

Centralization is Not Inherently Bad

I'm thrilled by the massive decentralization of everything going on right now due to software. The internet got the ball rolling, and everything from music, movies, publishing, travel, apparel, and financial industries are breaking into smaller units and tapping into open source, peer to peer, and crowd based tech.

It's easy to see the benefits of power shifting away from central governments and their monopoly business cronies. But it should not be assumed that centralization, or large pools of resources, are inherently bad. Centralized models have strengths and weaknesses just like decentralized models. Economies of scale and lower information and transaction costs on one side, and slower innovation, bureaucratic bottleneck, and lack of variety on the other make bigger resource pools or corporations preferable in some instances, and less valuable in others.

The problem isn't size or centralization in itself, it's when those things are artificially incentivized or mandated and free market competition curbed.

Governments are the ultimate evil kind of centralization. Utterly unfair and hopelessly inefficient. This isn't because of their size, but because they face no competition. It's hard to imagine an organization in the market surviving with the size and centralization of government, but if it found a way to live on nothing but voluntary customers, there wouldn't be anything bad about it per se. You may or may not want to work at a very large centralized organization, but as long as it faces market competition and eschews coercion, it's not harming the world or any individuals in it.

Perhaps Wal-Mart or Amazon wouldn't survive in a fully free market. Who knows. But to the extent that they face market competition, there's nothing bad about their bigness or centralization that should make us want to end them. Any downsides present entrepreneurial opportunity to newcomers, and powerhouse companies are not safe forever. Markets are relentless.

Markets, if left free to operate, always push resources toward their highest valued use. Whether that's dispersed to a million mom and pop shops or a few dozen large organizations or a mix of both and everything in between, the important part is a free market that lets things flow. It doesn't much matter where resources are and in what concentrations at any given time; it matters that the process remain free and open. This maximizes the possibility for benefit across society and on the individual level.