gets into the question of the legitimate use of force and philosophy in the NAP. I've already debated the NAP and why I don't agree with it, and this is really neither the time nor the place to get into the details. But it is a good question; I think it's just not – the teasing it out would go into other areas not directly pertinent to what we're talking about today.

WOODS: Well, Todd, I actually realize now that when I introduced Bob, I gave his website, but I did not give a website for you. Do you have one?

LEWIS: I have a YouTube channel. That's where I do most of my stuff, so I'll give you that one.

WOODS: Okay, in fact, tell me what it is, and then I'll also link to it on the show notes page.

LEWIS: It's *Praise of Folly* podcast.

WOODS: Okay, *Praise of Folly* podcast. So obviously I want to promote both you guys, so we mentioned that and then that will be linked at TomWoods.com/1062. All right, we've reached the time now for closing statements. Each person has up to five minutes. Now, I believe in a traditional Oxford-style debate in the closing statement, you would be permitted only to summarize what's been discussed up to now and not raise new arguments, but I hereby liberate and emancipate everyone to say whatever you darn well please in your closing statement. All right, Bob, go ahead.

MURPHY: Let me summarize some of the points that Todd conceded or made during this debate, and then I'll just restate my basic position. So he listed some examples of corporations doing naughty things over time. As an example, oh wait a minute, after the 9/11 attacks, the insurance companies went to the state for a bailout. Okay, sure, they did. But if we're talking about a free market society, that wouldn't happen, so it doesn't prove that free market provision of something doesn't work because right now in the current system when there's cronyism, some big companies attempt to get paid off that way. You could just as well say you can't have free market provision of health care because, look, a lot of these major companies, they went and lobbied and got the Affordable Care Act that forced people to sign up for health insurance, so therefore, clearly you can't have the free market providing health care or health insurance. That doesn't follow.

He made some interesting points here, so let me just tease this out. For one thing, historical example, he was talking about Japan and the civil wars that were happening under the shogun era and that thankfully was quelled, put to an end when one strongman took over and restored order, stopped all this petty fighting, you just have one person in charge. Okay. And again, I'm not a historian here, so I can't speak with authority about that period. But I can also say it didn't work out so well for the Japanese people, the fact that they had a government in charge of their military that could enwrap them in a worldwide struggle. That ended very, very badly for them in the mid 1940s. And so it's not clear to me that this period of shoguns battling among themselves, if that was worse for the general population than what happened to them because they foolishly entrusted their defense to the state.

He also was talking, but look, there's different degrees of government. And so of course he's not defending North Korea or the USSR or what have you, and yes, hundreds of millions or at least 100+ million were killed under communism. And he said, *But you know what? Under the imperialist era, there were plenty of innocent people killed as well*, but he conceded that there weren't as many killed. So look at the pattern there. He's agreeing that the most dictatorial, tyrannical governments, the ones that have the least amount of freedom both in terms of economic affairs and more generally civil liberties, those are the ones that were very aggressive and that killed more innocent people. And then as you start scaling it back to less aggressive governments that have more freedom generally conceived, they killed fewer innocent people.

And so now what I want to say is this is entirely consistent with my hypothesis. What you would need to see in order for Todd to be able to refer to that as a feather in his cap is that it would have to be that North Korea and the USSR and Cuba, that these all bested – or Nazi Germany – that they always won their wars when they fought against their countries that had freer economies and smaller footprints of their central state. And of course, it's the exact opposite. The countries that were the most communist and dictatorial, they lose their wars when they go toe to toe with more traditionally free-market countries.

So it's not perfect, obviously, but I would argue that those countries, not that they're the paragons of virtue and that that's the best military force conceivable, is like what the U.S. government produced in 1944, but I'm saying it was certainly better than what the Nazis did or the Japanese did. And then during the Cold War, the U.S. far out-produced what the Soviet Union could do. Okay, so I'm saying that history – he has admitted that the more tyrannical regimes that relied less on the market and more on central planning, they killed way more people with their military forces, and then I'm just adding the thing he didn't mention, is that when outright conflict occurred between these major powers, the freer societies tend to win. So again, that's consistent with my view, and I would just push it further.

He also was talking about, *Look, this isn't a matter of economic calculation, this isn't a market problem, this isn't about maximizing profit and minimizing cost. When the U.S. went into big wars like World War I and World War II, what they needed to do was* – I want to stop right there and say the only reason the U.S. people were subjected to World Wars I and II was because they foolishly entrusted their protection to the central government, the politicians. If in fact you'd had decentralized, free-market-based defense, the American people would have just been sitting over there and looking with shame and horror, like, *Oh my gosh, those poor Europeans and Japanese getting blown up. Glad we're not them.*

But last thing is it is – markets and the free market calculation problem does apply here. It's a matter of do we have more snipers, do we have more bombers, do we have more infantry. These are economic things, not merely mathematical ones. They have costs and that's why the market calculation problem is relevant.

WOODS: All right, and now it's time for Todd to give his closing statement.

LEWIS: All right. Thank you again, Bob, for engaging in this debate. Thank you, Tom, for presenting the debate. One of the arguments that Bob has made is that, to show that the state is a better provider of a service is that for any given population that could survive with a state, without a state it would do better off. But this is just demonstrably not true. Japan in the civil war period versus the Tokugawa period. Same people, one's divided in civil war; one is united in relative peace. The Roman Republic from Marius and Sulla down to Octavius, the same people; civil war and violence, then relative peace of the Pax Romana. I mean, is Bob really asking us to accept internecine civil war over the Pax Romana?

Now, the other thing that he brings up is that, well, okay, these countries that have the freer economies tend to be the ones that win the wars, which is true. But what Bob doesn't tell you is that you can't win a war on a free-time economy. This is one of

the things that libertarians have never dealt with, and I looked over the 15 years of studying this topic, is that in wartime, free markets without government nationalization create shortages. In 1914 when England went to war against Germany, they had an all-volunteer army and no government controls on the economy. Understandably, they had shortages of manpower and artillery munitions. The artillery munition shortage was only solved when Lloyd George instituted essentially nationalization controls on the economy and ran the entire English economy for the purpose of war production. And we see that the conscription solved the shortage of manpower.

Now, the other problem is, when we look at – Bob is talking as if we have an actual libertarian solution out there that's actually ever been tried. It kind of reminds me of how when Marxists criticize corporations for not living up to the perfect socialist society they have in mind. Bob Murphy in "Wouldn't Warlords Take Over?" says, "Second, there is the inconvenient fact that *no such voluntary formation of a State ever occurred.*" Well, I might add there is the inconvenient fact that at no such point in history have private market forces ever been able to provide national security services. This method of argumentation has more in common with the utopian view of Marxism, where if only it met the ideal history agreed with my perfect, abstract model of reality of how everything is supposed to work out – that's just not how history works that way.

And when we get back to the earlier objections that I raised, many of which were ignored, insurance companies have strong disincentives to pay out large amounts of risk. The whole point is to diffuse the risk. But if you get invaded and wage a people's war of resistance, there is no diffusion of the risk. Everybody's going to be calling in their checks right now and it's going to bankrupt the company overnight unless they go deeply into debt. So they're not going to have the incentive to do that.

The other incentive problem is these insurance companies, when you look at the historical record, whenever people of strong ideological commitment get invaded and have to decide what to do based on an existential crisis, almost always they compromise on their principles and accept the dirty reality of what they need to provide the security that it takes for the war.

Now, Bob in his debate last year with Vox Day said – because Vox was also using historical examples to demonstrate that protectionism can work sometimes and free markets don't work sometimes. And Bob said all we need is we need a theoretical model to help us interpret and understand these historical observations. I wholeheartedly agree. But the libertarian model provides no such theoretical interpretive model, because history is all in one direction away from the predicted interpretations of the libertarian model. Because what it's really coming down to is the production of no security. It's not some utopian security produced versus some badly produced state security. It's civil war versus no civil war. Pax Romana versus Pompey and Caesar's civil war and Marius and Sulla's civil war.

WOODS: All right, well, I guess with that, we are at an end. I rather suspect people will still have more questions and thoughts about this for quite some time, but very, very interesting and I'm very glad we had an opportunity to do it. I want to urge people to check out both of our debaters, Bob of course over at ConsultingByRPM.com

and ConsultingByRPM.com/blog for his so-called Free Advice blog, and then Todd also at the *Praise of Folly* podcast, and you can find that just by typing "Praise of Folly YouTube" into Google or by visiting TomWoods.com/1062, where I will have a link to his YouTube channel. All right, gentlemen, thank you very much. Much appreciated.

MURPHY: Thanks, Tom.

LEWIS: Thanks, Tom.

MURPHY: Thanks, Todd.

LEWIS: Thanks, Bob.