

Civil society and social order: demarcating and combining market, state and community

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Source: *European Journal of Sociology / Archives Européennes de Sociologie / Europäisches Archiv für Soziologie*, 2000, Vol. 41, No. 1, The power of language and the language of power (2000), pp. 71-94

Published by: Cambridge University Press

Stable URL: <https://www.jstor.org/stable/23999525>

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*Civil society and social order:
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W H E N E V E R we speak of social change, it helps to specify in which of its two major meanings we wish to employ the concept. For the social sciences have always analyzed social change in two perspectives. First, social (or 'historical') change is conceived of as a set of blind and impersonal forces, structural trends and contradictions to which human agents are exposed as objects, if not as passive victims to whom change 'happens'. Social change of this sort consists of trends (ranging from global warming to shifting consumer tastes) which have neither been initiated by someone nor can they be stopped by anybody. Second, social change is seen as something that results from deliberate and intentional efforts of rational human agents to cope, individually or collectively, with needs and problems that they encounter in social, economic and political life. Social change in this second sense is deliberately 'accomplished' and executed by agents. This activist and purposive version of the concept emphasizes subjectivity, cooperation, and the rational pursuit of interests and values—the 'making' of history rather than the exposure to anonymous historical fates and forces.

A synthesis of these seemingly incompatible modes of understanding social change is classically suggested by Karl Marx in his *The 18th Brumaire* and later writings on the political economy of capitalism: the fateful forces of historical change (1) to which agents fall victim are themselves triggered and set in motion by human agency and its aggregate and unanticipated side-effects—the critical implication being that

* This paper is based upon a lecture ('Present historical transitions and some basic design options for societal institutions') the author has presented to the Congress on 'Society and the Reform of the State', Sao Paulo, March 26-29, 1998. Helpful comments were provided by

David Abraham, John Ballard, Robert E. Goodin, Stephen Holmes and Osvaldo Sunkel.

(1) Rather than the unambiguously desirable ones brought about by Smith's 'invisible hand'!

the deficiencies of human agency and of the standards of rationality it follows are the causes both of those fateful forces themselves and of the agents' failure to cope with them in sustainable ways and with desirable results. The theory that ties fateful results to such institutionally necessitated blindness and other deficiencies of agency is a theory of crisis. As is well known, Marx and some Marxists believed that the institutions that make for the misdirection of agency can themselves be altered through a very special kind of agency—an agency conceptualized in terms of 'revolution' and 'class struggle'. But much of the evidence accumulated in the 20th century suggests that revolutionary sorts of second-order agency (or agency acting upon the institutional framework of agency) suffer from the same kind of blindness and deficiency that is being held against first-order agency and its deficiencies.

Nevertheless, the same problematique of how agents fail and how agency can be re-configured is still central to many of today's social theorists, be they guided by 'institutionalist' (2) or game-theoretic and Rational Choice (3) paradigms. In these traditions of social and political research, two key questions are being pursued, one positive and one normative. The positive question is this: how are particular configurations of agents (e.g. those which we find in markets, in firms, in international relations) related to particular outcomes of their agency? From this, the normative consideration follows: which changes in the configuration of agents would result in outcomes that are superior to the ones observed, in terms of evaluative criteria such as peace, sustainability or social justice?

These are the terms of reference of our contemporary debates on the institutional design of state-society-relations. In my present discussion of these relations, I proceed as follows. First, I shall reiterate a few dominant trajectories of social change that all of us, almost irrespective of what part of the world we come from, are critically exposed to. Second, I want to switch from the passive to the active mode in order to discuss the agents (namely citizens), as well as their modes of action (namely civility), that might cope with and turn into tolerable or even desirable outcomes the forces of change which we must confront. Finally, and building upon the discussion of civility, I'll specify six fallacies that must be avoided in order for citizens within civil society to arrive at an adequately competent configuration of agency.

(2) Cf. Peter HALL and Rosemary TAYLOR, Political Science and the Three New Institutionalisms, *Political Studies*, XLIV (1996): 952-973.

(3) Cf. the telling title of a collection edited by Brian BARRY and Russel HARDIN, *Rational Man in Irrational Society?* (London: Sage, 1982).

1. *Current trajectories of transition and change*

a) *Democratization*. Let me start by reiterating that the overwhelming change that has taken place in the past 25 years on a global scale and that is still going on has occurred on the level of the political order, or the polity, of many societies. Authoritarian regimes of various sorts—military dictatorships, state socialist regimes, theocratic regimes—have crumbled to an unprecedented extent and given way to (at least nominal) liberal constitutional democracies. These are roughly defined by equal political participation rights of all citizens, the guarantee of human, civic and political rights, and the accountability of governing elites. The global phenomenon of mass transition to democracy was pulled by intentions inspired by the ideals associated with the democratic regime form, as well as pushed by causal mechanism. Let us briefly consider each of these factors.

What were the reasons that have led so many people, elites and masses alike, to advocate and adopt some version of the democratic regime form? What is democracy deemed to be ‘good for’, or capable of accomplishing? Four cumulative answers come to mind. First, there is the ‘liberal’ achievement of rights and liberties being guaranteed and the drawing of a clear demarcating line between what can be contingent upon the outcome of the political process and the conflicts of interest entering into it, and what can not, or only under particular circumstances, be the object of such conflict because it is constitutionally entrenched. It is worth noting that in a democracy most of the conditions that are of great interest to citizens (e.g. who can voice which opinions or own which resources) are not normally a potential object of the collective decision making of even vast majorities because they are constitutionally entrenched. As a consequence of both rights and procedures being thus guaranteed as well as supposedly implemented through the day-to-day operation of the judicial system, democracies make for a non-violent, limited, and civilized character of political conflict and incremental change.

This civilizing potential of the democratic regime form is probably its overwhelming attraction for those who had emerged from the horrors and terrors of defunct predecessor regimes. A second reason for the normative attractiveness of the democratic regime form is its ‘international’ accomplishment, normally expressed in the ‘democratic peace’ hypothesis, dating back to Kant’s famous formulation of 1795. It posits

that democracies will not wage war against other democracies (4). Third, the 'social progress' accomplishment. As democracies rest upon majority rule, and as majorities are typically made up of those who do not share in economic privilege and social power, and as democratic state power, constitutionally entrenched rigidities notwithstanding, is in fact able to affect the size and distribution of economic resources (e.g. through policies of growth, taxation and social security) in more than marginal ways, democracies will normally work to serve the interests of the less privileged segments of the population, thereby promoting 'positive' or 'social' rights and, more generally, growth, prosperity and social justice.

Finally, the 'republican' accomplishment of transforming 'subjects' into 'citizens', i.e. agents committed to and capable of employing their cognitive and moral resources in deliberative and intelligent ways so as to solve political problems, according to a logic of collective learning, and eventually striving to serve the 'public good'.

But democratization is not just pulled by those reasons and the hopes attached to them. Its introduction was also pushed by causes. The internal decomposition of authoritarian regime forms and their failure to sustain the functions of a state in confrontation with domestic and international challenges made democracy the regime form chosen 'by default'. Democracies come typically into being as a compromise entrenching the second-most preferred option of all those who are too weak to impose their respective (non-liberal-democratic) most preferred option. As neither military leaders nor party elites could successfully claim sovereignty, 'the people' remained the only conceivable bearer of sovereignty. This choice has been enforced by two types of external agents. Liberal democracy was often installed through pressures and encouragements coming from other liberal democratic nations and their supranational organizations. Moreover, it has often been the preference of investors (whose investment is urgently needed by new democracies for the sake of their economic development and recovery) to operate under regime forms which meet the minimum requirements of rule of law, security of contract, and accountability of political elites.

Taken together, the combined outcomes of the push and pull factors underlying the mass transition to democracy that we have experienced over the past three decades are today often being commented upon with

(4) We might note, however, that in a world of international regimes and security alliances, democracy is a sufficient, but not a necessary, condition for the prevention of international

war. The Gulf War had demonstrated that even dictators can be stopped from attacking and occupying neighbors.

a sense of disenchantment. While the new wave of democratization has virtually everywhere confirmed the democratic peace hypothesis, it has not consistently redeemed the hopes for a reliable protection of equal human, civil and political rights, elite accountability, economic progress, social justice, or civic virtue practised by the citizenry. In particular, there is no evidence that prosperity and social justice (in any of its various meanings) is promoted by democracy as a matter of course (5). As the number of democracies increases, their quality seems to decrease (6), giving rise to well-founded complaints of new democracies having degenerated into mere 'electoralist' or 'delegative' democracies (7), if not outright defective democracies with 'reserved domains' (8) controlled as a privilege by non-accountable elites. In sum, we can say that the democratic regime form is an indispensable prerequisite, but evidently no automatic assurance, of the qualities that have been associated with it by the protagonists of the transition to democracy.

b) '*Globalization*'. One explanation for this mixed and often somewhat disappointing experience of democratic transitions has to do with the weakening of the nation state and its governing capacities. This is the theme of global interdependence (or, at least, macro-regional interdependence, as in the European Union). The condition of intensified transnational connectedness shapes the fates of societies. It brings forces to bear upon social and economic life which are largely outside the control of even the most determined national political elites. As borders are permeable and perforated, the range of what can be collectively and effectively accomplished by domestic political forces shrinks (9), because of the damaging repercussions from the outside international arena that any 'wrong move' is anticipated to provoke. Borders, it seems, have lost not only their limiting, but also their protective and hence enabling, capacity. The media through which the governing capacity of nation states is partly disabled due to interdependency and the ensuing

(5) It used to be argued by the 'structuralist' school of democratic theorists that an advanced economy is a determinant or prerequisite of democracy, and that in turn democracy will enhance the potential for growth and prosperity. Neither side of this feedback model is supported by much of the current evidence.

(6) Cf. David BEETHAM, *Defining and Measuring Democracy* (London: Sage, 1994) and Larry DIAMOND, 'Is the Third Wave Over?', *Journal of Democracy*, 7 (1996), No. 3: 20-37.

(7) Cf. Guillermo O'DONNELL, 'Delegative Democracy', *Journal of Democracy*, 5 (1995), No. 1: 55-69.

(8) Cf. Juan LINZ and Alfred STEPAN, *Problems of Democratic Transition and Consolidation. Southern Europe, South America, and Post-Communist Europe* (Baltimore: John Hopkins UP, 1996).

(9) As some have argued, to the point of making democracy pointless. Cf. Jean-Marie GUÉHENNO, *La fin de la démocratie* (Paris: Flammarion, 1993).

loss of autarchy and self-sufficiency can be summarized through the formula, perhaps to be taken half-seriously, of 'six M's': money, mathematics, music, migration, military force and meteorology (or climate):

— money, as the medium of commerce and investment: between 1955 and 1989, the world GDP index has grown from 100 to 350, while the world export index increased to almost 1100;

— mathematics: universalization of cognitive culture and technologies based upon it, all using Arab numbers, incidentally the only truly universally understood medium of written communication;

— music/movies, as well as architecture: non-verbal means of expression and communication; cross-national standardization of patterns of life as informed by these esthetic forms and their ethical content;

— migration: as many states cannot protect or provide minimal living conditions and liberties to all of their people, many other states receive (and have no practical and legitimate means to avoid receiving) growing numbers of aliens, refugees, migrant workers, denizens etc. within their resident population;

— military resources: probably a minority of states enjoys military autarchy, as they have either joined supranational military alliances (such as NATO), depend upon the defense provided by other states, or are constrained in their domestic and international policies by the presence of military threat from other states; moreover the uncoupling of 'stateness' and 'military capacity' becomes manifest in the fact that the capacity to make war is increasingly acquired by non-state actors (such as separatist armies, ethnic movements, terrorist groups, or armed gangs deployed by warlords);

— meteorology: the supply and quality of air and water, both within relatively narrow tolerable ranges of temperature as well as its seasonal and regional fluctuation and long term change, are known to be basic parameters of human life and economic activity; the availability of these resources is also known to depend upon the stability of an immensely complex system of interaction which can be upset, entirely regardless of state borders and on a global scale, by the externalities of production and consumption (10).

The classical response to the threat of loss of governing capacity is supranational integration and the formation of transnational regimes; EU, ASEAN, NAFTA, MERCOSUR, as well as various transnational military

(10) It is worth noting in passing that one item, a seventh M, is missing from this list. The moral ideas and principles governing

particular national communities have largely proved to be resistant to 'globalizing' processes of diffusion and convergence.

alliances and regimes of international regulation are cases in point. Equally important, however, seems to be the opposite response to the perceived weakness of the capacity of states to control their fates: the retreat to smaller, sub-national units. Only seemingly paradoxically, globalization involves incentives for 'life-boat behavior' and subnational separation of the (relatively) rich, who quite rationally, from their point of view, strive to defend, exploit and insulate their local or regional competitive advantages, rather than sharing the proceeds with the wider (and supposedly more vulnerable) state units to which they belong, preferably through secession and separate state building (11), or at least through far-reaching forms of federalist fiscal autonomy.

The 'multi-media' process of globalization, together with the dual transnational and subnational responses to it, amount to two kinds of predominantly bad news concerning distributive justice. One is the bad news pertaining to the advanced countries: their labor market performance and social security is seen to be undermined by the mobility of capital to the low wage countries of the South, with widening gaps of social inequality within the advanced countries being one of the consequences. This factor mobility is currently dramatically enhanced by new technologies of transportation and communication. There is also the reciprocal bad news for the poorer and economically less developed countries: the Western standards and style of living which they try to achieve and imitate constitute a 'positional' good which cannot be universalized (for resource and ecological reasons). As obvious as it is that not everybody can earn twice the median income, it is evident that Western ways of living, of consumption and transportation, cannot be universalized for reasons of resource limitations and ecological sustainability. But as there is no model of housing, transportation and consumption at hand that would pose a viable alternative to Western styles, distributional inequalities will again widen, as some in the non-Western world will manage to imitate Western role models successfully, while most will fail. The combined result of both of these bad news is this: as the number of owners of luxury cars and air-conditioned apartments grows in what was the Third World, so does the number of people who search for food in the garbage containers in what was the First World.

(11) At any rate, from the mineral-rich Congo province of Katanga in the early 1960s to the rise of Catalan demands for independence in the 1980s to the independence of the Baltic States, as well as of Croatia and Slovenia

in the post-Soviet early 1990s, it was consistently the richest regional sub-units of established states that have had strong motives to defect from the encompassing unit.

c) *Post-modernization*. After having hinted at some of the trajectories that drive the transition of polities, namely democratization, and those of economies, namely globalization, let me briefly refer to post-modernization as the driving force of cultural change.

Three generalizations can be offered, pertaining alike to the esthetic, cognitive and moral-political ingredients of culture. First, there are powerful trends towards the transnational homogenization of culture. At least as far as the male and the urban segments of global society are concerned, movies, music, everyday dress, food and life styles are in the process of losing much of their distinctiveness and evident rootedness in national and regional cultural traditions, as much as English is in the process of becoming the global idiom. But, second, powerful counter-tendencies are also to be observed, leading to the rediscovery and revival of local esthetic and religious traditions which are adopted as symbolic means of resistance to the uniformity of global culture and which give rise to a post-modern cultural politics of identity, difference and tribalism. Third, the moral and political impulse provided by ideas of liberation, social justice, and international peace seem to have lost much of their appeal and potential for political mobilization. This applies, in particular, to any notion of progress that would involve, as once did liberal modernization theory, revolutionary Marxism or the missionary zeal of Christianity, a universalistic notion of desirable ends towards which history should move and can actually be moved by properly constituted agents and their strategies of change. If anything, this notion of progress, to the extent to which it survived at all the disorganizing forces of cultural post-modernism, is now being reformulated: progress is now conceived of as the continuous avoidance of a collective relapse into barbarism and catastrophic forms of de-civilization.

2. Innovating and designing the relations between state, society and communities

If these are the internally highly contradictory and ambiguous historical forces in which political agency is embedded and with which it must deal, the problem lies in determining what kinds of institution are best suited to cope with them. Our problem is most definitely not Lenin's problem, as captured in his famous question of 'What is to be done?'. Instead, our problem can be formulated as the logically prior question of 'who', i.e. what configuration of agents, might at all be

capable of doing whatever 'is to be done'. Questions of institutional reform are conventionally framed in terms of which spheres of life should be governed by political authorities, contractual market exchange, or self-governing and responsible communities and associations (12). Concerning this ever-contested division of domains, social scientists, on the basis of their professional expertise, have little privileged insights to offer. At best, they can elaborate, on the basis of empirical observation and the analysis of causal mechanisms, as well as feasibility and consistency assessments, some critical arguments which can inform judgement on these matters. What to avoid is more obvious than what actually to do. Old design options are obsolete, regardless of whether we already know this or are in the process of slowly coming to understand it. Old design options are monistic, relying on the state, the market, or the community as the ultimate guarantors of social order and cohesion.

More promising solutions are essentially 'impure': none of the three principles of social order is to be relied upon exclusively, but none of them is to be denied some role within a composite and complex 'mix' of institutional arrangements. These three partial components of social order stand in a precarious relation to each other: on the one hand, they rely on each other, as each of the components depends upon the functioning of the two others. On the other hand, their relationship is antagonistic, as the predominance of any one of them risks to undermine the viability of the two others (13).

Let us examine the three components in turn. The state, the market and the community represent ideal-typical modes in which people live and act together, the mode of coordination of individuals and their action (14). Each of them, as it were, activates and relies upon one of the three collectively relevant capacities by which human beings can shape the social world: reason, interest and passion.

The state can be thought of, as the 17th century political theorists in fact did, as a creature of human reason, both in terms of its coming into being through a rational contract and in view of its day-to-day 'formal rational' operation through bureaucratic rule (Weber). Reason is the

(12) Cf. Wolfgang STRECK and Philippe C. SCHMITTER, Community, Market, State — and Associations? The Prospective Contribution of Interest Governance to Social Order, *European Sociological Review*, 1 (1985), No. 2, 119-138.

(13) Streck and Schmitter, *op. cit.* 119f.

(14) Cf. Amitai ETZIONI, *A Comparative Analysis of Complex Organizations* (New York: The Free Press, 1961) for a similar conceptu-

alization of modes of coordination through social norms, coercive power and material incentives. Also, Gunnar Folke SCHUPPERT, Assoziative Demokratie. Zum Platz des organisierten Menschen in der Demokratietheorie, in Ansgar KLEIN, Rainer SCHMALZ-BRUNS (eds), *Politische Beteiligung und Bürgerengagement in Deutschland* (Baden-Baden: Nomos 1997), 114-152.

capacity of individuals to find out and recognize what is good for all; in this sense, Hegel could even equate the state with reason.

The market is, of course, driven by the interest of human agents in the purposive acquisition of individual goods without any or much of a consideration of, or control over, what the pursuit of acquisitive purposes will do to others or to our future selves, be it in the positive sense (as the wealth of nations being promoted through an 'invisible hand') or in the negative sense (with crises, injustices, social conflict, or environmental damages as an aggregate outcome that, as market logic implies, nobody can foresee and nobody is accountable for).

Finally, there is the notion that social order presupposes or, at any rate benefits from, the rights and duties that are attached to the members of concrete communities of persons. The cement that integrates the members of such communities is human passion (such as love, honor, pride, or a sense of loyalty and faithful attachment). From these communities, be they families, religious groups, or those defined by shared ethnic traditions, we derive our identity, our sense of belonging, and the commitment to an ethical model that informs our life plans.

Each of these three types of human capacities, generating corresponding patterns of social order, specializes in maximizing one distinctive value. This value is equality of legal status, comprising duties and rights, in the case of states; freedom of choice in the case of markets; and identity and its preservation (through commitment, solidarity and loyalty) in the case of communities. While justice is an important consideration within all three of these patterns of social order, the operational meaning of justice differs significantly (15). In the case of the modern state, the mark of justice is the extent to which the rights, most often equal rights of all citizens under a constitution and the rule of law principle, is guaranteed and enforced by state agencies. Market justice, in contrast, emphasizes the entitlement of partners in market transactions to obtain what was agreed upon between them in contracts they voluntarily entered into, i.e. desert on the basis of contractual agreements. Finally, justice within communities is a standard defined according to the criteria of recognized need. The members of communities are called upon, in the name of some community-specific justice, to come to the assistance of needy members even if they have in no way 'earned' the claim to such assistance through contributions made by them or through legal entitlements assigned to them by state authorities, with the group deciding, according to its standards and traditions, who is in legitimate need of what.

(15) Cf. David MILLER, *Social Justice* (Oxford: Oxford UP, 1979).

What this brief exercise in sociological basics is intended to help us understand is the truth of two related propositions. First, providing for social order and stability through institutions cannot rely on one of these patterns—state, market, community—alone. Any ‘monistic’ institutional design tends to ignore (on the theoretical plane) and destroy (in its practical implications) the contributions that the other two components of the social order have to make. Second, it cannot even rely on a combination of any two (that is, excluding the respective third) of these patterns, be it a market-state, state-community, or community-market synthesis. We need all three foundations of social order, and in a mix that prevents them from undercutting each other (16). The problem of designing appropriate institutions can thus be formulated as that of keeping an appropriate distance from the extremes of ‘pure’ solutions while at the same time avoiding ‘too little’ use of any one of them. This demarcating of the components of social order, of correcting, maintaining, and fine-tuning the mix within the bounds of a complex balance is what, I submit, ‘civil society’ is about.

The ‘pure’ doctrines are easily recognized. First, social democratic statism (although that is the doctrine least often advocated as a ‘pure’ public philosophy these days) emphasizes the activist use of strong governing capacities as the key to social order and social justice. It is opposed by market liberalism, or rather libertarianism, as a doctrine that proposes to rely on social coordination to be effected through price signals and little else, thus advocating privatization, deregulation, and the demolition of status rights, particularly the status rights of labor. Finally, there are religious as well as non-religious communitarian and social conservative public philosophies which emphasize the shared meaning, mission and identity of family, religious and national communities as the ultimate foundation of social cohesion. These are the three competing types of public philosophies that stand out at the end of the 20th century. Needless to observe, systems of political parties in many countries reflect this configuration of public philosophies, divided as they are into socialist/social democratic parties, market liberal parties, and parties envisaging social order in terms of religious or ethnic identities.

(16) The standard cases of such undercutting and mutual displacement are, on the one hand, the ‘dependent state’ whose regulatory and governing capacity is reduced by national and international monetary markets and investors’ decisions and, on the other, the

‘overregulated’ economy. Cf. also the notion of a ‘depletion of the moral heritage’ by political and economic modernization in Fred HIRSCH, *Social Limits to Growth* (Cambridge: Harvard UP, 1976).

The problem of designing and defending state-society relations, however, is not that of opting simply for one of the three, but of engaging in, or, at the very least, tolerating a process of the ongoing design, readjustment and fine-tuning of a rich and adequate mix in which all three building blocks of social order have a mutually limiting and variable role. The capacity to invent, implement and tolerate such ideologically and quintessentially impure patchworks of social order is the mark of civility or 'civility', i.e. the ability and willingness of citizens to utilize open and peaceful deliberation as well as the institutional methods of carrying out social and political conflict. Civility and the political resources afforded by liberal democracy enable us to address the dilemmas posed by the fact that we live beyond the age that could (if only seemingly) be mastered by the clean and simple pronouncements of some 'correct line', 'ruling doctrine', 'one best way', or, for that matter, 'Washington consensus'. Civility, in other words, can be conceived of as the Archimedean point outside the force of gravity of any of the three paradigms of social order from which their relative scope can be evaluated and re-configured. Civility is the virtue encouraged by those cooperative and deliberative practices which are the common core of the various notions and models of civil society currently proposed.

To insist upon any 'correct line' is to silence democratic voice by claiming superior and privileged insight. Such silencing has been, for instance, the epistemological principle of Thatcherism, with its key slogan 'There is no alternative!', rightly ridiculed as the TINA-rule. If, however, institution building according to some 'correct line' can no longer be performed by philosophers and ideologues, it follows *a contrario* that the key role of designing and preserving social order must, in an age that has outgrown the schemes of ideologists, reside with the citizens and their civic associations themselves. In an essentially 'mixed' institutional world, we need informed public judgement and deliberative civic engagement instead of authoritative expert knowledge as to what to do and what not to do. Needless to emphasize, such judgement will always come as the result of often vehement conflicts of interest, ideology and identity which the democratic regime form allows to emerge and to be carried out in civilized ways. It appears that today both socialist statist egalitarians and social conservative communitarians have come to recognize and heed the need for self-limitation in applying their respective inherited guiding principles of social order; yet most market liberals are lagging behind in the reflexive art of relativizing their own creed. Many of them have still to overcome their often almost 'revolu-

tionary' and single-minded belief in the salutary potential of an ever more unscrupulous unleashing of market forces.

The only correct answer to a question such as 'What is the optimal size of government?' is: we don't know! Or rather: the answer is not one that can be given in the form of a compelling economic or philosophical argument, but only in the course and as the outcome of well-informed democratic deliberation carried out within and between collective actors, both formal and informal, within civil society. To be sure, demonstrating by scholarly methods inconsistencies and unfeasibilities will help the public to make more enlightened choices. But the answer remains ultimately a matter of 'voice', not of 'proof', or of some objective measure of 'rationality'. The relationship and demarcation line between market, state and community is itself a matter of politics (17). As a consequence, almost any answer to the question of the proper role and desirable relative size of macro-social organizing principles of the political economy will be controversial and essentially contested.

3. *Six fallacies*

If we pursue further the idea of an ongoing 'civic mix' of the various ingredients of social order as opposed to an elite-sponsored imposition of any single one of those ingredients, we arrive at a list of six pathological approaches to the building of social and political institutions, or six fallacies. Three of them result from the single-minded reliance upon any one of our three building blocks, and the other three from the premise that any of the three can entirely be left out of the architecture of social order. I hasten to add that these various fallacies will probably differ as to the seriousness of their impact and the frequency with which they occur under the regime of the current *Zeitgeist*. In spite of these differences in seriousness and probability, let me briefly review each of the six fallacies in turn.

a) *The fallacy of excessive statism.* It might seem that after the breakdown of the type of state socialism that reigned in the Soviet empire, as well as after the collapse of much of the intellectual hegemony of Keynesianism in the 1980s, the orthodoxy of excessive

(17) STRETTON, Hugh and Lion ORCHARD, *Attack on Government* (London: Saint Martin's, 1994).
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statism has become an entirely unlikely affliction. The breakdown of state socialism has rendered obsolete a model of statist authoritarian protection and productivist dirigisme, leaving behind in many of the post-socialist societies the craving for a 'market economy without an adjective'. (This is the prescription of the former Czech Prime minister Vaclav Klaus, who proposed to eschew the specification of the market economy as 'social'.)

However, it seems all-important to keep in mind the difference between a big state (as measured in terms of the size of the budget or the number of state employees) and a strong state, i.e. a state whose governance has a significant impact upon the level and distribution of life chances within civil society (18). It may well happen that a state is oversized and undereffective at the same time, and that the goods it generates are in fact not public goods, but categorical (or 'club') goods enjoyed by what has been called the 'state bourgeoisie', which may come in a military as well as a civilian version. However, 'big' states usually also pretend to be 'strong' states. Instead of serving civil society in any tangible sense, they exercise oligarchic control over actors within civil society. There is an ongoing debate within advanced societies as to which spheres of life and collective provision should be adopted or maintained by the state authorities, and which should be left to, or transferred to, markets or communities.

A healthy antidote to the pathology of a reliance upon the 'strong' (or rather 'big') state is to scrutinize whether the practice of governance does actually live up to the statist version of the ideal of justice, namely the legally guaranteed equality of opportunities (19). Does a marginal increase in state capacity demonstrably enhance the equal enjoyment by citizens of the provision of such basics as access to the courts, legal protection, the provision of health services, education, housing and transportation? Or would, conceivably, a marginal decrease in the size of the state apparatus and its responsibilities serve this goal better? If so, we might even get 'more for less'. The burden of proof in answering such questions must reside with those who advocate more state spending and public sector employment.

Liberal critics of big government must be granted the point that excessive statism often inculcates dispositions of dependency, inactivity,

(18) Cf. World Bank, *The state in a changing world. World development report 1997* (New York: Oxford UP, 1997).

(19) For instance, it can be easily demonstrated that the system of tertiary education in Germany, an almost entirely statist system,

serves the professional upper middle class and their offspring much better than it does any other stratum in German society. In contrast, private university systems might easily be regulated in ways that give greater weight to considerations of social equality.

rent-seeking, red tape, clientelism, authoritarianism, cynicism, fiscal irresponsibility, avoidance of accountability, lack of initiative, and hostility to innovation, if not outright corruption—and often so on either side of the administration-client divide. In order to stem these temptations that are built into large scale public authorities and state responsibilities, a highly developed ethos and commitment, as well as professional competence, of the public sector personnel must be presumed, often counterfactually. All these considerations tend to be unduly dismissed by the (evidently rapidly shrinking numbers of) those who still believe that more public expenditures and more public sector employment is needed for, and will actually result in, the better production and more equitable distribution of public goods.

b) *The fallacy of 'too little' governing capacity.* But we should pay equal attention to the pathologies that become manifest when the state is made to 'wither away' under the onslaught of libertarian political forces or under the impact of severe fiscal crises. As we all know, the state, at the very minimum, is called upon to protect the life, property and liberty of citizens, with the implication for modern society that the majority of (adult) citizens who operate on the supply side of labor markets will neither have their 'property' (i.e. their labor power) nor their liberty protected in the absence of state-organized schooling, vocational training, housing, individual and collective labor law, and social security. For in the absence of these services and status rights that we associate with the modern welfare state, the labor market turns into what Polanyi (quoting Blake) has called a 'satanic mill'. Similarly, markets for financial assets, goods, and services cannot come into being nor, once in being, continue to exist without the continuous generation and adjustment of the norms of civil law, as well as the state-organized and guaranteed enforcement of these norms through the court system within the constraints of the rule of law, to say nothing about 'targeted' industrial policies aimed at the growth of particular sectors of industry. Much the same applies to the protection of 'life' that states must supply through military defense, and also the provision of basic health services, and the protection of citizens from 'civil' violence committed against them by other citizens (and, *a fortiori*, state agents themselves). In order to perform all these functions that are essential to a state, states must also be capable of extracting the resources necessary for the performance of these functions through a regime of taxation (20) that is, and is seen to

(20) Cf. Stephen HOLMES and Cass R. SUNSTEIN, *The Costs of Rights. Why Liberty depends on Taxes* (New York: Norton, 1999).

be, both fair and effective. Both in the developed world and in Latin America, state reform aiming at the restoration of crumbling state capacity is today seen as the top item on the agenda of domestic politics (21). Such deficiencies in the performance of states are being diagnosed today with respect to all aspects just mentioned: social protection, civil law, law and order, and the power to extract revenues. If anything, we seem to be threatened more by the pathology of severe state deficiencies than by the pathology of state hypertrophy, although market liberals routinely emphasize the latter. Or, perhaps more accurately, we suffer from the combined malaise of the oversized and underperforming state.

c) *The fallacy of excessive reliance on market mechanisms.* Markets, i.e. the competitive allocation of both the factors and results of production mediated through the price signals, are very peculiar institutional arrangements. Allegedly, markets respond to individual desires, as expressed through effective demand. But it is well documented that even highly favorable individual market outcomes do not contribute much to the satisfaction of peoples' desires (22). For, except for the very lowest income categories, life satisfaction and self-reported happiness are but very weakly correlated with increases in market income and the subsequent effective demand such income allows to be made for goods and services. The higher the incomes are, the less they are sought for the satisfaction of needs other than the—entirely market-induced and negative—'need' to avoid a relative loss of income. Few would disagree that non-tradeable pleasures play a role for overall life satisfaction, including, arguably, the pleasure derived from the perception of living in a just society. Also, the market is said to reward efficiency, provided, that is, that competitive advantages come as a premium for better production methods or better products only, rather than as a premium for better methods of tax evasion, of deceiving consumers, or of dumping parts of the production costs upon the state budget or the general public. But efficiency is valued almost exclusively in an environment where efficiency laggards are punished, i.e. within markets. This is one of the reasons why the market has been compared to a 'prison' in which we are coerced to perform activities that are unrelated to our needs, while being

(21) Cf. Robert KAUFMAN, *The Politics of State Reform: A Review of Theoretical Approaches and idem*, *The Next Challenges for Latin America*, *Working Papers* No. 98 and No. 108 (Madrid: Instituto Juan March, 1997).

(22) Cf. Robert E. LANE, *The Market*

Experience (Cambridge: Cambridge UP, 1991); also Andrew J. OSWALD, *Happiness and Economic Performance* and Robert H. FRANK, *The Frame of Reference as a Public Good*, *The Economic Journal*, 107 (1997): 1815-1831 and 1832-1847.

prevented from performing those which respond to them (23). Outside of markets, there is no self-evident and absolute value attached to greater efficiency. After all, non-market societies have sustained themselves for centuries without any noticeable increase in efficiency. Markets place a premium upon outcomes that are measured by markets as superior in terms of efficiency. It is worth keeping in mind the circular logic of markets. If we do so, we will be less impressed by the conventional argument that market arrangements are preferable over other arrangements because they yield greater efficiency. For that argument is virtually as powerful as the argument that cherry trees are preferable over all other trees because they bear cherries.

Furthermore, markets are supposed to 'clear'. But the very conditions that make the very special market for labor tolerable as a social arrangement (24), namely workers' status rights and the protective regulation of employment (summarily referred to as 'decommodification'), hinder the clearing of the labor market and exclude growing numbers of potential workers from the possibility of becoming actual workers, particularly after the level of efficiency of production has been driven up through labor saving technical change. This market-inflicted exclusion from the (labor) market, however, is in itself one of the strongest known causes of decline in life satisfaction and self-reported happiness.

Moreover, markets are known to be self-destructive in still another sense. Once markets are left to themselves, rational actors will conspire, in the interest of increasing their profits, to escape the competitive threat coming from other market participants by forming cartels or monopolies, thus subverting the ideal of 'freedom of choice' in whose name markets are often defended. In other words, once competitive markets are in place, it can by no means be assumed that they stay competitive in the absence of some non-market agents enforcing competitiveness. In addition, markets are known to be deaf and blind: deaf as to the present negative externalities they cause, e.g. of an environmental sort, as well as blind to the long term consequences of market transactions for those involved in them.

Finally, not only do markets lack a self-reproductive mechanism, as they constantly tend to subvert themselves into arrangements of monopolistic power; but they also lack a self-restraining mechanism.

(23) Charles E. LINDBLOM, 'The Market as Prison', *Journal of Politics*, vol 44 (1982): 324-336.

(24) Cf. the 'satanic mill' argument in Karl

POLANYI, *The Great Transformation. The Political and Economic Origins of our Time* (Boston: Beacon, 1944).

Because they have no way of distinguishing between 'marketable' and 'non-marketable' items, they tend to flood the universe of social life and marketize everything—unless, that is, the distinction is being imposed upon them, again, from the outside—through a legal ban on marketability (e.g., to some extent, of addictive drugs or prostitution) or/and through the standards of good taste and proper behavior established and enforced by the ethics of communities. It is somewhat ironic to see that the advocates of markets, committed as they are to competition and the freedom of choice afforded by competition, tend to shy away from appreciating the legitimacy of a second-order competition between the market and other methods of generating and distributing valued items.

To illustrate, it can be said that in the European middle ages, the scope of marketable items was much wider than it actually is within modern market economies. Such a seemingly nonsensical proposition does in fact make good sense if we remember that in the middle ages among the goods traded were, as ordinary objects of commercial exchange, items such as the salvation of one's soul, military force, the right to marriage, and other goods that we have come to consider as 'non-tradeables'. Arguably, we are actually on our way back into the middle ages, as increasingly fewer items appear to be solidly immune from being 'for sale'. Examples might include doctoral titles, physical attractiveness, public attention, court decisions, and even political careers (to be acquired, respectively, through purchasing the services of some academic institutions, beauty surgeons, media time, expensive lawyers, or campaign staff). As markets are structurally intolerant of non-market methods of generating and allocating valued items, they can cause what has been called a 'low level trap'. Countries (such as the US) where private commercial forms of provision are widely considered the standard response to conditions of social need and where any expansion of state and federal budgets is viewed with habitual alarm are at the same time those where complementary welfare state provisions, to the very limited extent they exist, are most easily demolished—the somewhat paradoxical generalization being that the smaller the welfare state is, the more precarious and vulnerable its residual arrangements, and the more easily any attempt at its expansion will be frustrated (25).

Given all these features of the market and its mechanisms, it can hardly be invoked as a self-evidently superior contribution to social order. To the contrary, the market has rightly been considered, from

(25) Arguably, there is also the reverse paradox of a 'high level trap', with 'big' welfare states (such as the Netherlands) defying downward revisions and behaving stubbornly path-dependent.

Marx to Schumpeter and beyond, as an ‘anarchic’, ‘subversive’, ‘revolutionizing’, and disorganizing pattern of social arrangements. At best, the market’s contribution to the creation of social order is strictly contingent upon its being firmly embedded in constraints, restrictions, regulations, limitations, status rights, and informal social norms imposed upon it from the outside, by either the state or the community.

d) *The fallacy of an excessive limitation of market forces.* Yet still, and as is the case with many poisonous substances, markets are indispensable as powerful medicines, if administered in reasonable doses. Such is also the case with appropriately constrained and regulated markets. A doctrinaire ban of market mechanisms from all spheres of social life would deprive us of the salutary functions that markets can perform. Although such a ban is rarely proposed today, it is still useful to remember for a moment what markets are in fact good for. Four points come to mind. First, market exchange, if properly supervised and policed, is usually peaceful and non-violent, as 18th-century political economists were well aware when they praised the virtues of *doux commerce* (26). While this ‘pacifist’ defense of markets, as applied to the history of the 20th century with its experience of the conquest and defence of markets through imperialist powers, may well be called into question, it maintains much of its validity at the micro level. People who relate to each other as actual or potential partners in market exchange normally have little reason to go at each other’s throats. To the contrary, they may even develop some sense of ‘sympathy’ for each other, as Adam Smith was the first to suggest. This is so because market outcomes, i.e. the terms of trade of inputs and outputs (e.g. income earned per hour worked) cannot plausibly be attributed to the (hostile) intentions of any actor, but are due to some anonymous causation for which ‘I’ have no one to blame but ‘myself’. Markets are learning environments that favor self-attribution of both favorable and unfavorable outcomes and, as a result, a cognitive frame of responsibility.

A further formative impact of the ‘hidden curriculum’ of markets is that it favors learning. It has been claimed that markets, through their continuous imposition of negative and positive sanctions upon participants in market transaction, make people more intelligent than they would be outside of market contexts. But that proposition must be qualified in that it applies only if the positive and negative rewards come in the form of relatively moderate increments or losses. In contrast, if

(26) Albert O. HIRSCHMAN, *The Passions and the Interests, Political Arguments for Capitalism before its Triumph* (Princeton: Princeton UP, 1977).

rewards change in quantum jumps, people stop learning and begin either to mistake the market for a lottery (27) (in the case of big gains that cannot be accounted for in terms of the recipient's prudent behavior) or to respond fatalistically or in panic in the case of 'big' losses, the disastrous proportions of which exceed the individual's capacity for intelligent adjustment (28). Finally, the market has a powerful liberating potential, as it allows the holder of marketable assets to escape the control of either communities or state bureaucracies (29). To the extent that markets can be demonstrated to actually redeem its potential for inculcating the spirit of peaceful and civilized interaction, of responsibility, of intelligent adjustment, and of liberation from the grip of authoritarian and paternalistic powers, they can certainly not be dismissed as essential building blocks of the institutional structure of social life.

e) *The fallacy of excessive communitarianism.* A powerful representation of current realities is multiculturalism. This doctrine of political post-modernism tends to code people not in terms of citizenship, but in terms of 'identity'. It emphasizes a 'politics of difference', a difference that is not always conceived of as being bridged or reconciled by common national, civic or class interests. It responds to the mass phenomenon, both present and historical, of voluntary as well as involuntary trans-national migration. In the North-Atlantic West, the politics of difference and identity is a philosophical response to the widespread disenchantment with the premises of liberal individualism and its socialist concomitant of universalism. In order to become aware of yourself, you must discover, recognize and cultivate the distinctive 'roots' that tie you to your family of origin and, beyond that, to ethnic,

(27) This is a view of how markets operate that is widely to be encountered in post-socialist economies with their sudden and conspicuous emergence of the *nouveaux riches*.

(28) This is nicely illustrated by a story that was being told in the context of the economic transition in Poland. Suppose the price of coal doubles during a cold winter. In response, people will economize on heating and work harder (which in itself keeps them warm) in order to earn the necessary additional income to buy coal. Now suppose the price of coal increases by the factor of five. What will be the response? People give up and stay in bed.

(29) It is this experience of escaping the control of power holders that young entrants to the labor market enjoy when for the first

time 'earning their own money' and thus escaping the control of parents, or that clients of newly privatized telephone companies enjoy when given the chance to put together their own service package, rather than being forced to pay for what the former state monopoly would offer as the single standard package. It must be noted, however, that the experience of such enthusiastic feelings of liberation may be more of a transition phenomenon than something attached to the steady state of market routines. Nevertheless, the desire of both states and communities to extend authoritarian or paternalistic control over individuals can only be checked by keeping the exit option of markets permanently open.

linguistic, religious communities and their life forms. Feminism provides another cognitive map that emphasizes gender identities, and the 'politics of the body' (age, food, health status, sexual orientation) is further invoked in the construction of difference based on physical characteristics, practices, and preferences (30).

Following the model of group rights conceded to Afro-Americans in consideration of the lasting discrimination against their citizen status and life chances, identity politics has become a widely copied strategy of self-declared 'groups' to gain access to cultural and other privileges. Similarly, in post-communist countries, we see a dramatic rise of the politics of ethnic, religious and linguistic identity politics and ethnic nationalism which, however, is not limited in its potential for violent separatism to the post-communist world; Northern Ireland and the Basque country, and not just Chechnya and Bosnia, illustrate the potential of identity politics for terror and horror. In East and West alike, doctrines of ethnic nationalism have rarely failed to unfold hostile and repressive inclinations that interfere with 'dissenting' citizens' and 'strangers' civil and political rights. Even in its more benign forms (such as Quebec), the communitarian politics of identity and difference tend to be exclusive, anti-egalitarian, and notoriously difficult to reconcile with civic principles of neutrality and 'color-blind' toleration. Even if it is not openly exclusive, the emphasis upon ascriptive groups and group solidarities violates egalitarian standards due to the simple fact that not everybody does actually belong to, or at any rate identify with, a group thus defined. Even those who share in ascriptive characteristics that supposedly make up a 'group' may wish to 'opt out' of its solidarity networks because of the often authoritarian or paternalist patterns such quasi-tribal groups tend to develop.

The tensions that exist between identity politics and principles of egalitarian citizenship can be explained by the particular difficulties encountered by the attempt at civilized resolution of identity conflicts when compared to the resolution of class conflict (31). Identity, or the passionate identification with some community, is almost by definition inalienable and non-negotiable. While class conflict is carried out between collective actors who depend upon each other (even if asymmetrically so) and for that reason take some, at least implicit, interest in the well-being of their opponents, the protagonists of identity conflicts,

(30) Agnès HELLER, *Biopolitics. The Politics of the Body, Race and Nature* (Aldershot: Avebury, 1996).

(31) Cf. Claus OFFE, 'Homogeneity' and

Constitutional Democracy: Coping with Identity through Group Rights, *The Journal of Political Philosophy*, 6 (1998), No. 2: 113-141.

at least in their most radical version, tend to portray outsiders as people whose very absence from 'our' community or national territory is the condition of the fulfillment of 'our' aspirations for 'purity'— an aspiration that all too often has led to the practice and justification of ethnic cleansing.

f) *The fallacy of neglecting communities and identities.* But, again, this is just one side of the debate. On the other side it is claimed, with some plausibility, that communities and identities that we are 'born into' are the most potent generators of our moral commitments and capacities. Communities such as families, religious associations and ethnic nations provide individuals with a sense of meaning and mission, as well as with all the feelings of pride, trust, love, guilt, honor, commitment, etc. that can perhaps only be acquired in communities, which thus play a uniquely important role in the reproduction of cultural traditions and ethical values. Only communities can generate, or so the communitarian argument goes, 'strong' individuals who are prepared to be held accountable for their acts and thoughts, as opposed to spineless opportunists. And it is not only the unique contribution that communities presumably can make to solving problems of social order and social integration that then deserve recognition and protection through state policies. They are deserving also because communities, almost like a cultural genetic pool of society, cannot be manufactured or artificially reproduced. The need to protect communitarian cultures applies specifically, or so it is argued, if they are seen to be exposed to a threat of extinction originating with market or political forces of modernization.

At any rate, much of the evidence demonstrates that 'ascriptive' collectivities based on religious, gender, age, regional, ethnic and other identities that people are 'born with' have provided the moral energies which have driven public-regarding innovation and social and political advances. The same can be said of less ascriptive, but still relatively permanent identities that are based upon people's belonging to local communities or professional categories (32). The new social movements of the 60s and 70s are cases in point (33). In many places, movements of students, women, and ethnic or racial minorities, as well as local communities have been the pioneer promoters of civil rights and a sharpened moral and political awareness of issues of liberation, toleration, social justice, and ecological or environmental concerns. Granting and guar-

(32) Judith TENDLER, *Good Government in the Tropics* (Baltimore: John Hopkins UP, 1997).

(33) Cf. Gerald MARWELL and Pamela OLI-

VER, *The Critical Mass in Collective Action: a Micro-Social Theory* (Cambridge: Harvard UP, 1993).

anteeing the necessary space for the social and political action of these communities and promoting their associative practices (rather than displacing them through paternalist and/or repressive state action) would therefore appear to be a necessary precondition for the further collectively beneficial use of these communal forces and modes of action.

4. *Conclusion*

The three antinomies of social and political order I have discussed are not to be resolved by grandiose schemes that either philosophers or political ideologists might supply. What we are left with is a repertoire of partly contradictory, partly complementary arguments and observations that can be brought to bear upon the critique and reconstruction of existing institutional arrangements. For there is no such thing as uniquely 'rational' institutions or state-society relations. On the contrary, these antinomies and ideological rivalries must (and, I believe, can) be resolved through practises of civility and deliberation which unfold 'in between' the poles of our conceptual triangle of 'pure', if largely obsolete, solutions.

The three forces, or options for institution building, that I have discussed here in a rather schematic fashion, tend to undercut each other (34). They also depend upon each other. As none of them is dispensable, the need for self-limitation of the proponents of each of them becomes evident. Emerging institutional forms of public-regarding agency do in fact emphasize, if only in negative ways, necessary limitations. For instance, we speak of 'non-governmental' organizations or the 'non-profit' sector. With equally good reasons, we might call for 'non-sectarian', i.e. non-exclusive or non-discriminatory kinds of communities. These three negations combined are, or so it seems, a very good conceptual approximation to the idea of civic associability and the social capital that enables people to engage in associative practices.

The civic use of social capital and the associative practises in which it manifests itself may be deemed to be an overly idyllic and harmonistic way out of the dilemma of social order. For advocates of such practises often seem to ignore or belittle the realities of social power and powerlessness. Categories of social actors may take a rational interest in the

(34) Streeck and Schmitter, *loc. cit.*

spreading of hegemonic discourses which favor community-centered, statist, or market-based versions of social order. Social scientists do not have a good understanding as to which strategies, conditions, and perceptions drive such hegemonic discourses which actually succeed in privileging one model of social order at the expense of its effectively discredited alternatives. And neither do we understand the sometimes abrupt changes that give rise to new hegemonic discourses, such as the free market orthodoxy, and the sudden dis-establishment of previously institutionalized models of social order. All we can perhaps say is that the semantic class struggles which lead to the spread and consolidation of hegemonic cognitive frames and moral intuitions are subject, as to their outcomes, to the formation of judgement and the autonomous confrontation of experience and evaluative standards to which civic associations can give rise. In this sense, social capital is not neutral with respect to power, but the very essence of the capacity of civil society to challenge and limit its reach.

It is a truism that such a culture of civility does not automatically emerge with the demise of authoritarian regimes and the transition to—or even consolidation of—the democratic regime form. The ongoing fine-tuning and critical, flexible, as well as imaginative recombination of the three disparate components of the institutional order is driven by the ‘social capital’ (35), available within civil society, widely referred to in contemporary social science as the source of energy that ‘makes democracy work’. By the term ‘social capital’ we refer to a syndrome of cognitive and moral dispositions of citizens that lead them to extend trust to anonymous fellow citizens (as well as the political authorities that, after all, one’s fellow citizens have endowed with political power), to practise the ‘art of association’ (36), and to be attentive to public (as opposed to their own narrowly circumscribed group-specific) affairs and problems. Fair and transparent institutions of government, the prosperity that carefully regulated markets can generate, and the life of communities restrained by the principle of toleration can and must all contribute to (and in turn benefit from) the formation and accumulation of social capital within civil society, the associational forces of which are better capable of defining and constantly refining the ‘appropriate mix’ of institutional patterns than any self-declared ‘experts’ or intellectual protagonists of some ‘pure’ doctrine of social order.

(35) Robert A. PUTNAM, *Making Democracy Work* (Princeton: Princeton UP, 1993).

(36) Alexis de TOCQUEVILLE, *Democracy in America*, 2 vol. (New York: Schocken, 1961).