One of the particular virtues of Moby Dick, extolled by schoolteachers far and wide to those of us old enough to have read Melville’s magnum opus, was that the sailing vessel the Pequod captured the greater world writ small. The ship was, as the literary phrasing goes, a microcosm in which the various tensions in human society could be studied on a scale more conducive to thoughtful analysis. While it isn’t clear how truly applicable that notion is versus how English teachers wished it to be there is no denying that often in the world of economics the large scale forces within an economy materialize on a local scale, allowing us to look, at least in a limited way, about their respective pros and cons. Case in point: the surprising turn around of Barnes & Noble Booksellers.

As Ted Gioia points out in his article for substack entitled [*What Can We Learn from Barnes & Noble's Surprising Turnaround?*](https://tedgioia.substack.com/p/what-can-we-learn-from-barnes-and), B&N, which has been in business for over 130 years, is not only shrinking due to marginalization by digital vendors like Amazon, it is actually growing. The [chain is planning on opening new stores](https://bookriot.com/barnes-noble-opening-30-stores-in-2023/) across the United States as they and other [big-box retailers are growing](https://www.wsj.com/articles/barnes-noble-store-expansion-leads-big-box-real-estate-revival-in-2023-11671454054). The Wall Street Journal notes that:

%%The bookseller had been contracting for more than a decade as it struggled to compete with … online retailers, and now has about 125 fewer stores than it did at its peak 14 years ago. But this year Barnes & Noble is opening more stores than it is closing, including two Boston-area stores in locations formerly occupied by Amazon Books.%%

What is especially surprising about this move is that B&N is doing it by embracing the ‘ancient’ technology of the printed word. To quote Gioia:

%%All the cool and up-to-date technologies are in financial trouble. Tesla share price has collapsed. Crypto is in decline. Netflix stock has dropped more than 50% in the last year. Facebook is in freefall. Even TikTok might be in trouble.%%

He goes on to note that, for a while, B&N tried to compete with online retailers, dumping a tremendous amount of effort into the Nook, their ereader. Sales of the Nook peaked in 2012 and have fallen continuously since then and the companies fortunes seems to head in the same direction.

But recently, the company jettisoned its old upper-management structure and brought in James Daunt as the new CEO. Daunt had success across the pond in [Waterstones book sellers in England](https://blogs.ucl.ac.uk/cfp-blog/2016/02/26/five-waterstones-sort-of-myths-explained/) and is applying that same philosophy here in the US. According to Gioia, that philosophy consists of two simple pieces: 1) Daunt loves books and 2) he has moved the decision making as to what books should be carried to the discretion of each store’s manager. Gioia quotes Daunt as saying:

%%“Staff are now in control of their own shops,” [Daunt] explained. “Hopefully they’re enjoying their work more. They’re creating something very different in each store.”%%

Central to this staff-controlled approach, is the idea that no longer will B&N take promotional money from the publishers. Under the old way, publishers only had to cozy up to an upper-management purchaser to set down the featured titles for the entire chain. The titles were then forced upon each branch whether they liked it or not, whether the title would sell or not. Under this new approach, publishers no longer had one point-of-sale to B&N’s head buyer at headquarters. They now had to engage in the hard work of engaging with each local book buyer. Furthermore they were now accountable if a new book fails to live up to the hype.

This is where the microcosm idea comes in. In moving control away from B&N upper management to the ‘boots on the ground’ running each store, Daunt has played out a small drama between collectivism and central planning, on one hand, and liberty and individualism on the other. And the fact that he has turned around B&N by embracing individual control speaks volumes about the power of such ideas.

There are many parallels between this microcosmic experiment and the larger macroscopic approach that was on display in the former Soviet Union. As Thomas Sowell points out in his book *Applied Economics, Thinking Beyond Stage One*, the USSR had “[t]he most thorough-going control of entire national economies” but that the task of centrally managing “was a virtually impossible task for the central planners to perform well”. As a result, Sowell points out that it was common to find warehouses packed with goods nobody wanted while eager consumers lined-up for the few goods that were highly demanded but which had been produced in too few numbers.

Sowell is being charitable when he notes that the job of the central planner is virtually impossible. That charity presupposes that the central planner wanted to do a good job. As anyone whose interacted with his state’s department of motor vehicles can attest, there are a class of civil servants who simply phone it in. They are lazy and strive each day (note the irony of that phrasing) to do as little as possible. This ‘phone it in’ behavior is strongly reflected in Gioia’s own analysis of the interaction between publisher and central buyer. Under a decentralized system each of these groups were no longer disengaged from the consequences of their actions and were no longer accountable to virtually no one.

Of course, there are many places where the parallels break down (*e.g.*, it is unlikely that B&N will have nuclear weapons or will mount an invasion into a sovereign country) but those are differences of quantity not quality. By embracing a ‘bottoms-up’ approach, Daunt is empowering each store to stand or fall on its own by taking into account what the local sector of the economy it serve wants and needs rather than what a central planner decides. That B&N is experiencing growth underscores the fact that providing value is a much sought-after thing in any economy and is something which central planning, be it peopled by devils or angels, can never achieve.

[early-benchmark-2022-q2-report.pdf (philadelphiafed.org)](https://www.philadelphiafed.org/-/media/frbp/assets/surveys-and-data/benchmark-revisions/early-benchmark-2022-q2-report.pdf)

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