

[Common Error No. 23](#) [1]

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23. "Many things just cannot be produced by the market system, including such services as defence and law and order."

This may be true, but is not an argument against having the free market produce what it can. Society might decide to guarantee the collective provision of some services, such as defence and the administration of justice. This has little bearing on whether its rail transport or its health should be produced in the public sector.

In any case, market forces can play a surprisingly large role in even the "core" public services. Over half of Britain's police, for example, are private. They work for private security firms which perform police functions. Much military work is contracted to private enterprise, including maintenance of military bases, and the supply and servicing of equipment.

Private justice is used routinely in Alternative Dispute Resolution (ADR), when firms specify in contracts that an agreed arbitrator is to be used in the event of dispute. Privately run prisons are widely used in the USA, and have been successfully introduced in Britain, too. Even the role of central clearing bank, assumed by many to be a core state function, was at one time ably performed by the private Suffolk Bank.

A generation ago in Britain people thought that only the state could deliver mail, connect telephone calls, or collect the garbage, among the dozens of activities it ran. Private businesses do them now.

There is scope for greater use of free market forces in many areas of social provision. The state may wish to guarantee the supply, but it usually finds it more efficient to use private business to actually produce it. Competing private businesses have to attend to consumer preferences and keep up with innovations in both equipment and service. They are not subject to produce capture as state operations are. It makes sense to introduce market forces wherever possible, even in the state's core functions.

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