

What's To Prevent Firm Consolidation in a Free Market?

It's amazing what some people believe about how businesses make decisions using their own money. People are used to governments being aggressively wasteful and efficient with its budgets (*other people's money*) and assume businesses will just do the same if government isn't around to stop them. Here's a reddit thread from months ago discussing this idea with someone.

Original Post: The biggest problem with markets is their tendencies to consolidate and this reduce competition. This leads to things like planned obsolescence. How do you prevent this?

Skylar: Regulations are always a barrier to entry. Abolish regulations by abolishing the state and so long as there are no aggression-based barriers to entry then the market will always remain competitive.

OP: Regulations are not the only barrier to entry. Natural barriers exist too

Skylar: As long as there are no aggression based barriers to entry than the market will remain competitive.

See Kirzner: <https://fee.org/articles/the-irresistible-force-of-market-competition>

ImmaculateTorus: what prevents "aggression based barriers to entry" from occurring in the absence of regulation?

Skylar: Regulation is aggression based barriers to entry, so I'm not really sure what you're asking.

ImmaculateTorus: well, what would prevent it from occurring?

Skylar: Regulation is totally unnecessary, and always represents a barrier. Crime is already illegal. If a business commits a crime, prosecute it's officers.

ImmaculateTorus: arent prosecutors private and can be bought in this situation?

Skylar: David Friedman's book *legal systems very different from ours* looks at private prosecution in the UK in the 17 and 1800s. If I remember correctly he does look at that question, but I don't remember his conclusion. I think it was positive. Also what would it matter if some private prosecutor is bought? the victim still exists and can just hire another one. Couldn't they?

And obviously in our current context prosecutors are not private and would presumably prosecute the case, or a private attorney would and proceed as a tort case.

ImmaculateTorus: ok, so you're not talking about some kind of situation with no state?

because that contradicts your op. Can you actually answer my question of "what would prevent aggression based barriers to entry?" in your imagined scenario.

Skyler: no state, that's a separate question from where we started.

state, our current context, all state regulations are "aggression-based barriers to entry" because all regulation are backed by state aggression against peaceful people for noncompliance. do you understand now?

ImmaculateTorus: I understand what you are saying perfectly well, you are just not at all answering my question and your mind is stuck on regulations for some reason. In the absence of a state, what prevents aggression based barriers to entry from occurring? The question was not if the state is also a form of aggression based barrier to entry, thats a different question you have answered but which wasnt asked.

Skyler: My apologies. It didn't seem like you understood what I meant. It's clear now that you did. Anyway, are you asking me how markets can remain competitive (zero artificial, ie. statist, barriers to entry) without state regulations?

ImmaculateTorus: I'm asking how you prevent aggression based barriers of entry in a stateless society.

Skyler: In other words, "How do you prevent *crime* in a stateless society?" is the question, since all aggression is criminal regardless of its purpose. Obviously this is a much bigger and more important question, and one that many theorists like Rothbard and Friedman have theorized on. For me, it comes down to everyone being willing to protect their property rights by force if necessary either directly with preventative security measures and personal weapons or indirectly through the hiring of security and protection services.

ImmaculateTorus: ok, so theres nothing really stopping this situation from either spiraling into a massive monopoly/state or a feudal situation where a bunch of companies are at war with each other, since as soon as one company gains a meaningful competitive advantage in the market an opening appears for them to violently usurp their competition.

Skyler: Why do you believe that? Most industries have nothing to do with violence or weapons or anything like that.

Here's Murphy on warlords taking over:

<https://mises.org/library/wouldnt-warlords-take-over>

ImmaculateTorus:

Why do you believe that? Most industries have nothing to do with violence or weapons or anything like that.

Indeed, but all industries are in the business of making the maximum possible profit, and crushing your competition can be extremely lucrative.

Here's Murphy on warlords taking over:

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do you think you can possibly use your own arguments for this? The arguments put forward in the article are extremely weak, they come down to saying that warlordism would be to no ones benefit, therefore it just wouldnt happen. Which kind of ignores why we are even discussing a specific system of society.

Skyler:

and crushing your competition can be extremely lucrative.

Do you think, say, a cotton ball manufacturer is going to send a goon squad to literally (not figuratively) "crush" their competition without "state regulations"? Is that your belief?

Which kind of ignores why we are even discussing a specific system of society.

I don't think Murphy's arguments are weak at all, they're quite on point. If we are at the point of a free society (which is assumed by the question), then warlords have already found more productive work and are no longer warlording.

I can't predict all the various ways that crime will be mitigated in a free society, but I am confident that it will be mitigated in a number of different ways. If a firm gets aggressive, it will open itself to costly lawsuits and loss of market share as customers flee. There really is no incentive for any firm in any industry to get aggressive and more than enough incentive

for it not to.

No state has ever originated from a legitimate market-based firm overbearing society and becoming a state. Rather, all states have originated illegitimately through violent conquest because they simply out-gunned (out-technologied, actually) and over-powered their prey. Our challenge is to prevent being out-technologied and over-powered by the state, and the state will lose its perceived authority and power through obsolescence. We must keep people armed and innovative if we are ever going to abolish the state.

ImmaculateTorus:

Do you think, say, a cotton ball manufacturer is going to send a good squad to literally (not figuratively) "crush" their competition without "state regulations"? Is that your belief?

I really easily see that happening. There's a lot of incentive to do so, and not enough to not do it.

I don't think Murphy's arguments are weak at all, they're quite on point. If we are at the point of a free society (which is assumed by the question), then warlords have already found more productive work and are no longer warlording.

Right, but you're just asserting that, can you show it? Because Murphy doesn't do so convincingly.

If a firm gets aggressive, it will open itself to costly lawsuits

lawsuits are costly today as well but are usually just factored in as part of the cost of profit maximization. Regardless, no one is forcing them to honor the result of the lawsuit if we are talking about the top dog firm that just took over all the competition with its own private army.

and loss of market share as customers flee.

to where? The competition that was just usurped?

No state has ever originated from a legitimate market-based firm overbearing society and becoming a state. Rather, all states have originated illegitimately through violent conquest because they simply out-gunned (out-technologied, actually) and over-powered their prey. Our challenge is to prevent being out-technologied and over-powered by the state, and the state will lose it's perceived authority and power through obsolescence. We must keep people armed and innovative if are ever going to abolish the state.

Thats true, but thats because a market based society is anything but peaceful and required appropriation of commons and large accumulations of capital to come into existence as a functional society in the 17th and 18th centuries. Market-based firms historically have required a state to protect private property and guarantee a certain level of "fair" competition.

So yes, of course that hasnt happened, and my claim is it will never happen because a stateless society with market-based firms is simply not something that will ever occur. We are talking hypotheticals here, so saying "its never happened" is a little pointless.

Skylar: Great questions, and concerns, all of which many theorists have tackled. I have no interest in doing it here.

Maybe humanity will always have a criminal class, and maybe half of that class will always be institutional. Maybe not. Either way, my conscience is clear knowing I don't support or engage in aggression against peaceful people, including, and most importantly, my own children. Maybe that's where we start: <https://everything-voluntary.com/book-tfs>

ImmaculateTorus: maybe don't structure your society around markets then LMAO

Skylar: Markets are merely an extension of respecting self-ownership and private property, of not committing aggression against peaceful people. It's the natural and logical conclusion. If society isn't structured around markets, then it's structured around institutionalized aggression (crime). The latter is totally unjustifiable.

Not a very in-depth or fruitful conversation, I know, but one that went on long enough to include here.