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WITH EXAMPLES FROM JAPAN

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**On Privatizing Police:
With Examples from Japan**

by J. Mark Ramseyer*

Abstract: Security is often a non-excludable public good that involves economies of scale. For these obvious reasons, modern democracies provide their residents with basic security services out of the public fisc.

Yet the capacity to protect overlaps with the capacity to prey. As a result, regimes in dysfunctional societies sometimes use the public security apparatus to extract benefits. Sometimes the security services use their resources to extract benefits for themselves.

Public security is also a normal good: the level of security that people demand tends to increase with income. Where communities fund their security locally, richer communities can buy themselves higher-than-average security through their municipal government. They can also buy extra security on the private market, of course, but the need becomes particularly acute where the central government funds security. Where higher levels of government fund the security, citizens cannot select the level of security services in the course of deciding where to buy a home. Instead, those who want high levels of security services will need to buy them from private firms directly.

In democracies, citizens buy private security services to supplement the security provided through the public police. In dysfunctional societies they sometimes do this to protect themselves from the public police.

In this essay, I illustrate several of these simple principles with examples from Japan: the creation of the modern police force, the chaos after the 1923 earthquake, and the development of modern private security firms.

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I. Introduction

Security is often a non-excludable public good. On the one hand, it benefits the people who buy it; on the other, it also benefits those who live near the people who buy it. It benefits those neighbors even if they refuse to share in the cost of the security themselves.

Security also entails economies of scale. In part because of the positive externalities involved, people economize when they purchase the security together. Rather than each pay to protect himself, they save resources if they purchase their security together.

Unfortunately, a firm (or person) who can protect can often also prey. The technology and organization entailed in preserving public security is often also the technology and organization by which a firm can extract benefits for itself. As a result, in dysfunctional societies the public police often exploit their power -- either for those who control them or for themselves. Citizens then sometimes buy private security services in part to protect themselves from the public police.

Security is also a "normal" good (as economically defined): the level of security that people demand tends generally to rise with their income. Consequently, in modern democracies wealthier citizens often buy private security services to supplement the public police. Their need to do so becomes particularly acute under centralized (as opposed to federal) regimes -- as the Tiebout sorting principles will not apply.

In the essay that follows, I illustrate these simple principles with examples from Japan.

II. Public Goods

In the course of keeping order and deterring crime, police officers face economies of scale. Through their investigations, their intervention and their sheer presence, they reduce the number of people who might otherwise take property or harm others. I could hire a team of private guards to do the same. So could my neighbors. Inevitably, however, we would spend more when doing so separately, than if we cooperated at the outset and hired one team that simultaneously protected all the homes on our street.

In doing all this, police officers supply a service from which they cannot readily exclude someone who refuses to cooperate. We can take as an example guarding services: When a team of guards collectively protects several residents on a street, they supply a benefit (an externality) that redounds (that spills over) to the benefit of everyone else. Suppose one resident refuses to contribute to the cost of the guards. He still enjoys much of the security that the guards provide. Thanks to their presence, a thief has fewer homes on the street to rob, fewer cars to steal, fewer residents to mug, and hence faces lower returns to committing crime on the street. Necessarily, he is more likely either to travel elsewhere to steal or to opt for a lawful career instead.

Even the smaller steps a resident takes to prevent crime produce positive externalities. Suppose I install an alarm. Although it covers only my house, it still reduces the aggregate take a thief can expect from my street. To be sure, if the thief is already on the street, my alarm (provided I post a credible sign on my lawn) may cause him to rob my neighbor instead. But to the extent that my alarm deters rather than diverts a criminal (a question which is not within the scope of this essay), my alarm confers a positive externality on my neighbor.

Note that the same logic applies to military force. Although by convention we often analyze military protection separately from police work, many of the same principles apply to both. Police officers protect us from domestic predators. Military forces protect us from foreign predators. Both jobs involve economies of scale and supply non-excludable public goods.

A. Functional and Dysfunctional Governments

This logic straightforwardly fits wealthy democracies. In countries like Japan, the U.S., or those in Western Europe, it explains why citizens opt to fund basic security services through the government. And for the most part, they purchase roughly similar levels of protection. Table 1 below gives standard numbers for police, murders, and general population levels in the early 2000s, and rates per 100,000 population. Germany employs more police than the others; Japan hires fewer. The U.S. has a much higher murder rate than the others; Japan enjoys a lower rate.

**Table 1:. Public Police and Private Security Services,
Selected Countries¹²**

	<i>Police</i>		<i>Private security</i>		<i>Murders</i>		<i>Population</i>
	No.	Rates	No.	Rates	No.	Rates	
Belgium	37,900	350.0	15,400	142.2	198	1.83	10,840,000
Bulgaria	28,200	372.4	57,100	755.5	128	1.69	7,564,000
France	220,000	340.0	147,800	228.4	743	1.15	64,714,000
Germany	308,400	377.0	168,000	205.4	662	0.81	81,802,000
Japan	251,900	199.6	543,000	430.2	442	0.35	126,220,000
Switzerland	17,800	228.9	17,700	227.9	46	0.59	7,786,000
U.K.	151,000	243.5	364,600	588.0	655	1.06	62,008,000
U.S.	807,000	245.3	1,133,900	344.7	14,612	4.44	328,994,000

Because this logic presupposes a reasonably honest and effective state sector, it carries less relevance for societies with dysfunctional governments. If an autocratic regime controls its police tightly, it may choose to use its police to keep itself in power. If it does not control its police, those officers may choose to use their power to extract revenue for themselves.

That said, democratic governments are not the only regimes that use police to preserve order. If a state protects its residents from outside predators, it enhances its opportunity to prey on its residents itself. It can use its monopoly on the use of force (as Max Weber and Douglass North put it) to exclude foreign predators and silence domestic predators. Necessarily, it increases its own ability to extract wealth for itself.

By some accounts, the relatively benign police and military forces in modern democracies have their roots less in the democratic process than in interstate competition. In medieval Europe, military predators (call them feudal lords) competed with each other for territory, and from their territories extracted private returns (tax payments, however denominated). Farmers on the periphery, however, could move. Rather than pay tribute to one sovereign, they could switch loyalties and pay tribute to a neighboring one instead. In effect, that competitive pressure tended to push incumbent lords toward keeping their extractions at competitive levels.

B. Nineteenth-Century Japan

¹ Numbers are for most recent years available, but because of differing sources and reliability should be taken only as rough approximations.

² CoESS & APROSER, The Socio-Economic Added Value of Private Security Services in Europe, March 14, 2013 (Wemmel, Belgium: CoESS General Secretariat); U.S. Department of Labor, Bureau of Labor Statistics (Occupational Outlook Handbook, 2019); United Nations Office on Drugs & Crime, Intentional Homicide, Count and rate per 100,000 (n.d.); Claire Provost, The Industry of Inequality, The Guardian, May 12, 2017; general sources on internet. For Japan, see sources given elsewhere in text.

Military officers in late-19th-century Japan saw their competition in the West. As the U.S. Navy began to pressure the Tokugawa government to open its ports, military officers associated with several out-lying domains ousted the government in a coup. Nominally, they returned the Kyoto-based emperor to power -- hence the term "Meiji Restoration." In fact, they returned nothing to the emperor. He had served as titular head of the country before; he remained titular head now. The military officers toppled one military government and replaced it with their own.

Over the course of the next two decades, the new leaders steadily consolidated their power. They did not install a democracy or run a charity. They arrogated control to themselves, and rewarded themselves handsomely for the effort. They understood, however, that offering their countrymen stability and prosperity would increase their domestic support. And they understood that this stability and prosperity would also help provide the resources necessarily to keep foreign threats in check.

To consolidate their power, the new leaders created a military. In 1871, they dissolved the rival domainal governments, and began to try to force the domainal leaders to disband their armies. They found it a hard process, and succeeded only after a civil war in 1877. Out of their own domainal armies, they then created the nucleus of a national military force. To staff the officer corps, they recruited heavily from their home domains. To staff the general soldiers, in 1873 they instituted a draft.

To further their control, the new leaders also created a national police force. By 1881, they had put in place its basic organizational structure. In the same year, they also created a special police (the kenpei) to maintain order within the military (and enforce the draft). And after several anarchists and socialists plotted to assassinate the emperor in 1910, they created a separate police force (the tokko) to watch groups that might threaten the national political structure.³

III. Protection and Predation

When a government creates an organization that protects its citizens, it necessarily also creates an organization that can prey on its citizens. After all, the structure and technology of protection overlap heavily with the structure and technology of predation. Dysfunctional governments are often dysfunctional precisely because they cannot constrain that public predation.

The same problem plagues private security forces. Suppose a person (or firm or group) maintains an organization to protect his family and their assets. On the one hand, the organization may provide a public good: to the extent it deters rather than diverts crime, it confers a positive externality on other citizens. As several scholars noted about modern Australia, the modern private security industry has been "a major contributing factor to reductions in crime since the 1990s."⁴ On the other hand, it also creates a threat: that security industry now enables the person (or firm or group) to prey on other citizens itself.

Over time, people have used private security services for what have seemed morally ambiguous ends. In the late 19th century, U.S. firms famously hired the Pinkertons to break strikes. In the early 20th century, firms hired Bugsy Siegel and Meyer Lansky. Because of Prohibition, those in the alcohol distribution chain could not turn to the police to enforce their contracts. Within

³ Ritto Yoshida, Ritto, *Guntai no nainaiteki kino to kanto daishinsai* ["The Internal Function of the Military and the Great Kanto Earthquake"] P.53-59, 78-81 (Tokyo: Nihon keizai hyoron sha, 2016); *Hiroshige Tsuchida, Teito boei* ["Protecting the Capital"] P.8-33 (Tokyo: Yoshikawa kobunkan, 2017).

⁴ Tim Prenzler, Rick Sarre & Dae Woon Kim, "Reforming Security Industry Training Standards: An Australian Case Study", *International J Comparative & Applied Criminal Justice* 41 (2017): pp. 323.

that legal vacuum, Siegel and Lansky supplied contract-enforcement services. Note the obvious overlap between protection and predation: over time, the Siegel-Lansky firm would evolve into the entity that eventual presidential candidate Thomas Dewey would attack as Murder, Inc.

In modern democracies, we tend to believe (or hope) that we can use electoral pressure to keep the public police in check. But we read about the Pinkertons in Arthur Conan Doyle's Valley of Fear.⁵ We watch Moe Greene (modeled on Siegel) and Hyman Roth (modeled on Lansky) in the Godfather.⁶ Inevitably, we find ourselves less confident that anyone will keep private police forces in check.

A. Dysfunctional Governments:

For obvious reasons, private security services thrive in societies with weak governments. Residents hire men to protect themselves and their family. They hire men to guard their property. They hire men to enforce their contracts (as New Yorkers hired Siegel and Lansky). Were the state to offer effective police protection, they might do without the private services. Absent that protection, they hire their own.

When Sicily lacked a strong government in the 19th century, the mafia famously arose to take its place.⁷ But more modern history offers its own analogues. On a population of only 57 million, for example, South Africa maintains 152,000 public police; its citizens, however, hire an additional 8,700 security firms and their 489,000 employees.⁸

Contemporary civil security services can introduce much the same ambiguity as the Pinkertons and Siegel-Lansky. As the chaos from the Soviet collapse spread through Eastern Europe, "trained professional soldiers ... switched to private security companies." As they did, "the private security sector became its own political, criminal and social force" (OCCRP 2010). The men who run these private firms in places like Eastern Europe are not all trained soldiers. They also include simple "[k]illers, drug dealers and racketeers" (OCCRP 2010). Many of them prey on their own behalf. In Bulgaria, they "force their way into the very companies they are hired to protect, taking shares and money from owners."⁹

In these dysfunctional states, sometimes those in the public regime manipulate the private security firms to their own private advantage. Sometimes, that advantage can be political. In Moldova, a minister threatened to drop security firms from government contracts unless they intimidated residents into voting communist. Sometimes, it can be financial. In Swaziland, the state serves as the principal client to the private security services. In Liberia and Senegal, government and police officials own the primary security services. In Tanzania, army officials own them.¹⁰

⁵ Arthur Conan Doyle, "Valley of Fear". New York: George H. Doran Company (1915).

⁶ "The Godfather. USA: Paramount Pictures; 1972.

⁷ Diego Gambetta, *The Sicilian Mafia: The Business of Private Protection*. (Cambridge: Harvard University Press, 1996).

⁸ Julie Berg & Simon Howell. "The Private Security Complex and its Regulation in Africa: Select Examples from the Continent", *International J Comparative & Applied Criminal Justice* 41 (2017): pp.276.

⁹ OCCRP, *Security Chaos: Crime and Politics Mix in Security Industry* (2010), available at: <https://www.reportingproject.net/security/index.php/stories/1-stories/3-crime-and-politics-mix-in-security-industry>.

¹⁰ OCCRP, *supra* note; Berg & Howell, *supra* note "The Private Security Complex and its Regulation in Africa: Select Examples from the Continent", at p. 280.

B. 1920s Japan

In the wake of the 1923 Tokyo earthquake, young Japanese men illustrated the overlap between protective and predatory activity. Coming on September 1, the magnitude 7.9 (Richter scale) earthquake toppled buildings and smashed homes. Hitting at 11:58 in the morning, it caught many people in the course of cooking lunch. It scattered their charcoal and kerosene stoves, severed gas lines, and set their wooden homes ablaze. The approaching typhoon winds then fanned the flames across the Kanto (greater Tokyo metropolitan) plain. The after-shocks continued relentlessly, and the fires burned for three days.

The shocks and fires destroyed 40 percent of Tokyo -- 293,000 homes -- and left 60 percent of the population homeless. Gas, water, electricity, transportation -- the earthquake stopped them all. 105,000 people died or disappeared across the plain; 70,000 died within Tokyo proper.¹¹

Traditionally, neighbors had often banded together to provide communal services. Tokugawa-era governments (1600-1868) had not provided much by way of public goods. In many communities, those local neighborhood bands were all the public service anyone had. The bands helped put out fires, repaired the dikes and organized community festivals.

In the wake of the earthquakes, many of the men quickly organized themselves into these service bands. The police officers could not manage the city. They were radically understaffed for so total an urban collapse, and faced deaths and destruction themselves. The government called both on police from neighboring areas and on the army, but neither could arrive immediately.¹²

Facing this chaos, the private bands -- numbering perhaps 1,600 in Tokyo, and another 600 in neighboring Kanagawa (site of Yokohama) -- undertook a wide range of services. They rationed food, distributed other necessities, carried off dead bodies and repaired bridges, roads, water lines.¹³

The local bands also attacked those they suspected of sabotage. As early as three hours after the earthquake, survivors in Tokyo and Kanagawa began to hear rumors of marauding Korean gangs.¹⁴ Soon, the local bands were killing Koreans (and Japanese they mistook as Koreans) in massive numbers. Ultimately, they seemed to have murdered several thousand.

IV. Security as a Normal Good

Security is a public good and a normal good, and the juxtaposition presents a problem. On the one hand, because security service is a non-excludable public good subject to economies of scale, we provide it through the state. Were everyone to buy his own security individually, we would collectively lose the economies of scale involved. We would also present people with a

¹¹ Naikakufu, Saigai kyokun no keisho ni kansuru senmon chosakai hokokusho [Report of the Special Investigative Committee Relating to the Lessons Inherited from the Great Disaster], July 2005; Yoshida (2016), at 205; Tsuchida, supra note, at 61.

¹² Yoshida, Kanto daishinsai to Yokohama shi no keibi taisei [The Great Kanto Earthquake and the Security Structure of Yokohama], in Hiroyuki Matsumoto, Yuichiro Suzuki & Shuichi Takashima, eds. Kindai tochi no sochi to toji [The Instruments and Control of the Modern City] 73, 78-79 (Tokyo: Nihon keizai hyoron sha, 2013); Tsuchida, supra note, at 66-67.

¹³ Keishi cho, Saichi no chian iji sochi [Measures to Preserve Order in Disaster Zone], Sept. 3, 1923, reproduced in Kan Dokusan & Kum Byondon, eds., Gendai shi shiryō [Materials for Modern History] 73 (Tokyo: Misuzu shobo, 1963); Naikakufu, supra note.

¹⁴ Yoshida (2016), supra note, at 230-32; for details of the rumors, see, e.g., Naikakufu, supra note.

potential prisoners' dilemma, and find ourselves with suboptimal levels of service. Rather than leave each person to buy his own security, we provide it from the public fisc.

On the other hand, because security services are a normal good, people do not necessarily want the same level. Instead, the welfare-maximizing level of protection rises with income. Wealthy people spend more to protect their own security and having more property to protect, they earn greater returns from protecting their property as well.

Modern democracies finesse this mismatch by limiting public security to a minimum (however defined). The government provides a base level of police protection. Beyond that base, wealthier citizens buy extra protection out-of-pocket. When doing so, they tend to focus on those services with the least spillover. Most home owners, for example, do not hire private guards for their houses. If they do hire guards, they hire them collectively as a neighborhood association. Instead, private individuals invest in technology. They purchase alarm systems, motion detectors, video cameras, higher quality locks -- all of which do relatively less to help their neighbors.

Some democracies, like the U.S., also limit the mismatch between public provision and private demand by hiring police at the local level. Given that people tend to segregate by income everywhere, this lets residents buy public security services closer to their private preferences. Richer citizens live in municipalities that hire police protection at levels that insure relatively low levels of crime. Poorer citizens make do with homes in higher crime areas.

Egalitarian commentators understandably complain about this, of course. The rich live in communities where the public police keep crime to low levels, they note. The rich buy private security services besides. All this is true, but it is also true for any other normal good. Demand for most goods and services rises with income (hence the term "normal" as defined in economics). Given that it does, the rich consume more of most such goods and services. So too with security protection.

A. Private Policing in Japan

1. Introduction. -- Security services form a large industry in modern Japan. The national government itself supplies 251,900 police officers. But as befits a wealthy country with a range of tastes for security services, many Japanese augment this basic protection with private security contracts. As of 2016, 9,400 private firms employed 543,000 employees. These firms primarily offered traffic management and security services for homes and commercial establishments.¹⁵

Americans buy less private security. With roughly three times the Japanese population, the various governments in the U.S. provide roughly 810,000 police officers. Americans supplement this public service with 1.13 million of what the Labor Department calls "security and gaming surveillance officers" in 2017. They hire another 100,000 IT security officers, and 40,000 private detectives.¹⁶

Table 1 offers some comparisons to a few other countries. Switzerland also enjoys low crime levels (though still higher than Japan), but uses only half the private security officers. The U.K., France and Germany both have more crime and more police. The U.K. has a larger market for private security; France and Germany have smaller markets.

¹⁵ Keisatsu sho, Heisei 28 nen ni okeru keibi gyo no gaikyo [The General Circumstances of the Security Industry in 2016] 1, 4 (2016).

¹⁶ U.S. Department of Labor, Bureau of Labor Statistics, Occupational Outlook Handbook (2019), available at: <https://www.bls.gov/ooh/protective-service/security-guards.htm>.

The largest of the Japanese security firms is Secom. Founded in 1962, it boasts sales of 971 billion yen (as of May 2019, \$1.00 U.S. traded for about 110 yen) and a workforce of 54,600. The next largest is Alsok, with sales of 436 billion yen and 37,500 employees. The typical Japanese security firm is much smaller. As of 2016, only 49 firms had 1000 employees or more; 2300 firms had 1 to 5.¹⁷

The industry does many things, of course, but it particularly seems to offer low paid and non-demanding jobs to elderly men forced out of work before they had planned to retire. About 110,000 of the Japanese security workers in 2016 were aged 50 to 59 -- the modal age decade. The most publicly visible of the security workers wave traffic around construction sites. Others guide elementary school children across traffic intersections, tell them grandfatherly jokes, and encourage them to continue home carefully.¹⁸

That said, the growth in the modern Japanese security industry coincides with a growth in crime. Over the course of the 1990s, crime -- especially thefts -- soared. In 1992, police reported 1.74 million Criminal Code crimes (mostly thefts). By 2002, they reported 2.85 million. The number of private security employees followed quickly -- from 291,000 in 1992, to 437,000 in 2002. After peaking in 2002, however, crime began to fall. By 2007 the Criminal Code violations had fallen to 1.91 million, and by 2017 to 915,000. Private investments in security stayed high: in 2007, private security firms employed 494,000, and in 2016 they still had 543,000.¹⁹

2. The criminal overlap: Misora -- Of course, the investments that protect resemble the investments that enable a person to prey. For an effective guard (a real guard, not a grandfather helping grade school children over a crosswalk), one of the qualifications is a facility for violence. As a result, the security and criminal industries have often overlapped -- as the mafia, Siegel and Lansky, and the Pinkertons exemplify.

Japanese history illustrates the same overlap. Take Hibari Misora, the most wildly popular Japanese singer of the 1950s, and perhaps for the entire second half of the twentieth century. With a deep and throaty alto, she specialized first in jazz and then in a retro-traditional Japanese genre known as enka. In the days before television, she toured the country with her songs.

Singers lived vulnerable lives in the late 1940s. Arriving in a new town as entertainers, they worked at the mercy of the local mob. Often, the mobs controlled access to the local stage. From entertainers they demanded a protection tax.

In 1948, Misora's parents took their 11 year-old daughter to meet Kazuo Taoka, the don of what would become the largest of the Japanese mobs, the Yamaguchi gumi. Misora sang for Taoka, and he apparently loved her voice. He promptly took her under his wing. For the rest of her career, she travelled with guards from the Yamaguchi gumi.²⁰

¹⁷ Keisatsu sho, supra note, at 2-3; Nihon keizai shimbun, Gyokai chizu [Industry Map] 247 (Tokyo: Nihon keizai shimbun shuppan kai, 2019).

¹⁸ Keisatsu sho, supra note, at 2-3.

¹⁹ Yasuo Endo, Nihon keizai to keibigyo [The Japanese Economy and the Security Industry] 49 (Tokyo: Norin tokei shuppan, 2017); Keisatsu sho, Various years. Keisatsu hakusho [Police White Paper] (various years), available at: https://www.npa.go.jp/publications/whitepaper/index_keisatsu.html.

²⁰ Misora Hibari to Yamaguchi gumi [Misora Hibari and the Yamaguchi gumi], available at: <http://misorahibariza.jp/hibari/yamaguchi.html>; Shigeki Yamadaira, "Ojo," "Ojisan" to yobiatta ... [Who Called Each Other "Daughter" and "Uncle" ...], Zakzak, Mar. 23, 2016, available at: <https://www.zakzak.co.jp/entertainment/ent-news/news/20160323/enn1603231140012-n1.htm>.

In 1963, the city of Kobe (where the Yamaguchi-gumi has its headquarters) began building a retail arcade near the Sannomiya railroad station. For that work, Kobe hired the large, mainstream construction firm of Kajima. Yet Sannomiya lay in a mob-dominated part of the city. Anticipating trouble, Kajima contracted with the Yamaguchi gumi for security services. But the line between protection and extortion being as vague in Japan as anywhere else, the police called it extortion. They charged Taoka, and the court eventually sentenced him to four years in prison. Taoki died before serving time. Misora spoke at his funeral.²¹

3. Iijima as entrepreneur. -- Isamu Iijima had anti-communist tastes. Born in 1921, he had served as a captain in the imperial army. In 1960, he organized a brigade to fight the far-left during the riots over the U.S.-Japan defense treaty. And from that history, Iijima created a business. Primarily, he specialized in attacking student activists, labor unions, and citizen protest groups.²²

In 1969 and 1970, Iijima transformed his brigade into the Special Defense & Assurance firm (Tokubetsu boei hoshō). As staff, he hired graduates of the martial arts teams at third-tier universities. Iijima had a memorable criminal history himself (11 violations), and willingly hired men with similar records. He maintained about 200 core employees, and hired on another 2000 as necessary.²³

Iijima and his men played prominent roles in 1970s violence. Time and again, firms hired Iijima and his staff to break strikes. When victims of the Minamata mercury poisoning attended the general shareholders meeting of the polluting Chisso fertilizer firm, Chisso hired Iijima. His employees beat the shareholders, and closed down the protests.²⁴ When leftist groups fought plans to build an international airport at Narita, the firms involved hired Iijima. Again, his men left the protestors badly injured.

About this all, Iijima was nothing if not forthright.²⁵

When a security firm has a contract with a firm, it breaks the strikes at that firm. And if we have a security contract with a university, we have police powers within the school precincts. ... Lynching should be tried at law, to be sure. But if the other side fights back, and in order to clear them out a few skulls have to crack Well, that can't be helped. Sign a security contract, and we can enter fully into battle.

The unions retaliated by demanding industry regulation. Faced with their pressure, the government investigated, and counted 321 security firms with 27,000 employees. Of the managers, branch officers, and directors, 77 had criminal records, and 4 were former members of the mob. Of the firm presidents, 20 had criminal records.²⁶

²¹ Yakuza soshiki shoshi ... [Concise History of the Yakuza Organization ...], Doka to haijo no Nihon no rekishi, available at: <http://kasutorizassshi.blog.jp/blog-entry-579.html>.

²² Hiroyasu Iwasaki, Keibi gyosha ji yoru rodo sogi kainyu jirei i oeru ukeoi keiyaku no shokino [The Various Functions of the Contract by Security Firm to Become Involved in Labor Disputes], 14 Core Ethics 11, 13-14 (2018).

²³ Iwasaki, supra note, at 14.

²⁴ Kumamoto nichichi, Chisso kanbu tsuikyū mo [Targeting Chisso Management as Well], Kumamoto nichichi shimbun, May 30, 1971; see generally Frank K. Upham, Law and Social Change in Postwar Japan (Cambridge: Harvard University Press, 1989).

²⁵ Iwasaki, supra note, at 15.

²⁶ Iwasaki, supra note, at 18-19; Masayoshi Sato, Keibi hoshō eigyo wo meguru mondaiten [Problems Relating to the Security Protection Industry], 24 Keisatsu gaku 107 (1971).

Given the union pressure, the Diet passed a regulatory statute in 1972.²⁷ Through it, the government introduced a variety of measures that would let it exclude from the industry men with recent criminal histories or syndicate ties. The unions ran Iijima out of business, it seems. Today, security officers are more often genial grandfathers joking with grade school children than they are Iijima's martial arts graduates.

V. Tiebout Policing

That security is a non-excludable normal good complicates its public provision. Richer citizens would prefer more security than the poor (a normal good), but cannot buy more for themselves without buying it for the poor (a non-excludable good) as well. Poorer citizens would not themselves buy high levels of security, but will happily enjoy any security bought by the rich.

Federalism offers one way out of this dilemma. Suppose a municipal rather than national government supplies the security service. People can now choose the level of security that more closely matches their private preferences. They do this by moving. As Charles Tiebout classically put it, each "consumer-voter may be viewed as picking that community which best satisfies his preference pattern for public goods."²⁸

Consider the U.S. and Japan. The U.S. illustrates the federalist approach. American communities organize and pay for their own police. Wealthier communities hire police to the point where crime falls to very low levels. Poorer communities have higher base rates of crime, and (given their more severe budget constraint) choose to hire enough police to lower those rates only to levels that remain quite high (exogenous differences in the base crime rate prevent my using simple sample statistics to illustrate the point). By contrast, Japan takes the centralized approach. The national government structures and controls the police. The prefectural governments maintain some modest control over police within their jurisdiction, and the municipal governments have none.

As Tiebout noted, U.S. residents can sort themselves into communities in part on the basis of the local public goods offered. They can choose where to live, in other words, in part on the basis of the public services the community offers -- and, necessarily, for which they will need to pay. They sort themselves in part by public school quality. And they sort themselves in part by police protection. Japanese residents cannot do so. They can sort themselves on the basis of the ambient crime, but not over the number of police officers who will fight that crime. Over the level of local police protection, they simply have no control.

All this suggests -- *ceteris paribus* -- that wealthy voters may buy more security services on the private market in countries that provide centralized national police than in those with a federal approach to police service. Under a federal regime, residents can vote to raise their own protection without having to raise it everywhere else. Under national policing, they cannot do this. Instead, they can raise their level of police protection only by raising it for all voters.

Rather than vote to raise police protection for everyone, rich voters in a centralized regime do best privately to supplement their policing with private security. Were they to raise the level

²⁷ Iwasaki, *supra* note, at 11.

²⁸ Charles M. Tiebout, A Pure Theory of Local Expenditures, 64 JPE 416, 418 (1956). The literature on point is of course massive. See generally, e.g., Patrick Bayer & Robert McMillan, Tiebout Sorting and Neighborhood Stratification, NBER Working Paper 176364 (2011); William A. Fischel, Municipal Corporations, Homeowners, and the Benefit View of the Property Tax, Conference paper for "Property Taxation and Local Government Finance (2000).

of policing across the nation, they would pay for higher policing for other people. Better for them to keep public policing levels low, and buy extra private security for themselves on the side.

Wealthier Japanese do exactly that: they buy supplementary private security on the market.²⁹ In doing so, most of them contract for wired services. Although they could hire private guards for their homes, few do. Instead, they install alarm systems, post prominent Secom or Alsok signs, and connect the alarms to the relevant security service. On this much at least, upper-middle class Japanese with centralized police match their counterparts in the federalized U.S.

Two wealthy Tokyo wards, however, have gone further. Blocked by national policy from hiring additional police officers on staff, they contract with Secom to rent extra police officers by contract.³⁰ The wards are Minato, with a population of 243,000 and a mean household income of 7.6 million, and Setagaya with its 930,000 residents and a 6.5 million yen mean income. The national income mean is 4.4 million yen per household.

Minato has relatively few residents, but those it has are wealthy. It lies downtown, and as one might expect for a rich urban community, it has significant crime.³¹ Of the 21 central Tokyo wards, the ward with the highest crime rate (Criminal Code violations per 100,000 population) is the downtown business district of Chiyoda: a rate at the end of 2018 of 5053.4. With its convoluted network of alleyways packed with bars, brothels and strip clubs, Shinjuku had a crime rate of 1843.2. But at 1490.2, the sedate Minato had a rate close to Shinjuku's. Among the 21 core wards of Tokyo, Shinjuku had the third-highest crime rate. Minato ranked fifth.

Setagaya provides the more interesting case for this discussion. With nearly 1 million residents, it is the most populous of the Tokyo wards, more populous even than seven of the 47 Japanese prefectures. The ward lies west of Tokyo, immediately beyond the Hermes-and-Chanel retail center of Shibuya. It is a solidly upper-middle-class professional bedroom suburb.

As befits a wealthy bedroom suburb, Setagaya has low crime rates. Bunkyo (home of the University of Tokyo) has the lowest rate of the 21 wards: 545.3. With a rate of 648.7, Setagaya is the fifth safest. Among the Criminal Code crimes, Japanese police group together murder, arson, rape, and violent robberies as the most serious of crimes. For this category, Shinjuku had the highest rate at 30.7, and Koto had the lowest at 1.9. Minato had a rate half as high as Shinjuku: 15.2. Setagaya's rate was the third lowest: 2.7.

Minato was rich, but given its urban location suffered high rates of crime. As a wealthy bedroom suburb, Setagaya had no substantial crime problem, but wanted more police anyway. Given Japanese political structure, neither ward could hire extra public police on its own. To this legal constraint, the two communities responded by contracting with a private firm. In both wards, Secom squad cars now circulate on a 24-hour basis.

Note that this private augmentation will affect the voting choices that Setagaya and Minato residents will make. When Setagaya residents buy extra police protection through Secom, they pay

²⁹ As of course do wealthy Americans in the federalist U.S. Given the large differences in the exogenous baseline crime rates, the demand for private security obviously turns on many factors other than the federal-central divide.

³⁰ Minoru Yasuda, Itsudemo, dokodemo, darenidemo anzenwo teikyo suru [Anytime, Anywhere, Providing Safety to Anyone], Nikkei (2019), available at: <https://messe.nikkei.co.jp/ss/column/securitytrend/65592.html>; Chiiki shakai no [anzen, anshin] ni kiko suru Sekomu no "bohan patorooru" [The Secom Crime Prevention Patrol that Contributes to the Safety and Security of Regional Societies], Aug. 16, 2012, Secom, available at: <https://www.secom.co.jp/flashnews/backnumber/20120816.html>.

³¹ To calculate these crime rates, I take population data from [Kokusei](#); the data are available on the Tokyo municipal website. I take the crime data (Criminal Code violations) from the website of the Tokyo metropolitan police department.

for the protection only for themselves. Should they vote for additional protection through the national government, they (given Japan's graduated income tax) will vote for policies by which they will pay for security protection for poor communities as well. Necessarily, the higher the level of protection Setagaya residents can buy through Secom, the less support they will likely give to more protection through the national government.

VI. Conclusions

Modern democracies provide security protection out of the public fisc. They do so both because the protection involves a non-excludable public good, and because it is subject to economies of scale. Simultaneously, however, security protection is also a normal good. The demand for security tends to rise with income levels. In some countries (as in the U.S.), citizens decide the level of public security at the local level -- facilitating Tiebout competition. Other countries (e.g., Japan) find the resulting inequalities politically unpalatable and centralize policing instead.

Private citizens can augment their public security with private services bought on the market. These private services, however, carry with them the potential for extortion as well as protection. In the less developed world, citizens who hire private security to protect themselves from others sometimes find themselves victimized by the very people they hired to protect them.