One of the largest issues facing our society is economic problems. They are complex and solving them is made difficult by the fact that we have limited knowledge. What makes it more difficult is not deciding whether or not to plan but deciding who will be planning. While we may confide in leaving all the planning to experts or to a single mind, what is really important is that we all try to get involved.

In order to understand this argument, we need to understand some terms. Planning, in this case, would refer to the deciding on and arranging of the allocation of our available resources. By knowledge, we refer to knowing about things like people, local conditions, special circumstances, local differences of commodity prices, and so on.

One thing that is important to keep in mind is that change causes economic problems. We could plan things out and as long as things continue as we expect them to, there will be no new problems requiring a decision. If the economic problem we are faced with is rapid adaptation to change, especially with regard to the spontaneous circumstances of time and place, some might argue that it is best to leave the decision making to the people who are somehow familiar with these circumstances. However, we would be better off using decentralization to help solve this problem. Decentralization in this case refers to the transfer of control of an activity or organization to several authorities, rather than just a single one. Decentralization is important because it allows for the knowledge of the circumstances of the place and time to be used efficiently and immediately when you compare it to having to send all the knowledge to a central board of some sort and awaiting their thoughts and decisions on the matter, at which point circumstances may have already changed.

In theory, our civilization could advance if we could get everyone to perform more important operations naturally and without guidance. For example, if one item was to become scarce, then having some people decide to use it sparingly is a benefit to society. Those who might hoard essential supplies, which can prevent others from obtaining them, present an economic issue that some might argue would be better off in the hands of only a handful of individuals rather than with society as a whole. This naturally gives us the problem of how best to get people to do the right things without telling them to. This problem is more important to us because to assume that one person has all the knowledge and can resolve everything effectively would disregard all the partial knowledge that we hold and can share. It would also undermine all the solutions that people can provide accordingly through interactions.