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Hayek's Case for Decentralized Communities

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Mises.org

November 27, 2018

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This talk was delivered at the Abbeville Institute's conference on Secession and Nullification in Dallas, Texas on November 10, 2018.

My talk today is about decentralization and epistemology. At the outset I wish to disclaim any specialized expertise in this subject. I'm a lawyer by training who loves literature and earned a doctorate in English. It would be a stretch to call me a philosopher or a political theorist, hence this anchoring disclaimer to prevent me from sailing too deep into philosophical seas.

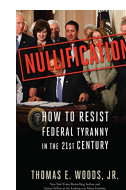
I have divided my argument, such as it is, into two parts: the impersonal and the personal. The former is a philosophical case for decentralization; the latter involves private considerations about intimate human relationships around which communities of common purpose organize and conduct themselves. In the end, the two approaches are mutually reinforcing, yielding, I hope, benevolent and humane considerations. Presenting them as separate, however, signals to different audiences whose tolerance for appeals to feeling may vary.

The Impersonal

The impersonal argument boils down to this: decentralized systems of order are more efficient, and hence more desirable, because they better account for and respond to dispersed knowledge across diverse communities with unique customs, ambitions, and values. Heterogeneous, bottom-up systems governed by local institutions that reflect native knowledge, talent, and choices more effectually serve humanity writ large than centralized, top-down systems that are unaccountable to local norms and mores.

Polycentric law, or *polycentrism*, is the term I use to describe this organizational arrangement. Other names that suggest themselves fail to express the dynamism of polycentrism. Federalism, for example, confounds because of its association with the early American Federalists. It presupposes, moreover, even in its articulation by the inaptly named Anti-Federalists, too strong of a central authority, in my view, beneath which local authorities contend as coequal subordinates. Localism, for its part, suffers from associations with protectionist, anticompetitive economic policies. Other names such as confederation, city state, or anarcho-capitalism likewise have their drawbacks.

So I'm stuck with polycentrism as the operative label for the working system of small and plural authorities that I seek to describe. The chief value of this system is its propensity to temper and check the natural



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of small and plural authorities that I seek to describe. The chief value of this system is its propensity to temper and check the natural ambition and pride that lead humans not only to aspirations of power and greatness, but also to the coercive institutions and machinations that inhibit the voluntary organization of individuals around shared norms and customs. An optimal polycentric order consists of multiple, competing jurisdictions of humane and reasonable scale, each with their own divided powers that prevent the consolidation of authority in the form of a supreme ruler or tyrant (or, more likely in our age, of a managerial, administrative, and bureaucratic state) and each with a written document outlining governing rules and institutions while affirming a core commitment to common goals and a guiding mission. To speak of an optimal polycentric order, however, is problematic, because polycentric orders enable distinct communities to select and define for themselves the operative assemblage of rules and institutions that fulfill their chief ideals and favored principles.

F. A. Hayek's price theory provides a useful starting point for discussing the benefits of bottom-up, decentralized modes of human ordering that represent polycentrism. This theory holds that knowledge is dispersed throughout society and incapable of being comprehensively understood by any one person or group of people; therefore, centralized economic planning inevitably fails because it cannot accurately assess or calculate the felt needs and coordinated activities of faraway people in disparate communities; only in a market economy where consumers freely buy and sell according to their unique preferences will reliable pricing gradually reveal itself.

Hayek's theory of knowledge is predicated on the fallibility and limitations of human intelligence. Because the complexity of human behavior and interaction exceeds the capacity of one mind or group of minds fully to comprehend it, human coordination requires deference to emergent or spontaneous orders, rooted in custom, that adapt to the dynamic, evolving needs and preferences of everyday consumers. Hayek's articulation of price theory contemplates collective and aggregated wisdom—i.e., disembodied or embedded knowledge—and cautions against grand designs based on the alleged expertise of a select class of people.

Michael Polanyi, another polymath and an ardent anti-Marxist, explicated related theories about polycentricity, spontaneous order, central planning, and knowledge, but he focused less on economic theory and more on scientific discovery, independent inquiry, and the free, systematic exchange of research and ideas. Scientific advancement, in his view, did not proceed as the construction of a house proceeds, namely according to a fixed plan or design, but rather by a process analogous to, in his words, "the ordered arrangement of living cells which constitute a polycellular organism."¹ "Throughout the process of embryonic development," he explained, "each cell pursues its own life, and yet each so adjusts its growth to that of its neighbors that a harmonious structure of the aggregate emerges."² "This", he concluded, "is exactly how scientists co-operate: by continually adjusting their line of research to the results achieved up to date by their fellow-scientists."³

Polanyi labored to show that "the central planning of production" was "strictly impossible"⁴ and that "the operations of a system of spontaneous order in society, such as the competitive order of a market, cannot be replaced by the establishment of a deliberate ordering agency."⁵ He described the inefficiencies of purely hierarchical organizational structures within which information rises upward from the base, mediated successively by subsequent, higher tiers of authority, arriving ultimately at the top of a pyramid, at some supreme authority, which then centrally directs the entire system, commanding orders down to the base. This convoluted process, besides being inefficient, is susceptible to disinformation and misinformation, and to a lack of reliable, on-the-ground knowledge of relevant circumstances.

While Polanyi points to mundane instances of spontaneous ordering, such as passengers at train stations, without central direction, standing on platforms and filling seats on the trains,⁶ he also examines more complex forms of behavioral adaptation to interpersonal interactions that, over time and through repetition, emerge as tacitly understood habits and rules that gain acceptance by the larger corporate body.

Centralization concentrates power in fewer people in smaller spaces, whereas decentralization divides and spreads power among vast networks of people across wider spaces. Under centralized government, good people who enjoy power may, in theory, quickly accomplish good, but evil people who enjoy power may quickly accomplish evil. Because of the inherent, apocryphal dangers of the latter possibility, centralized government must not be preferred. Our tendencies as humans are catastrophic, asserting themselves in the sinful behaviors we both choose and cannot help. There is, moreover, on a considerable range of issues, disagreement about what constitutes the bad and the good, the evil and the virtuous. If questions about badness or goodness, evil and virtuousness are simply or hastily resolved in favor of the central power, then resistant communities—threatened, marginalized, silenced, and coerced—will eventually exercise their political agency, mobilizing into insurrectionary alliances to undermine the central power. Centralized power therefore increases the probability of large-scale violence whereas decentralized government reduces conflicts to local levels where they tend to be minor and offsetting.

Polycentric orders produce self-constituting communities that regulate themselves through the mediating institutions they have voluntarily erected to align with their values, traditions, and priorities. Their practical scope and scale enable them to govern themselves according to binding rules that are generally agreeable to the majority within their jurisdiction.

A man alone in the wilderness is vulnerable to threats. When he enters into society, however, he combines with others who, with common interests, serve and protect each other from outside threats. If society grows large, materializing as vast states or governments, the people therein lose their sense of common purpose, their desire to unify for mutual benefit and protection. Factions and classes arise, each contending for power. The people in whom the sovereignty of the central power supposedly resides may become disempowered and marginalized as the network of bureaucratic functionaries proliferates. The people are displaced by arms and agencies of the central power. Although progress cannot be achieved without constructive competition among and between rival groups, societies cannot flourish when their inhabitants do not share a fundamental sense of common purpose and identity.

Centralized power may at first blush seem to be more efficient because its decision-making process is not complex, consisting as it

does of top-down commands to subordinates. Theoretically, and only theoretically, ultimate efficiency could be achieved if all power were possessed by one person. But of course in reality no one person could protect his or her power from external threats or internal insubordination. In fact, the concentration of power in one person invites dissent and insurrection. It is easier, after all, to overthrow one person than to overthrow many. Therefore, in practice, centralized power requires the supreme authority to build bureaucracies of agents and functionaries loyally and dutifully to institute its top-down directive.

But how does the central power generate a sense of loyalty and duty among and between these subordinates? Through patronage and political favors, pensions, rent seeking, influence peddling, immunities, cronyism, graft—in short, by strengthening the human urge for self-aggrandizement, elevating select people and groups to privileged positions at extraordinary expense to ordinary people or consumers. Accordingly, centralization as a form of human organization incentivizes corruption, malfeasance, and dishonesty while building convoluted networks of costly officials through whom information is mediated and distorted. The result is widespread corruption, misunderstanding, and inefficiency.

Even assuming *arguendo* that concentrated authority is more efficient, it would ease the ability to accomplish evil and mischief as well as good. The purported benefits of consolidated power presuppose a benevolent supreme authority with comprehensive knowledge of native circumstances. Whatever conceivable benefits may be obtained through hypothetically quick decision-making are outweighed by the potential harms resulting from the implementation of the decision as binding law. The limited and fallible knowledge on which the decision is based amplifies the resultant harm beyond what it might have been in a decentralized system that localized power and thereby diminished the capability of bad people to cause harm.

The efficiency, if any, of commanding orders and setting policy on a top-down model is therefore neutralized by the resulting inefficiencies and harmful consequences that could have been avoided had central planners not presupposed knowledge of local circumstances. Absent an offsetting authority, any centralized power may, without just cause, coerce and molest peaceful men and women in contravention of their distinct laws and customs. Naturally, these men and women, combined as resistant communities, will contest unwarranted, unwanted tyranny that threatens their way of life and understanding of community. Disturbance of social harmony and backlash against unjustified coercion render inefficient the allegedly efficient operations of the central power.

It becomes apparent, after long consideration, that centralized modes of power are not more efficient after all, that in fact they are inimical to liberty and virtue when compared to their decentralized alternatives. But that is not the only reason why the decentralized model is superior.

The Personal

You don't enjoy fine wine merely by talking and thinking about it, but by actually drinking it, sniffing its aromas, swirling it in your glass, wetting your tongue and coating your mouth with it. A true appreciation of wine is experiential, based on the repeated pleasure of tasting and consuming different grape varieties with their distinctive flavor components. Most people develop their loves and priorities this way. They do not love abstractions, but they love their neighbors, families, and friends. They prioritize issues that are to them near and daily. They have done so from an early age. "It is within families and other institutional arrangements characteristic of neighborhood, village, and community life that citizenship is learned and practiced for most people most of the time," said Vincent Ostrom.⁷ "The first order of priority in learning the craft of citizenship as applied to public affairs," he added, "needs to focus on how to cope with problems in the context of family, neighborhood, village, and community. This is where people acquire the rudiments for becoming self-governing, by learning how to live and work with others."⁸

I learned to accept defeat, not from national election campaigns, foreign wars, or too-big-to-fail banks that nevertheless failed, but from little-league baseball, when my third-grade team, the Cardinals, lost in the semifinals, and when my freshman basketball team lost in the finals. I still dream about that championship basketball game. My coach had put me in the game for the sole purpose of shooting three-pointers, my specialty, but the defense double-teamed me. I was unable to get a clear shot. Every time I passed the ball away my coach yelled "no," commanding me to shoot. Earlier in the season, before he knew my skill behind the three-point line, he shouted "no" whenever I took a shot.

I learned about injustice when my first-grade teacher punished me in a manner that was disproportionate to my alleged offense, which to this day I deny having committed, and about grace and mercy when my mother forgave me, without so much as a spank, for an offense that I had most definitely committed.

I learned about God and faith while having breakfast at my grandmother's kitchen table. She kept a Bible on the table beside a bookshelf full of texts on Christian themes and teachings. At the middle of the table was a little jar of Bible verses. I recall reaching my hand into the jar and pulling out verses, one after another, weekend after weekend, reading them to her and then discussing with her what their meaning might be. This mode of learning was intimate and hands-on and prepared me to experience God for myself, to study His word and figure out my beliefs about Him when later I retired to places of solitude for silent contemplation. These experiences meant far more to me than the words of any faraway televangelist.

Whenever I stayed at my grandparents' house, my grandfather would awaken early and start the coffee pot. My brother and I, hearing him downstairs, would rush to his side. He shared sections of the newspaper with us and allowed us to drink coffee with him. He



...and sometimes, would read to me from the earliest sections of the newspaper that he had allowed us to skim since that time. He made us feel like responsible adults, two little children with newspaper and coffee in hand, pondering current events and passing judgment on the latest political trends and scandals. This indispensable education did not come from public broadcasting or from some expensive civic literacy project orchestrated by the National Foundation for the Arts or the National Foundation for the Humanities. It came from family, in familiar spaces, in the warmth of a loving home.

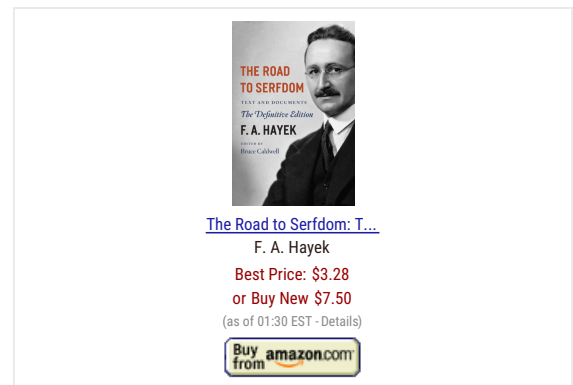
Mrs. Stubbs taught me manners and decorum at cotillion, although she never succeeded in teaching me to dance. I learned etiquette on the golf course where I spent my childhood summers playing with groups of grown men, competing with them while learning how to ask questions about their careers and professions, staying silent as they swung or putted, not walking in their lines, holding the flagstick for them, giving them honors on the tee when they earned the lowest score on the previous hole, raking the bunkers, walking carefully to avoid leaving spike marks on the greens, fixing my ball marks, and so on.

I learned about death when a girl I carpoled with to church passed away from cancer. She was only four or five when she died. Then there was the death of my great-grandmother, then my great-grandfather, then my grandfather, and so on down the line, which to this day approaches me. In the South we still open our caskets to display corpses and remind ourselves of the fragility of life and the inevitability of death. This solemn ritual keeps us mindful of our purpose in life, draws us closer to our friends and family, and ensures that we contemplate the gravest and most important questions.

My two grandfathers meant the world to me. Both of them wore suits and ties to work every day. They dressed professionally and responsibly for every occasion. I copied them at an early age. In high school, while the other kids gave themselves over to the latest fads and fashions, I wore button-down shirts tucked neatly into slacks. I thought I wouldn't score points with my peers by dressing up for class, but before long many of my friends adopted the practice as we began to think of ourselves as little men in pursuit of an education. Because we were athletes, our clothing was not just tolerated but eventually mimicked. When the other basketball teams showed up at our gym, we met them in coat and tie while they wore t-shirts that were too big and breakaway pants that sagged beneath their rear ends. Our team might have startled them by our formal attire. But we startled them even more after we removed to the locker room, put on our jerseys, stormed the court and then beat the living hell out of them.

I could go on. The point is that felt experience defines who we are and shapes how we behave. As Justice Holmes remarked, "What we most love and revere generally is determined by early associations. I love granite rocks and barberry bushes, no doubt because with them were my earliest joys that reach back through the past eternity of my life."⁹ What he says next is more important:

But while one's experience thus makes certain preferences dogmatic for oneself, recognition of how they came to be so leaves one able to see that others, poor souls, may be equally dogmatic about something else. And this again means skepticism. Not that one's belief or love does not remain. Not that we would not fight and die for it if important—we all, whether we know it or not, are fighting to make the kind of a world that we should like—but that we have learned to recognize that others will fight and die to make a different world, with equal sincerity or belief. Deep-seated preferences can not be argued about—you can not argue a man into liking a glass of beer—and therefore, when differences are sufficiently far reaching, we try to kill the other man rather than let him have his way. But that is perfectly consistent with admitting that, so far as appears, his grounds are just as good as ours.¹⁰



I take these words as cautionary—as a stark reminder of the horrifying potential for violence that inheres in the attempt of one group of people formed by certain associations to impose by force their norms and practices on another group of people formed by different associations. It is the distinct virtue of polycentricity to accommodate these differences and to minimize the chances of violence by diffusing and dispersing power.

Conclusion

The polycentric order I advocate is not utopian; it's concrete and practical and exemplified by the mediating institutions and subsidiary authorities such as churches, synagogues, clubs, little leagues, community associations, schools, and professional memberships through and with which we express ourselves, politically or otherwise, and to whose rules we voluntarily submit.

When we turn on our televisions in the evening, we are, many of us from this part of the country, disturbed by the increase of lewd conduct, divisive rhetoric, mischievous behavior, and institutionalized decadence that are contrary to our local norms yet systemically and vigorously forced upon us by foreign or outside powers. Turning off the television in protest seems like our only mode of resistance, our only manner of dissent. Disgusted by mounting evidence that our politicians have marshaled the apparatus of the mighty federal government to achieve personal fame and glory, many of us feel exploited and powerless. In the face of massive state bureaucracies, large corporations, biased media, tendentious journalists, and commanding militaries, we nevertheless exercise our agency, bringing joy and hope to our families, friends, and neighbors, tending to concrete circumstances that are under our direct control. The promise of community reinvents and refreshes us.

Recently I strolled around Copenhagen, Denmark, on a bright Sunday morning. Though the church bells rang through the streets,

echoing off buildings and cobblestone sidewalks, silencing conversations, and startling some pigeons, the churches themselves remained empty. I saw no worshipers or worship services. Some of the churches had been repurposed as cafes and restaurants with waiters and waitresses but no pastors or priests; customers drank their wine and ate their bread at fine little tables, but there were no communion rituals or sacraments.

A month later, also on a Sunday, I flew into Montgomery, Alabama, from Dallas, Texas. As the plane slowly descended beneath the clouds, the little dollhouse figurines and model buildings beneath me snapped to life, becoming real people and structures. I gazed upon the dozens of churches dotting the flat, widening landscape, which grew nearer and bigger as we approached the airport. And I observed, sitting there, stock still yet propelled through space, that the parking lots of each church were full of cars, that there were, at this early hour, hundreds if not thousands of my people there before me, worshipping the same God I worshipped, the same God my parents and grandparents and their parents and grandparents had worshipped; and I sensed, right then, deeply and profoundly, for the first time in years, a rare but unmistakable feeling: hope not just for my community, but for *community*.

1. Michael Polanyi, *The Logic of Liberty* (Indianapolis Liberty Fund, 1998) (1951), p. 109.

2. Ibid.

3. Ibid.

4. Ibid at 136.

5. Ibid at 137.

6. Ibid. at 141

7. Vincent Ostrom, *The Meaning of Democracy and the Vulnerability of Democracies* (Ann Arbor: The University of Michigan Press, 1997), p. x.

8. Ibid.

9. Oliver Wendell Holmes Jr. "Natural Law." *Harvard Law Review*, Vol. 32 (1918-19), p. 41.

10. Holmes at 41.

[The Best of Allen Mendenhall](#)

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