

Space Pirates, or, Subsidizing Industrial Sabotage in Outer Space*

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Abstract

Much like the exploitation of global trade by the first multinationals, early space commerce has the potential to lead to significant conflict as privateers seek to use force to capture resources from others. Governments currently subsidize research increasing such disruptive capabilities despite the fact that international law makes governments – not firms – liable for damages. We show that this can be explained in a setting where the potential possibility of conflict affects the terms of an agreement outlawing them. In essence, by increasing the conflict capabilities of one’s own firms, this enables a government to push for a more favorable treaty. We demonstrate that under plausible assumptions, this works to the benefit of technologically-advanced nations. Thus, subsidizing current space activities is likely to cement current international income inequality.

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