

The Disadvantages of Being a Government Monopolist

I don't mean being the dominant player in a market. I mean here a much tighter definition of monopoly: legal monopoly.

Governments suck.

The reason they suck is because they are monopolists. The good news is, this means opportunity to outcompete governments for all the stuff they do badly. (At least the parts that anyone actually wants done).

The challenge of competing with governments is of course that they can kill anyone who doesn't want to be a paying customer. This gives them a huge customer base.

It turns out, people don't like to be killed. So they pay government to avoid it. They take the services since they had to pay for them anyway to avoid being caged (or killed if they resisted being caged).

But this provides the opening for competitors.

It also turns out, you don't get good information about how to make your product valuable when everyone is buying it out of fear you will kill them if they don't. So governments plod along delivering unimaginably stupid services in unimaginably backward ways with terribly high costs and the worst employees in history.

It's so bad, in fact, and so hopelessly, systematically deaf to information on how to improve, that people clamor to pay even more money to service providers who can do better, even though they are forced to pay government for their services already.

A customer willing to double pay for your service is a great customer!

Companies that deliver services to compete with government get quick feedback from the market on how to do it well. If they don't act on it, they don't survive. It's very tough out there when your customers don't have the looming fear that you might kill them. But that's also what makes real value creation possible.

I am bullish on competing governance services. I love them.

Yes, governments can come threaten to kill such service providers if they don't stop. But luckily governments move slow, are always trying to figure out the laziest way to maintain power, and often lack the foresight to realize a competitive threat before it's too late.

The real bear case against competing upstarts is that they will succeed, get tired of

competing, and morph into one of the many fat sloppy formerly-private rent-seeking appendages of the government. Yuck.