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# **Liberalism, Democracy, and the State:**

**Reclaiming the Unity of Liberal Politics**

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# **Liberalism, Democracy, and the State:**

## **Reclaiming the Unity of Liberal Politics**

Gus diZerega

*This is a work in progress. It is intended to serve both as the foundation for some articles and as the core of a book project. I welcome any critical comments on the argument presented. My email is gusdz@sonic.net*

In the broad philosophic sense liberalism is the most complete statement of the basic principles we now associate with modernity. More than anything else, the modern world is the institutional result of these principles' triumph, first in the West and increasingly worldwide. Yet, by an extraordinary irony, at the time of its greatest success to date, liberalism is deeply divided against itself and, in this division, unable to comprehend the world that is in so many ways its product. This division within liberalism grows from tensions between two liberal institutions, democracy and the market, and the near universal failure of liberals in either camp to grasp the systemic character of democratic government.

Liberalism has strengthened the intellectual, legal, economic and political status of individuals within society. It has done so with primary attention to equality of status for all people. The result, among other things, has been the rise of three institutions which flourish best within liberal societies. Science, the market, and democracy all depend upon similar underlying liberal values of formal equality among participants, equal status for all, and the absolutely central role played by peaceful persuasion rather than force, or its threat. Even in representative democracy, political force enters in only after a prolonged process of persuasion has first determined the details of public policy.

But democracy, science, and the market are more the spontaneous institutional outcome of applying liberal principles than their intended result. Consequently these institutions have presented later liberals with an enormous challenge, to which they have responded in many ways: how to evaluate institutions which arose within liberal dominated societies, and in many ways reflect liberal principles, but of which liberalism's seminal thinkers were largely unaware?

Within the American context these evaluations can be divided into two broad perspectives: classical, or traditional, liberalism and modern liberalism. Each applies core liberal principles in different ways in evaluating democracy, the market, and science. Each has grasped a part of the puzzle these institutions present to liberal ideology and policy. What they share in common is an error: both regard

democracies simply as another variant of state. Political analyses in both camps turns on this identification, although in different ways and with different conclusions. But democracies are not states. They are self-organizing systems and, *as systems*, have more in common with science and the market than with undemocratic governments. Since liberals of all stripes regard democracies as states, they fail adequately to grasp the character of democratic politics. Classical liberals make a seemingly unending series of false predictions while modern liberals' cures for democratic failings reflect, and so are undermined by, their misunderstanding. Neither is able to grasp the character of a democratic public sphere.

There are historical reasons for this error. All of liberalism's defining institutions, the market, science, and democracy, were at most embryonic when liberalism first developed. This was particularly the case with democracy. As they arose to prominence, science, the market, and democracy fundamentally changed the conditions of individual life from what prevailed in earlier times. As a consequence, basic liberal principles developed within one historical context could later be applied in a variety of ways when confronting new circumstances. The relationships between even complementary principles can always be weighted differently. This is why when liberals explored the new world that was arising, their analyses split and fractured, turning liberalism against itself.

#### Liberalism and the Market

With respect to the market, the split within liberalism was largely over what to make of the enormous business organizations and mass wage labor that characterized the new industrial civilization. Neither Locke nor Jefferson nor any other seminal thinkers had foreseen these developments. As it now manifested in the market order, private property was far different from the acorn that Locke's man first made his own in a hypothetical state of nature. The bargaining between employer and employees in a large factory was of a far different scale than bargaining between two people in the market place. The complexity of products sold in the market challenged the time-honored principle of *caveat emptor*. Liberalism's principles had mostly been applied to encounters at a human scale. Increasingly liberal society transcended that scale.

Classical liberals insist that, on balance, the rise of giant businesses and mass production is simply an institutional expression of freedom of contract. Dependence upon voluntary purchases by consumers in a competitive context inevitably subordinates even the largest enterprises to individual choice. The

consumer is sovereign and, because we are all consumers, we are all sovereign in the market place. The inequalities of wealth so often observed largely reflect varying success in meeting the desires and needs of consumers, with those who most successfully serve their sovereign being most rewarded (Mises, 1963, 270-273; Kirzner, 1990; Buchanan and Vanberg, 1992).

Modern liberals generally judge the evidence differently. They argue these giant enterprises exercise enormous power over others while competition is compromised by the relatively small number of enormous businesses that ultimately settle out in different fields of production. The formal equality of contract prevailing in the abstract market place is undermined by concrete differences in power and knowledge between consumers and giant enterprises and between workers and their employers. Without strong public measures on their behalf consumers and workers alike are manipulated and exploited by enterprises of great size (Dahl, 1977).

There is a second, more recent, division in liberal economic and political thought. As society became more and more completely integrated into the market order, and that order became increasingly industrial in character, negative environmental “externalities,” as economists term them, became increasingly pervasive. These costs imposed on others in the process of making a profit became increasingly intolerable. While classical liberals argue that clarifying and enforcing property rights can solve this problem (Anderson and Leal, 1991), modern liberals argue instead that the active and sustained intervention of the political process is needed to deal with these threats (Gore, 1992

Increasingly modern liberals turned to democratic government to redress what they see as the failings of the unfettered market place. Classical liberals argued, in response, that the voluntarism and choice prevailing in private contracts are always, or nearly always, preferable to the coercion of the powerful state. In both cases it was their understanding of democracy that influenced their receptivity, or lack thereof, to political modification of the market process.

### Democracy

By and large, both classical and modern liberals favor democracy over other forms of government. Their agreement mostly stops here. Classical liberals point out that liberalism has always opposed arbitrary government, and that any government, because it rests on force, is prone to oppress the society it is supposed to serve. The tyranny of the majority, they argue, is an ever present threat in the liberal

democratic state, as is the danger of anonymous bureaucratic domination. In either case, government is less efficient, less creative, and more dangerous than voluntary private associations, and so should be treated with suspicion and caution. Even more important than being democratic, government should be limited. In the absence of limitations, despotism and totalitarianism threaten, as the state expands, bringing ever larger areas of life under its control and direction.

For classical liberals the voting public is often referred to as a “mass,” mercurial in its opinions, ignorant, and often unreliable in its preferences. From such a perspective, the public’s sole reason for being politically empowered is to keep ambitious rulers in check. But there is always the threat that such rulers could manipulate this mass into supporting a modern Caesarism.

Modern liberals retorted that democratic government is the only institution able to counter act the enormous private power exercised by giant businesses. It is the only institution where the average citizen can - or at least should - be able to offset the enormous inequalities of wealth and power prevailing in the business world. In doing so, they can humanize the market order which, left to its own devices, would be unacceptably harsh on the poor, the weak, and the merely unlucky. Therefore modern liberals have looked to democratic government to provide services they do not trust the private sphere to provide, as well as using it to create greater material equality among citizens by means of graduated taxation and other measures.

This greater substantive equality sought by modern liberals is important because, if coercive government is to be fair, citizens must be equal in more than simply formal senses. From this perspective majority rule is the only fair way to make political decisions, but for the majority to really rule, political equality must pervade far more than merely in the final choices made in a voting booth. Ideally, the entire political process should be characterized by substantive political equality among citizens (Dahl, 1992). This egalitarian ideal has brought modern liberals into even more conflict with classical liberals, who argue that such an egalitarian concept is so open-ended it would expand governmental power and authority to truly despotic dimensions. Further, they contend that the inequalities modern liberals oppose are the necessary outcome of the market order, which is necessary if any liberal society is to survive (Hayek, 1976).

There is a second division within liberal thought that to some extent cuts at cross purposes over this first. It arises from an intrinsic ambiguity over the meaning of self-governance. The ambiguity’s roots

lie deep in liberalism's past, for what we today term liberalism is the child of many thinkers, not all of whom agreed on every issue. While Lockean individualism was perhaps the dominant liberal perspective in the English speaking world, it was not alone. From Montesquieu, Tocqueville and similar thinkers came the concept of community self-governance, to enrich and challenge a purely individualistic conception of freedom (Taylor, 1995, 204-224; Tocqueville, 1961, 122-127).

Today community self-governance is normally associated with "communitarians" as opposed to "liberals." But in fact many of its early theorists such as deTocqueville are claimed equally by both liberals and communitarians. Equally importantly, early American liberals did not distinguish so fundamentally between community and individual self-governance as is often the case today. Indeed, they often believed them to be interlinked. Thomas Jefferson, for example, regarded Locke's Second Treatise as "perfect as far as it goes" (Jefferson, 1944, p. 497). He also advocated the establishment throughout the new nation of "ward republics" based upon New England's tradition of town meetings and observed that "a free government is of all others the most energetic" (Jefferson, p. 561).

This tension between these two conceptions of self-governance persists today. Some liberals, classical and modern alike, prefer a quiescent public. Classical liberals see such a public as appropriately keeping checks on representatives, but doing little else. The dominant modern liberal perspective has essentially the same view, but supplements elected representatives with expert professional and scientific administrators in making day to day decisions. The Progressive movement is a classic example of this liberal approach. Some - a few - classical liberals preserve an appreciation for small scale government - what I often term "micropolities." (ACIR, 1987) Some modern liberals appear equally attracted by this dimension of communitarianism.(Kemmis, 1990)

### Science

Modern science has played a supportive role in this schism between classical and modern liberals. While almost invariably praising science, liberals have differed over the its nature and the reliability and utility of scientific knowledge. These differences have generally fallen along the same division I have described separating classical from modern liberals.

Liberalism's modern origins are intimately connected with the rise of Newtonian mechanics, and the enormous prestige thereby accruing to science. Many liberal thinkers from Locke to the present

associated physics and its methods with their scientific ideal. After the rise of economic science many hoped the development of the social sciences might lead in time to discoveries abolishing many of humankind's oldest miseries. The extraordinary control and predictive power within modern physics, and some of the other physical sciences, encouraged this confidence.

Insofar as this belief in the efficacy of the social sciences focused on developing policies seeking utilitarian goals, it remained within the camp of liberal thought, for its focus was on *individual* well being. If, as with Marx or Hegel, this ambition expanded to grasping the supposed "laws" of social development, both liberal utilitarianism and natural rights theories were jettisoned in favor of goals unconnected with the well being of real, concrete individuals. Classes, or social organisms, were considered of greater importance than individuals and liberalism was abandoned in favor of collectivism. But a great deal of optimism about the capacity of science to improve society fell well within traditional liberal principals. Those holding such views naturally looked to public policy as a means of implementing the needed reforms and innovations. Important early examples of this view are in the writings of Jeremy Bentham and John Stuart Mill.

Another strand of liberal thought emphasized a different dimension of science. Pointing to the enormous complexity of human society compared with the simple world of physics, they de-emphasized the centrality of prediction and control in favor of comprehension and explanation. Interestingly, this alternative liberal perspective actually enriched the natural sciences, providing the one instance where insights from social thought contributed importantly to the natural sciences. The adaptive evolutionary insights first developed by David Hume and Adam Smith were later carried over into evolutionary biology and ecology (Hayek, 1967, 119n; Worster, 1977).

In the context of liberal thought, the evolutionary units were individuals or societies considered as adaptive systems. Both these perspectives are more hospitable to liberal values than later, more collectivist, version of social evolution that emphasized struggles between peoples or races. These models of liberal social evolution, or adaptation, offer us minimal predictive power for the future. At most, they predict that we will *not* discover certain kinds of things. They say nothing specific about new developments. This vision of science and society emphasizes the limits of control and predictability, and today often employs the term "complexity" to argue that certain phenomena are in principle unamenable to control and precise prediction.



To forestall a misunderstanding, this pre-Darwinian school of liberal evolutionary thought, rooted in the Scottish Enlightenment, and which persists today most prominently in the work of Hayek, is quite different from the attempt by late nineteenth century liberal thinkers such as Spencer or Sumner to adapt their understanding of Darwinian evolutionary ideas to society. Ironically, they misread Darwin, who did not make predictions about social evolution in the way that Spencer did, and so missed a crucial element of the earlier thought: that the direction of adaptation could not be predicted.

It should be little surprise that classical liberals often found themselves most sympathetic with seeing social science as offering little power to manipulate and control other people in order to achieve specific outcomes. Prediction was limited to “pattern” predictions which were silent as to the specific features of future events (Hayek, 1967, pp. 22-42). Social policy should be of limited scope, modest in its expectations, and encouraging adaptation from below rather than direction from above.

As a rule, modern liberals were more influenced by the natural sciences most successful in establishing successful prediction and control, such as physics. Those such as Sidney and Beatrice Webb, who were more organismic in their thought, ultimately left liberalism completely. But most liberals did not follow the Webbs’ example. Instead they envisioned economic science as ultimately discovering equivalent techniques for managing the problems and instabilities said to characterize unfettered markets. Government institutions seemed to be ideal means by which enlightened policies could be pursued, policies designed by experts subject ultimately to democratic vote by the population.

Both classical and modern liberal perspectives were reinforced by another aspect of scientific knowledge: the nature of its reliability. But they were reinforced in different directions. Those tending to emphasize the objectivity and reliability of scientific knowledge were, reasonably enough, also most likely to see it as a good guide to public policy. However, others emphasized the tentativeness of scientific knowledge and its capacity to change and develop over time. They also, quite reasonably, cautioned that public policy should be tentative and cautious. It is little surprise that the former views were often held by modern liberals, the latter by people more drawn to the classical perspective. Both are very real dimensions of scientific knowledge, which is a continuing search for reliable knowledge through methods of criticism where no knowledge is ever completely insulated from challenge.

Whereas the cautious view of scientific knowledge is fundamentally harmonious with classical liberal thought, modern liberals confront a more paradoxical situation. The paradox is that, by adopting a

technocratic model of social science, two mutually exclusive insights now support the modern liberal conception of active government, but do not support one another. First, as we have seen, the value of political equality has become a primary means of legitimizing using governmental power to determine an activist public policy. Only then will politics be truly fair to all individuals. Thus modern liberals are strong critics of inequality in political resources and influence. But at the same time, many emphasize the importance of strong parties, the desirability of parliamentary institutions over those of the US, and the necessity of strong leadership to supply the vision necessary to establish and administer government programs along scientific rather than narrow and often turbulent interest-oriented lines. This view explicitly contradicts egalitarianism for it concentrates power, and the ability to prevail over opposition.

This internal tension was particularly obvious in the Progressive movement. On the one hand, Progressives established primaries, the initiative, referendum, and recall in many states to empower average citizens at the expense of entrenched interests. On the other hand, they advocated taking the politics out of administration so that scientific expertise could triumph by means of the civil service, city managers, experts, and the like (Dionne, 1996, 292-295). Modern liberals balance two contrasting values, one tending at its outer limits towards a kind of participatory egalitarianism, the other towards technocracy.

To sum up this split, liberals split on their evaluation of the market process as it became increasingly characterized by mass production and large enterprises while agreeing on the character of the democratic polity but drawing opposite conclusions from their conception because of their different evaluations of the market. Each tried in its own way to integrate the insights and promise of scientific knowledge and procedures into its analytical framework. Both camps entered into a prolonged period of confusion within which they still find themselves. Liberalism's fratricidal conflict has increased the influence of anti-liberal forces in American society as each camp has become convinced that its real enemy is those who interpret liberal principles differently, rather than anti-liberals (Lowi, 1996). A great many of these problems are rooted in their mutual equation of liberal democracy with the state.

#### The Nature of the Error

I believe the fundamental source of liberalism's internal struggle is in their evaluation of democracy. Both classical and modern liberals have largely set aside the Lockean ideal of government being rooted in the consent of the governed. They focus instead on the seemingly more realistic standard of

majority rule as the ideal political standard. From this point of agreement, the modern liberal camp followed out the logic of egalitarian rule, eventuating in perhaps its most sophisticated form in the work of Robert Dahl, or of delegating policy details to experts insulated from day to day politics, as with Progressivism and its modern advocates such as Al Gore. The other applied the venerable liberal suspicion of the state and its coercive power to the democratic polity. Rule was rule, whether it be by a majority or a minority. Because rule is fundamentally a coercive relation of domination, the area for voluntary consent at a societal level was relegated to the market and (for the most perceptive) to science.

The basic error of both camps is to consider democracy as a kind of organization with a specific goal which it pursues. Classical liberals tend to argue that the logic of the democratic process inevitably takes us towards a highly organized and ultimately authoritarian political system. Modern liberals generally argue that the character of democracy is such that we should pursue either ever greater approximations of substantive as well as formal political equality, or that it should develop a scientific management of the people's interests subject to electoral control, or both.

Modern liberals hope today to protect people against what they conceive to be the injustices of the market by using government to expand the realm of substantive equality among citizens. Classical liberals equate freedom in purely negative terms, and fight fiercely against all expansions of governmental power which would seek to reorder the basic outcome of market transactions. What is lost from both perspectives is the ideal of government by the consent of the governed, the institutional implications of this principle, and an appreciation that there is a genuine public realm which involves more than simply providing defense, and which is characterized by self-governance by citizens rather than the majoritarian principle of equality.

### Self-Organization

All camps have been consistently frustrated by the fact that democracies are not organizations and therefore do not pursue specific goals either in the sense of tending towards a certain kind of rational organization (the classical and modern managerial liberals' view) or towards a specific ethical policy (the egalitarians alternative). The reason is not that democracies are disorganized or chaotic, although this is the image they often present. Rather, it is that democracies do in fact tend towards a particular pattern of organization, but it is a pattern whose details are not, and cannot be, under deliberate human control.

In social theory this alternative kind of pattern goes by a number of names: spontaneous order, self-organization, and autopoiesis. In this paper I will use the first two terms primarily because they do not require quite the effort to learn a new vocabulary. They also have an intuitive sense which is accurate. But in the broader sphere of social thought all three terms are used to describe roughly similar processes.

When we think of liberal modernity, our attention often focuses first upon the material productivity and power it has generated, and to the enormous organizations that are the immediate source of this productivity and power. Lost from sight is the context of supportive relationships which make the existence of such organizations possible. Yet it is these largely invisible relationships which makes such visible organizations possible. Rather than the “Age of Organization,” our times are in reality the “Age of Self-Organization.”

A free society faces a fundamental problem. To the extent that people are free to act in accordance with their own perceptions they will necessarily act in ignorance of the similar decisions made by others. This ignorance would appear to undercut a major advantage of individual freedom. When people are free to act on their own initiative and for their own purposes, they will be able to incorporate knowledge unavailable to any central organization. But if their decisions are taken in isolation from one another, they will also tend unintentionally to stymie and undercut one another’s endeavors.

What counteracts this problem is that in a liberal society people exercise their freedom of choice within frameworks of procedural rules which, while formally neutral as to what concrete goals and sought, promote voluntary cooperation and persuasion with others. Such rules generate both positive and negative feedback within a complex network of seemingly disconnected actions, helping individuals judge which opportunities are most likely to succeed and which are most risky. Orders arising in this way are called “self-organizing systems” or “spontaneous orders.”

In the market property rights, rules of contract, and of tort, generate such a field. Its signals manifest through the price system, whereby the costs of all commodities and resources are linked to those of all others. Prices provide an essential guide to people’s decisions when acting within a market framework. They help individuals come to agreement about how to cooperate within the market place and how to choose between alternative options (Hayek 1948, pp. 77-106, 1978, pp. 179-90; Lachmann, 1986).

Similarly, in science while all scientists are in principle free to pursue whatever research they desire, their research is made compatible and comparable with that of others in so far as they observe the

same rules of scientific procedure and criticism. These principles, such as measurement, prediction, explanation, and the like, evolved through scientists seeking criteria that would enable them to make powerful cases to other scientists as to the validity of their arguments.

As it happens, different sciences will emphasize different mixes of these rules. Quantum physics emphasizes measurement and prediction, but often does not focus much on explanation. The reason is that the quantum universe appears deeply paradoxical to our perceptions. Evolutionary biology will lay greater emphasis on explanation than prediction because the course of evolutionary adaptation is too complex to predict, but apparently far more tractable to explanation. My point is not that there is no explanation in quantum physics or prediction in evolutionary biology. There is. But their relative importance varies. This variation is due to the nature of the phenomena studied. It is not arbitrary, and is rooted in their persuasive power in the minds of other scientists in the field, as different research claims are subjected to the criticisms of peers.

The communication network within the scientific community not only makes the results of others' research available to those seeking it, it also critically evaluates the importance and reliability of these results. By means of journals, conferences, and the like, scientific research is subjected to the standards applying within a specific scientific discipline. This enables the community as a whole to provide feedback to every scientist seeking to act within it (Polanyi, 1969; Ziman, 1968; Hall, 1988).

In both the market and science independent initiatives are coordinated by feedback processes arising out of procedural standards which evolved to facilitate cooperation within these different spheres of action. In both cases these standards have become very impersonal, and so able to be employed for a wide variety of independently chosen purposes. Such standards are therefore abstract, procedural, and rooted in different kinds of persuasion. So long as the system of interactions arising from these rules successfully generate positive and negative feedback able to coordinate independently chosen alternatives the complexity of such orders is without limit. Such orders are not the outcome of human design: they are far too complex for anyone to control and construct.

An instrumental organization is the opposite of a self-organizing system. It is characterized by a hierarchy of goals, such that some are more valued than others. These hierarchies exist in minds, and in the internal structure of organizations deliberately created to achieve specific outcomes. Virtually all of what we normally consider to be organizations are of this nature: corporations, labor unions, political parties,

public agencies, and states. However, and this is the reason for my discussion, democracies are not instrumental organizations.

### Democracies and States

Liberals in general have tended to classify liberal democracy as simply another variety of state, perhaps a more humane form since, as the cynical adage goes, “ballots are better than bullets,” but a state nonetheless. That European democracies generally inherited their administrative, military, and often judicial institutions from earlier undemocratic states made this judgment understandable. All that seemed to happen was a shift in rulers. But this judgment is misguided.

The term “state” was first used to describe organized hierarchies of domination. The state, and not society, was sovereign. The people were resources used for its purposes. Hobbes’s picture of the “Leviathan” as an immense figure comprised of many tiny people with the giant controlling head of a king is an accurate metaphor for the state as originally conceived.

The modern liberal democratic polity is as fundamental a social mutation from earlier states as the market order and science are from earlier means of material production and of the discovery and evaluation of knowledge claims. In making this distinction I am repeating in the political context a point Hayek made respecting economic science.

In a far too little attended point, Hayek writes that the economy in the strict sense, “consists of a complex of activities by which a given set of means is allocated in accordance with a unitary plan among competing ends according to their relative importance. [But] What is commonly called a social or national economy is . . . not a single economy but a network of many interlaced economies. Its order shares . . . with the order of an economy proper some formal characteristics but not the most important one: its activities are not governed by a single scale or hierarchy of ends.”(Hayek, 1976, pp. 107-108)

*Precisely the same kind of distinction applies between democracies and states.* In liberal democracies Hobbes’s Leviathan no longer has a head. There is no longer a scale or hierarchy of ranked ends.

I could drop this distinction and simply call democracies new kinds of states, but that would encourage perpetuating confusions arising from classifying democracies with kingdoms, oligarchies, and

despotisms. Their formal similarities *are* real, but they are eclipsed by deeper systemic differences. In vital respects democracies have more in common with science and the market, than with states.

The state is a historically contingent means of dealing with political questions. Historically states have been more than simply the legal monopolization of the power of violence, something that has to some degree existed in every society to date. Tribal societies do not possess states. They do exercise control over legitimate force.

The state is sovereign because no other social institution or group may legitimately (according to the state's leading officials) challenge its claim to be society's ultimate decision-making power or seek to join in governing without its permission (Weber, 1964, p. 156). States are therefore characterized by the *organized* monopolization of the means of violence. A party, clique, faction, junta, clergy, or other identifiable group organizes government to serve its perceived interests - and denies to others the right legitimately to contest their rule. To the extent its organization is effective, its domination is open ended. This is what states have been historically. For example, writing of Machiavelli's use of the term *lo stato*, translated today as "the state," Hanna Pitkin observes that "it is not enough to ask whether Machiavelli means the nation or the Prince's position: the point is that the two form a single concept for him." (Pitkin, 1972, p. 312). When the prince falls, the state falls. As with Hobbes' theoretical and Louis XIV's practical conception of rule, the nation has a head.

This equation of the state with an organized hierarchy of ends, be it prince or party, persists today. For example, the field of international relations almost always treats states as unitary actors (Waltz, 1954, p. 220; Bueno de Mesquita, 1981, pp. 159; Morgenthau, 1965, pp. 25-26; Etzioni, 1965, p. 329). Classical liberal Anthony de Jasay writes in *The State*

Rational beings have objectives they seek to attain, and they deploy their available means in the way they think will maximize the attainment of these objectives. . . . In the rational choice paradigm that underlies the more disciplined half of the social sciences, the consumer maximizes "satisfaction," the business undertaking maximizes "profit," and the state maximizes "power." (de Jasay, 1998, p. xi)

Viewed in this way the state is an instrumental organization. There are many kinds of sovereign states, but all are organized more or less efficiently and effectively to serve the purposes of those who

control them. The modern totalitarian state, and traditional despotisms such as the Byzantine and Imperial Chinese states, are the most obvious examples. But even more moderate and limited traditional monarchies, as well as contemporary oligarchies, can be easily identified in terms of which specific interests deliberately use politics to enforce their dominance.

Liberal democracies cannot be comprehended in these terms. Most importantly, liberal democracies universally subordinate the state institutions of police, military, courts, and law making to the systemic principles which characterize spontaneous orders. They bear the same relation to the state as Hayek's spontaneous order, or catallaxy, does to an economy in the rigorous sense (Hayek, 1976, pp. 107-132). They are ordered by processes rooted in abstract procedural rules. In traditional states coercive institutions enforce a hierarchy of values and policies determined by ruling bodies, whatever they may be. In democracies they also perform enforcement functions, but the laws themselves are not ordered in such a hierarchy.

In the US, the incumbent administration at any particular time in some ways resembles a traditional state: a (more or less) organized hierarchy geared to pursuing identifiable goals and having authority over the means of violence. Here in California, as I write these words, our new governor, Gray Davis, epitomizes this tendency through his efforts to keep all substantive communications to society from his officials filtered through his press office. Davis is applying the logic of efficient control, to keep his organization loyal to *his* hierarchy of ends, within an institutional framework which is exceedingly inhospitable to such efforts, and subordinated to procedural rules superior to any politician or party's program. The rules of democratic politics value freedom of information higher than control of information. Freedom of information systematically tends to erode all boundaries that instrumental governmental organizations attempt to erect in order to preserve themselves and their goals from "infection" and "distortion" by extra-organizational influences.

A static analysis of liberal democracy causes the observer to miss crucial differences between democracies and states. The problem is akin to photographing the apogee of a dancer's leap, and using it to argue that the law of gravity can be ignored. A dancer makes use of gravity, but never controls it. The photograph is misleading. This error is exactly like that committed by those who argue that a single company's prominence within a sector of the market evidences the power to control its market, as with John Kenneth Galbraith's famous argument that the sheer size of GM, Ford, and Chrysler protected them



from competitive pressures (Galbraith \_\_\_\_). In both cases an organizational hierarchy is presumed to be in control of its systemic environment when in fact it is subordinated to it, and must survive by adaptation.

To generate a self-organizing system, the framework of enabling rules must increase the capacity of unknown people to cooperate in attaining independently chosen goals which cannot be foreseen in advance. They must make it possible for people to benefit from knowledge possessed by others they do not know but whose knowledge is essential for them to achieve their own ends. Democracies arise out of citizens following the abstract procedural rules of freedom of political speech, association, organization and equality of voting as institutionalized within a particular constitutional framework.

The more abstract the criteria for political membership and procedures for participation, the less those criteria can be linked with any specifiable interests. A pure democracy employs the most abstract criteria of any political system for determining membership. Criteria for democratic citizenship and participation are completely divorced from citizens' substantive views and values. The more a polity's rules for participation ignore concrete interests, the more it can be considered a democracy.

The constitutional procedures by which citizens participate in politics are also abstract. Political leaders and measures are selected by balloting in which every citizen's vote counts equally, and in which procedural and reasonably open criteria determine who runs for office. Civil liberties safeguard an indefinite and unpredictable variety of political opinions and programs. Freedom of speech can be used either to support or attack political leaders and their policies. This is true within both winner-take-all and proportional representative democracies. In all democracies the dominant political group can maintain its position only insofar as it can maintain the active support of a majority of those choosing to participate in a process where few are excluded.

In a democracy all specific policy goals are subordinated to democratic procedures, with the partial exception of wartime. It is only during wartime that democracies can come to resemble instrumental organizations, that is, typical states. Even here, any suspension of democratic procedures such as Britain's suspending elections during WW II, is justified as necessary in order to win the war and *return to democratic procedures*. It is significant that it is at these times, when national unity largely does exist, with agreement on a hierarchy of goals, that the greatest *violations* of democratic freedom occurs - because it corrodes unity.

In a democracy no general agreement as to the polity's specific goals (beyond survival) need exist. The "goal" of a democracy is democratic politics, and its specific activities are determined by whatever

policies arise out of the democratic political process. So long as it does not undermine democratic procedures, *any* policy adopted by a democracy is democratic (See diZerega, 1988, pp. 464-465).

Like those who equate democracies with states, political scientists who lump them with democratic instrumental organizations such as cooperatives, labor unions, and political parties are also making an error in logical typing for some reason. Democratic organizations have specific goals, such as selling products, enhancing wages, and winning elections. (For examples of this error, see, Dahl, 1956 p. 63; Michels, 1961, p. 365. On logical typing see Bateson, 1979, pp. 127-140.) This error is why Robert Michels' "iron law" of oligarchy, so true for most organizations, does not apply to democracies (diZerega, 1991, pp. 349-354).

The central problem confronting a democracy is how coherent public policies may be formulated and pursued within a polity lacking any clearly ordered set of public policy requirements. Like the market and science, democracies face the coordination problem of enabling some kind of coherence to arise from independently chosen initiatives by people pursuing individual goals. Political initiatives arise unpredictably, and in many ways independently of one another. How might policy coordination take place? A satisfactory answer to this problem in its various aspects must be concerned with understanding how information is disseminated within a polity, and with the types of institutions capable of molding this information into support or opposition to various policies. Exploring this question is mostly beyond the scope of this paper (diZerega, 1999 forthcoming).

Every qualified citizen enjoys a formal equality in procedural political rights. Politically relevant information can enter the democratic system at any time from any participant. We can not reliably predict what this information will be, how useful it may or may not be, or whether or not it will be accepted by others. Political knowledge can be as volatile as knowledge about the market and even more difficult to reduce to a single measure as scientific knowledge. Indeed, politically relevant knowledge incorporates knowledge about science the market, and much more as well, potentially including everything relevant to someone within the polity.

A common feature of all social spontaneous orders is their reliance upon persuasion and agreement. In their absence such orders could not arise. The rules generating these orders are themselves free from concrete content, and apply equally to all participants. Coordination within a spontaneous order depends on positive and negative feedback enabling voluntarily agreed upon plans to influence one another.

The democratic political process differs from analogous processes in science or the market, but is no less based upon persuasion. Unlike the market or science, in democracies citizens decide issues collectively and at specific times, (although these decisions can always be challenged). In the market agreement is piecemeal and individual. As with democracies, the scientific ideal is unanimous agreement, but there is no need for scientists to arrive there all at once because time is no limitation. Democratic politics is oriented towards action, and operates within more demanding time constraints than science. Science is in no hurry. Democracies sometimes have to be. Unlike in science, in democracies the status quo *is* a policy. Compared to science, the range of views advocated is usually very broad, while criteria for preferring one over another are vague and sometimes contradictory.

The necessity to decide with time constraints while facing strong limits on clarity and definitiveness explains why a physically coercive element must exist in democratic politics but can be absent in science, which has no time constraints on action, and the market, which does not require its participants to make collective judgments (Tussman, 1960, pp. 25-27). Nevertheless, the essence of a democratic polity is to persuade citizens, not compel them (Aristotle, 1958, pp. 4-7; Crick, 1964, pp. 140-61; Pitkin, 1972, pp. 328-32).

Democratic politics is always constituting and reconstituting the community. As with the market and science, it constitutes a never-ending process of discovery and adjustment (Crick, 1964, p. 147). For this process to work, multiple independent centers of political power and resources must exist. It must be self-organizing.

### The Question of Coercion

But what of coercion? Certainly democracies, like states, have the power to make laws and enforce them with the threat or reality of violence. Further, democracies have the power to tax. These coercive powers encourage factions in Madison's sense to take advantage of politically weaker citizens, benefiting themselves at others' expense. All this can be quite coercive. And it is common. Classical liberals contend that market transactions cannot exploit people in this way as they depend upon willing agreement with each exchange.

This radical distinction between democracy and the market is in error. But understanding why is not obvious. To begin with, the classical liberal paean to market voluntarism obscures areas where the market is

quite coercive. Second, the classical liberal claim treats market transactions simply as neutral means for facilitating human exchanges when, like any social institution or set of rules, the market process actively promotes some values at the expense of others. Third, this argument reduces democratic politics to *nothing more* than the clash of factions.

Regarding the first point, the market depends upon clearly defined property rights. Private property has proven the most productive of property arrangements for human well-being, both materially and as the foundation for individual freedom. But defining particular boundaries requires arbitrary judgments in theory and often violent usurpations in practice.

In Norway people have the right to hike across private land regardless of the landowner's wishes. In the US they do not. "Private property" in land exists in both societies. In practice "private property" constitutes a bundle of discrete rights. Bundles differ in different places. Determining the appropriate contents of a bundle when competing claims arise involves using violence or its threat to enforce decisions which could as easily and rationally been made quite differently. Neither Locke nor utilitarianism nor any philosophy rooted simply in reason provide unambiguous answers to many conflicts over property rights.

This philosophical point is reinforced by historical experience. Historically, communal rights were often forcibly converted into private rights, often through the threat of violence against communities which had used and managed their commons for generations, whether in pre-enclosure Europe or on settled Native American lands. The historical violence in establishing private property is the root of the left-anarchist attack on it which leaves them so deaf to classical liberal claims about property's intrinsic peacefulness. The inadequacy of their naive alternative should not deny the substantial truth in their historical claim (Hyde, 1983, pp. 74-92). Both historically and legally private property rests on a foundation of coercion, violently excluding others often on grounds that as easily could have been decided otherwise, and which often cannot be justified by any theory of just acquisition.

Second, the market order biases exchanges in favor of those interested in acquiring money. Personal success in one's own eyes is not the same as success as it is defined in the systemic terms of the market (diZerega, 1997, pp. 127-129). A person who wants to own a bookstore and so needs to make enough money to do that is often at a competitive disadvantage with a corporation which, seeking to make money, does so in the book trade. The former may love books, the latter certainly will not. There are advantages and disadvantages to both kinds of organization. My point is that they are *different*.

As “consumer sovereignty” has become the sole value in the economy the subordination of all property to purely financial criteria has become more prevalent. Increasing replacement of individual proprietorship by corporate ownership has led to a shift in the kind of defense of private property most commonly encountered: from emphasizing the character building and political effects of exercising responsibility and foresight over a tangible enterprise to consumer satisfaction as evidenced by purchasing decisions. It is a shift from emphasizing the influence of ownership on the owner to the influence of the system on the consumer.

Ironically, those who “own” corporate property exercise only the most abstract and bloodless responsibility for “their” property. This shift in ethical justification reflects the bias of the market order. In important respects it is the opposite of the early defense, for there is no sense of responsibility or community. Just financial profitability.

Finally, there are values which do not seem adequately attainable within purely financial transactions - and here we enter the realm of the public good. Some goods cannot be parceled out individually, such as clean air and defense. Other values *may* depend upon their not being dependent solely upon market transactions for their satisfaction, such as the well being of children, human beings generally, endangered species, basic education, natural beauty. or defense when charged in a court of law. The market works best where all relevant values and costs can be captured in easily tradable and reliably enforced property rights. When this is not possible, a case for extra-market action can be made. To the extent these values exist, and are in some sense collective, we enter into the realm of the public good, its determination and protection.

Scientific research of healing herbs is an example. Drug companies are willing to spend enormous sums researching the medical value of various synthetic chemicals. They spend vastly less researching the medical efficacy of traditional herbal remedies. The reason is simple. A new chemical can be patented. Garlic cannot. While private funds can be sufficient to research the medical value of new substances, they will be far less likely to be adequate to support research on possible similar values of traditional and widely available substances. For the market to work costs must at least be recouped, and for them to be recouped access to discoveries must be controlled. Only then will it reliably promote science. In the absence of these conditions other forms of funding are necessary if this work is to be done.

There is enormous irony in the praise of the Internet by many classical liberals. In many respects it is a libertarian dream. But its origins are in military research. The Internet would likely never have arisen as a purely market phenomenon because it would not initially have been profitable - and even now is rooted more in gift than in market relationships.

If there are worthwhile public values we need some means to attain them. Democratic government is the means most often sought. We do not contradict ourselves saying we agree on occasion to be coerced to do something we otherwise would not, in order to obtain benefits otherwise unattainable, and which we value more than the collateral coercion we may experience. This is the same logic as telling the loser in a dispute over property boundaries that the whole system of private property rights, no matter how initially determined, leaves him or her better off than would its absence. Whether applied to settling private property boundary disputes or creating democratic constitutions the logic is the *same*.

To serve public values we will likely adopt decision rules trading off between pure majoritarianism, which can be abused by majority factions, and unanimity, which can be abused by minorities. Any such rules will likely be abstract, procedural, and apply equally to all. They will guarantee free discussion and access to information and facilitate agreement.

The centrality of political persuasion helps explain why *compromise* is so central to democratic politics. Political issues are often broad and complex, and standards of adequacy are unclear. The democratic coordinating process therefore works through continually balancing and accommodating logically incommensurable interests. Discovering a middle ground with which all can live, is the life blood of democratic politics (Crick, 1964 p. 146). Coercion is subordinated to persuasion.

### Democracy and Peace

Democracy's self-organizing character explains perhaps the most important difference between democracies and other governments. Democracies do not, and have never, warred upon one another. War has been the scourge of human society since hunting and gathering times. Even governments adhering to religions preaching peace, forgiveness, or compassion, fight aggressive wars when given the belief they will win. As Randolph Bourne noted, "War is the health of the state." Or at least of the state that wins. All forms of government have fought others of the same kind, with one exception: liberal democracies.

*The self-organizing features characterizing internal democratic politics carry over into their external relations.* Therefore, in the international arena democracies will act significantly differently from undemocratic states, just as they do internally (Rummel, 1997). We would expect to find a readiness to compromise and a difficulty in pursuing unified plans on the part of democratic governments. If compromise is unfeasible, they will tend to isolate their differences, so as not to allow these issues to poison the overall pattern of mutual involvement. System boundaries will be porous, not only between government and society, but also between countries, partially including the interests of the other polity. This pattern of response will be different from that prevailing in states comprehensible as instrumental organizations (Moaz and Russett, 1993).

It is their self-organizing character which explain this otherwise anomalous behavior. For example, according to Ole Holsti and John Sullivan, when France withdrew from NATO in the '60s in both the United States and France, "multiple internal and external channels of communication, relative freedom of divergent interests to make political demands, and a limited ability of top leaders to mobilize all politically relevant groups and institutions in support of their policies" prevented the rupture from seriously undermining a wide variety of US - French relations (Holsti and Sullivan, 1969, p. 158). Zbigniew Brzezinski and Samuel Huntington observed of this same crisis that "The openness of the debate tended to inhibit sudden unilateral moves by either Washington or Paris, with their exacerbating effect." Indeed, when American and French executives *did* act unilaterally, the impact of their actions "had precisely that negative effect in the dispute" (Brzezinski and Huntington, 1963, p. 406).

French and American elites maintained many independent channels of communication and influence through their joint involvement in international and national organizations. "The structure of the Western international system requires reliance on many multilateral bodies with special common interests. These provide additional arenas for the articulation of one's point of view without precipitating a head - on confrontation" (p. 406). In both countries different elites, through mutual involvement with other common interests that brought them together, helped to isolate the dispute. Because these people had significant political influence in their own nations, their outlook influenced how the two governments interacted. It is the venerable and valid pluralist point about cross cutting cleavages applied internationally.

To the extent that the international environment consists of relationships among democracies it can not be analyzed in Hobbesian terms, which assume states to be, or at least act like, rational actors. A self-

organizing system does not pursue an ordered hierarchy of ends. Because relationships between democratic polities are significantly influenced by the same self-organizing dynamics as occur within them, democracies do not have much pressure to act *as if* they were rational actors - as they have to do in the presence of powerful undemocratic states. Political leaders may think of the polity as a unitary organization or machine to be used to achieve their aims. Citizens usually do not. Rather, citizens' conscious interests will often spill across borders including people and organizations in other polities.

There democratic processes progressively reduce the likelihood of two democratic polities ever going to war with one another. Over time the rigidity of boundaries between as well as within political systems begins to dissolve, sometimes to the point that portions of formal political sovereignty itself are freely given up, as is occurring today in Western Europe. This process also accounts for the finding that democracies are more predisposed towards ventures in international cooperation than are undemocratic states (Haas, 1965).

The more complex and extensive citizens' dealings with people in other democracies become, the more systemically peaceful tendencies are strengthened. Accordingly, among democracies close economic, cultural, social, and scientific ties *increasingly* strengthen the bonds maintaining international peace. These consequences are not so assured among instrumentally organized states because economic, social, scientific, and cultural connections are subordinated to the leadership's policy goals, which may or may not be peaceful.

Reliance on mediation is a common pattern in disputes between democratic powers (Russett, 1993, 41; Dixon, 1993). In short, the democratic international system functions peacefully because it possesses a goodly and increasing measure of the same self-organizing dynamics that exist internally within democratic polities. This argument does not mean war between two democracies is impossible. Human stupidity does not allow this happy forecast. But it would be unlikely. Further, the more democracies there are, and the longer they interact, the more peaceful the international environment will become as the transformations of their societies continue.

The executive power is that democratic institution standing in greatest tension with democracy's self-organizing structural characteristics. This is due to the executive's tendency to try and organize government and society to serve its interests, as I observed of Gray Davis. Were it to succeed, democracy would be replaced by a hierarchy. It would be as if a giant corporation succeeded in "organizing" the market, and Galbraith's prediction finally came true.



In his analysis of American foreign policy Stephen D. Krasner observed that "Central decision-makers have been able to carry out their own policies over the opposition of private corporations [and other societal interests] *providing that policy implementation only required resources that were under the control of the executive branch*" (pp. 18, 89, my emphasis) . Those areas of American foreign policy which fit the italicized portion of Krasner's quote are relatively free from democratic self-organizing pressures. It is here, where over the short term the executive's military and economic resources enable it to act relatively independently, that democracies most resemble states. It is only in this area of foreign policy that we find cases of violent intervention by the US government into small quasi-democratic states, often with results fatal to their already weak democratic institutions. What distinguishes American Guatemalan, Dominican, and Chilean interventions, and perhaps the one in Iran, was their contempt for democratic institutions and practices *both* at home and abroad. (Forsythe, 1992; Krasner, 1978).

Looked at closely, these cases *support* my reasons for why democracies do not war with one another. The structural features of American government *farthest* removed from the basic self-organizing characteristics of democratic government are those most responsible for its belligerent behavior (Forsythe, p. 393). *It is not democracy as such which creates peace, it is the systemic relationships within and between democracies generated by their self-organizing political processes which are conducive to lasting peace*, replacing a Hobbesian world of hostile states with one that is interdependent and cooperative.

The democratic peace is one enormously important phenomena rendered invisible by the liberal confusion of democracies with states. But there are other problems, although they manifest differently depending upon whether we examine classical or modern liberals.

#### Lots of Bad Predictions by Classical Liberals

We have impressively false predictions made over an equally impressive expanse of time by those arguing that every expansion of governmental power inevitably takes us closer to tyranny. They extrapolate from the gradual rise of ancient and modern despotisms to claiming the same pattern is supposed to repeat itself in the modern democratic polity (de de Jasay, 1998; de Jouvenal, 1949). And for 200 years this theoretical framework has blinded those using it to the obvious realities around them. This pattern is *not* happening.

The Antifederalists were certain the proposed Constitution would lead to monarchy and despotism. Two hundred years later they're still waiting. After two world wars, a depression, and a cold war, the power of the American president seemed to grow so great that some commentators believed we were approaching an elective Caesarism. Today, only a few years later, no one warns darkly of the "imperial presidency."

When Franklin Roosevelt dramatically expanded governmental programs and spending, his conservative opponents predicted despotism. Today's government dwarfs FDR's, but in important respects most citizens have *more* rights than existed at the inception of the New Deal. I am not referring to so-called "positive freedom," which modern liberals advocate but classical liberals often oppose. I am referring to expanded "negative freedoms" which classical liberals support.

Negative freedom is defined as freedom from government intervention. It exists when, and to the extent, that the law does not impact upon us, so long as we refrain from using force or its threat against peaceful others. It is the only kind of freedom many libertarians acknowledge. In many respects we have more negative freedom today than we did in the first third of this century, when national government was far smaller.

For example, it took national legislation to end the political and economic exploitation of Black Americans in the South. Southern governments often deliberately failed to protect Black citizens against violence, their education was substandard, and exercising their freedom of speech was risky at best. They were frequently terrorized by white racists, secure in the knowledge that the police were on their side. The state of Mississippi even ran a secret police force devoted to keeping its Black citizens subjugated. All decent classical liberals now acknowledge the justice of ending segregation.

It is only in recent years that Native Americans have been free to practice their traditional religions. It took the Roosevelt Administration to begin allowing these peoples to again practice traditional religious ceremonies whose antiquity long predated the establishment of the United States. Before FDR they were subject to arrest despite the First Amendment. Recent years have seen further expansions of religious freedom for Native Americans. Certainly freedom of religion is a vital negative freedom for anyone.

The Supreme Court has acted to apply the Bill of Rights, which is classical liberal in tone, to state governments as well as national. As a consequence, the power of states to tyrannize over their citizens on

the basis of race, religion, or much private sexual behavior, has been profoundly altered. Surely there are few kinds of legislation more destructive to negative freedom than laws punishing you for your race, religion, or means of showing affection to those for whom you care.

One of the greatest intellectual con jobs in recent times has been the ability of true conservatives and authoritarian populists to convince classical liberals that restrictions on the arbitrary power of American states by the Supreme Court or Congress is analogous to the exercise of arbitrary power over peaceful citizens. This illogic survives only because of the failure by classical liberals to understand what a democracy is. How surreal that extending the Bill of Rights to protect citizens from state oppression is called “tyranny” and the “abuse of power!” What has in fact happened is the further penetration of American society by the liberal principles of the American revolution.

Expansion of the Bill of Rights by the Warren Court in the ‘50s and ‘60s led to greater freedom of speech and association than had earlier been the case. Here the national as well as the state governments were limited. Once one abandoned the “reasoning” that these liberties were expanded in order to facilitate the take over of the United States by Communists, we see a major expansion of negative freedom at the behest of modern liberals.

A prominent definition of tyranny is the exercise of arbitrary power. In the US, the growth of bureaucratic government has been accompanied by important diminutions of government’s capacity to act arbitrarily towards its citizens. The accused now receive greater protection against governmental abuses. If a person cannot afford a lawyer, one is provided at public expense. Citizens now find it easier to challenge the government in court, to stop its abusing the law and forcing it to apply laws it already has adopted. Bureaucracies are compelled to solicit citizen input and respond to it (Wilson, 1989, pp. 376-9). For government to ignore the law, apply it capriciously or go beyond it is nothing but the exercise of arbitrary power. It is harder for it to do so today than earlier.

These expansions and additional safeguards of freedom are not trivial. It is far from obvious that today’s greater taxes and economic regulation outweigh them on any scale of negative liberty. And it is a great irony that perhaps the chief area where arbitrary power has expanded, drug laws, has been supported by many claiming to be classical liberal in their sympathies. There is no compelling ground to argue that citizens have less freedom today than they did in 1920, a supposed high water mark of “limited government.”

Indeed, if we look at European democratic welfare states such as Germany, the Netherlands, and Sweden, we find an incredible paradox by orthodox classical liberal standards. These governments dispose of over 50% of their national GNP. This is far in excess of that controlled by traditional despotisms throughout most of history. Yet by all other measures their citizens are vastly freer than in those despotisms. Nor is this greater freedom simply in material terms. They also enjoy greater freedom of speech, travel, association, belief, and the like. None of this could be predicted from the traditional state model, for states are supposed continually to centralize into despotism, as indeed they have until the establishing of democracy.

Reality gets even more paradoxical. While the role of government has not shrunk, Great Britain's creation of national parliaments for Scotland and Wales, Spain's ceding a degree of autonomy to some provinces, and similar activities in Canada, suggests some democracies are actually *devolving* peacefully! Similar processes may be occurring in Belgium and Italy. No one using a state model would have predicted these developments.

This misunderstanding of democracy leads to sentiments such as House Majority Leader Dick Arme's claim that "Behind our New Deals and New Frontiers and Great Societies . . . you will find, *with a difference only in power and nerve*, the same sort of person who gave the world its Five Year Plans and Great Leaps Forward - the Soviet and Chinese counterparts" (quoted in Dionne, 1996, p. 286. Dionne's emphasis). By equating all advocates of positive government in this way, Arme's argument undermines the very basis of democratic government: the idea of the loyal opposition. We cannot truly be loyal to a government if it is controlled by potential Stalins, Hitlers, and Maos dissuaded from mass murder only by their cowardice and lack of opportunity.

#### Modern Liberals Make Different Errors for the Same Reason

Modern liberals make equally serious errors of their own, also due to equating democracies with states. The most common liberal confusion concerns the nature of democratic equality. If democracies are states they can be identified as serving particular goals. For many liberals the major goal they are supposed to serve is political equality. Particularly when a democracy is defined in terms of majority rule, it is clear that the majority doesn't rule so long as it only gets to vote on choices derived by non-majoritarian means.

Equality in voting takes place only after voters' choices have been circumscribed by processes where different citizens exercise very different levels of influence.

Following this line of reasoning, Robert Dahl, among many others, concludes that the democratic ideal should not be formal political equality, which is silent as to substantive differences between citizens (1970, pp. 15 - 16). Far better, he argues, is substantive political equality, where citizens enjoy equal access to political resources. Ideally citizens would have identical knowledge, information, wealth, status, skill, and access to organizational resources (1982, p. 107; 1956, p. 70). Dahl cautions that this ideal is utopian, but nevertheless the best standard by which to evaluate the real world of democratic government (1982, p. 84-85, 107; 1956, p. 70). Democratic policy should seek, over time, to expand the degree of substantive political equality among citizens. It is, or should be, an instrumental organization serving an identifiable concrete hierarchy of goals.

Dahl and other egalitarian modern liberals appear unaware of an enormous paradox in the center of their standard. Dahl admits that "The greatest obstacle to democratization and reducing inequalities in the United States is . . . the military-industrial-financial-labor-farming-educational-professional-consumer-over and under thirty - lower/middle/upper class complex that, for want of a more appropriate name, might be called the American people" (1970, p. 110). By his standard, when people exercise self-government and elect representatives who act in keeping with their desires, rather than Dahl's analysis, they are acting *undemocratically!* The paradox comes from using an explicit goal to judge a process which is purely procedural in nature. When concrete organizational goals trump the democratic political process we get models of "democracy" where an unresponsive elite forces all to become more substantively equal. But such an elite can accomplish this task only by maintaining even more unequal power than already exists among citizens today. This argument explicitly contradicts itself.

Not only is this egalitarian standard conceptually incoherent, it renders democratic liberties such as freedom of speech useless because the political reasoning for their existence *assumes* substantive political inequalities among citizens. Freedom of speech and the press, for example, exist so that citizens can learn what they otherwise would not know. Learning requires that those with new information or insights have an opportunity to exercise greater influence on others than they reciprocate. The same holds true for freedom of organization, and indeed the entire panoply of democratic liberties, all of which are

procedural in character. These freedoms exist, politically at least, to enable people to exercise *greater* influence over others than they could in their absence.

Democracies are learning processes whereby a society determines general policies from an enormous variety of competing proposals. No particular policy can be deemed democratic unless it is accomplished through democratic means and preserves democratic procedures. Few liberals would claim that bureaucratic enforcement of policies opposed by nearly everyone is democracy in action, although Leninists might. So long as the procedural rules are reasonably open to all, so that minority views can grow in influence so long as additional citizens find them persuasive, we can judge the process democratic.

Because democracies are self-organizing systems, any reasoning building on the view they are instrumental organizations generally leads to poor policy with unexpected and undesired results. Examples are legion. For example, here in California the most visible impact of campaign finance reform to minimize the political influence of great wealth has been an enhanced political role of the ultra rich. Citizens can spend whatever they want advocating their own desires, but are severely limited in what they can give to others. Consequently state wide offices are increasingly pursued by the fabulously wealthy who can afford to finance their own campaigns while less affluent politicians decline to run because they would have to spend most of their time fund raising.

In self-organizing systems inequalities can enhance the responsiveness of the system *if* they are widely dispersed. While egalitarian liberals are perversely unaware of it, public interest groups, that is, groups whose members do not pursue financial benefits through political action, are *more* dependent upon wealthy benefactors than are private interest groups. The latter treat political spending as investments that are expected to pay off. Consequently they can raise their funds internally, and do. Public groups usually seek many members in order to be credible. These members may support a goal, but in most cases do not have substantial resources to contribute to it, for there are too many competing claims on their finances, and contributions will not ultimately increase their personal resources. Consequently, the dues of public interest groups often just cover the costs of membership, and sometimes do not even do that. Public interest groups therefore seek, and receive, large donations from wealthy benefactors, foundations, and the like, greatly supplementing their income from dues. Private interest groups don't need to.

The point, of course, is not that there are no problems with campaign financing or interest group politics. There are plenty. It is instead that policies intended to deal with these problems will fail unless

the nature of a democratic polity is firmly grasped. Egalitarian liberals' focus on a single substantive standard as defining democracy blinds them to this need (for much more on these issues, see diZerega, 1988; 1991).

There is an additional central failing to modern liberal politics that is rooted in their misunderstanding of democracy. Like the classical liberals' attitude towards the market order, modern liberals of a more managerial bent frequently error in believing government is a neutral tool able to correct what they see as failures in the market order, and lacking biases of its own. Because they conceive of government as an instrumental organization they argue that it is, or can be, a reliable manager and implementer of a wide range of public policy. They act as if bureaucracies, politicians, and interest groups were passive tools such that, once a decision was made, it would be implemented. But this is rarely the case for two reasons. First, instrumental organizations carry their own biases. These biases constitute the central tension in liberal society, as I discuss below. But secondly, a democratic order *cannot* act like an instrumental organization, biased or otherwise, except in the rarest of cases such as general war. Unlike instrumental organizations, democratic systems are very open to their surroundings. Consequently there are attempts at all levels and at all times to influence policy in ways often quite unintended by their original sponsors. And often these attempts succeed. Ambitious liberal policy proposals such as Al Gore's "Environmental Marshall Plan" are *completely* inappropriate to a democratic context (Gore, 1992, pp. 269-360; diZerega, 1994).

This tendency is strengthened by the inability of legislatures either to enact complicated policies or oversee them competently once they have done so. From the Savings and Loan crisis to mismanaged Social Security funds; from the largely unintended interpretations of EEOC legislation by implementing bureaucracies to the attempt by the FDA to control natural herbs; from subsidizing fishing vessels in over fished waters to wholesale mismanagement of national forests, Congress has proven time and again its incompetence as manager and overseer. The task exceeds its capacity.

Laws genuinely enacted in the public interest are too often captured by interest groups and ambitious bureaucracies. Further, once enacted, these laws acquire supporters who are able to stymie reform or even openness to the public. Obsolete technologies, knowledge, and interests are locked into place, inhibiting adaptability and learning. This analysis does not lead us to the classical liberal conclusion that there is no public interest. But it does lead us to the insight that there hopefully is a better way to

implement public policy within a democratic context than relying upon an incompetent Congress and monopolistic bureaucracies.

*Neither side of the contemporary liberal civil war deeply understands liberal democracy.*

### The Central Tension

If my argument is largely valid the fundamental tension in liberal society is not between the market and democracy. It is between self-organizing systems and the instrumental organizations people create within these orders to assist them in achieving their plans. Such organizations will tend to try and protect themselves from the uncertainties that exist within the context of a self-organizing system. To do so they try and subject the system to their control. This is as true of bureaucracies forging alliances with special interests as it is of giant corporations or unions seeking to exempt themselves from market pressures. It is as true of legislatures loading the dice to assist their members' re-elections as of private professional organizations using licensing arrangements to exclude competitors. Because ultimately the market and democratic government are not separate realms, it is this tension, and not the market vs. government, that defines the central conflict within liberal institutions.

Perhaps the most easily grasped example of how intrinsic this tension really is involves the contrasting roles played by information in these two kinds of social organization. Self-organizing systems function best within information rich environments where the cost of acquiring information a person believes might be useful is relatively low. Ideally, everyone should have access to any information they desire because we cannot foresee in advance who can make the best use of any particular kind of information. Over time self-organizing systems seem to expand the amount of information they make available to those participating within them. This can be expected because the worth of information within a self-organizing system arises from the *unpredictable* uses to which it may be put and the operation of such systems continually develops means by which essential information can be made more easily available for unknown purposes.

Instrumental organizations generally take the opposite approach to handling information. Within such organizations information is a resource valuable to the degree that it is scarce. Consequently, organizations value secrecy, be they "secrets of state" or "trade secrets." Information is disseminated on a "need to know" basis. This is in part because leadership values a predictable and controlled environment to



assist the organization in attaining their goals. Widely disseminated information creates uncertainty because it is impossible to predict what use will be made of it. Better then to keep it under wraps. In addition, those with information become more powerful within the organization to the degree others are forced to depend upon them. As they do their position becomes more secure.

Because this tension between self-organizing systems and instrumental organizations is too little appreciated, modern liberals too often try to “take the politics out” of government by creating bureaucracies. Similarly, classical liberals endlessly sing the praises of giant corporations as the epitome of market virtue and individual liberty. In fact, *both* forms of organization tend to seek domination over the spontaneous orders which gave them their existence. The point is not that they succeed in their attempts - usually they do not. But in trying, they often hinder and clog the capacity of such systems to respond to changing circumstances, sometimes imposing very high costs on others in the process.

The central task arising from this tension is enabling large organizations to perform the tasks they are best at accomplishing while minimizing their all-but-inevitable attempts to control their environment rather than adapt to it. The point is not that organizations are not adaptive. They obviously can be very adaptive. But adapting exposes an organization’s leaders to greater uncertainty than does seeking to control the environment so as to not need to adapt. Because uncertainty is a cost, when seeking to operate efficiently, or simply to serve one’s interests, organizations usually try and minimize it. Modern liberals are good at seeing this tendency in the corporate world and classical liberals are good at seeing it in public bureaucracies. But its cause is neither in economics nor in government, it is in the internal logic of organizational management wherever it exists.

#### A New View of Public Space

The purpose of this paper is not to dissolve market liberalism into modern liberalism or vice versa, but rather to improve the clarity of liberal analysis. Accomplishing this requires comprehending how all major liberal institutions are spontaneous orders in Hayek’s sense. Institutionally, liberalism is a coherent innovation in human society, even if it’s theoretical analyses has broken into a myriad of conflicting schools and approaches. Its defining feature is the expansion of self-organizing systems in wider spheres of human life.

The democratic polity is oriented around self-governance by the political community. It is systemically different from states whereby some portion of the community uses the political means to dominate everyone else. The democratic polity is the means by which citizens try and decide what, if anything, should be done for the community as a whole, enabling values not easily served by the market to be discussed, evaluated, and if accepted, adopted into law. It constitutes political rather than individual self-governance. Of course it can be misused. So can any other institution.

Conceived this way, the public space is fundamentally divorced from dependence on the state, a core assumption misleading both classical and modern liberalism. Community self-governance can take forms quite at variance with what we have traditionally associated with this value. Just as boundaries between government and non-government in democracies become blurred, so it is no longer the case that government is the best institutional means for achieving public values.

Several insights follow. Perhaps most important, the public realm is made up of a number of overlapping and nested communities, such that a single institution cannot help but be inadequate to address all these issues. They are not nested communities, as the federalist idea suggests. Many are overlapping. Further, in some cases these publics are not geographically located, but scattered throughout a polity. Democratic citizens belong not to just a single public, they belong to many, from the neighborhood to the most inclusive political body. Indeed, as we saw in grasping why democracies do not make war upon one another, they can even belong to publics transcending all political boundaries.

Another key insight is that boundaries between governmental and other institutions within democracies are far more porous and ill defined than is the case in undemocratic states. Democracies are not coterminous with formal government institutions. And because of their openness, top - down models of control are poorly suited for any policy implementation outside those which are very simple and uni-dimensional in their tasks, such as, perhaps, the Post Office.

In addition, unlike state politics, democratic politics are completely dependent on persuasion. Generally a wise approach to public policy would emphasize enabling incentives rather than coercive directives in promoting public values not readily served by markets alone. Democratic institutions, because they are so open, can easily run into trouble when they are deemed sources of interference and meddling. Incentives can resolve this issue, if they are genuine.

Finally, public policy should make it hard for costs to be shifted about in ways that are not easily accessible to all parties. The point is not that shifting of resources is always wrong. That would only be true if the core assumptions of pure market libertarians were accurate which, as we have seen, they are not. But it is true that any capacity to shift costs to some and benefits to others will attract those seeking to benefit for themselves at the public's expense, or the expense of other citizens. Democratic procedures, because they are open to all, can easily be abused. Because it is complex and often out of the public eye Congress is ideally suited to act in such a corrupt fashion, and does.

There are existing public policies which incorporate many of these insights. One of them is the GI Bill. If higher education were purely market driven, fewer people would have acquired it. But higher education is not purely market driven, nor should it be. For example, it is well established that the higher the education they have, the more supportive citizens are of democratic values such as respecting the views and actions of minorities. Such attitudes strengthen democracy. So, among other things, by enlarging the number of people benefiting from a higher education, the GI Bill contributes to strengthening democratic institutions in ways a purely market provided education would not. It is in the public interest that citizens be able to receive a higher education.

Yet the GI Bill allows enormous latitude as to how citizens will use their educational assistance. It allows for maximal use of individual knowledge and talents. It provides incentives, but does not coerce. And it is both popular and successful.

Significantly, the GI Bill was opposed as “socialist” and just another extension of “big government” by conservatives and classical liberals when it was first adopted. Today managerial and egalitarian liberals oppose extending choice from the GI Bill to lower levels of education, assuming instead that top-down goals and managerial wisdom should always trump the knowledge of citizens. They repudiate the logic of the GI Bill in their approach to primary and secondary education. Citizens capable of voting are deemed incapable of choosing their children's schooling. And the character of public education in a system such as ours ensures that poor schools and teachers will gravitate to the least politically influential members of the community, who arguably might most benefit from good schools.

The GI Bill encourages freely chosen individual actions with powerful public benefits in that every student is taking his or her own classes for his or her own purposes, unconnected with the decisions of others or the impact of their choices on democratic politics. But often public policy decisions are more

complicated, for they concern issues and values which are multiple, overlapping, and contested. In such cases simply enabling every actor to choose as he or she wishes does not guarantee success.

These more intractable problems can also be better addressed once the implications of this analysis are grasped. I will use as an example our national forests, regarding the management of which these days no one is much pleased. In developing an approach to the national forests, we can see how the model of democracy developed here offers unusual and productive insights to dealing with frustrating and recurrent problems.

### Forest Trusts

The National Forest Trust is a basic institutional framework for managing forests that is also harmonious with the systemic realities of political democracy. Let National Forest Trusts be established with responsibility for governing our national forests. One trust per national forest. Membership in each trust would be voluntary, open to anyone, only requiring a person to pay a fee covering membership expenses in order to join. Such expenses would not be high, but would ensure that only those genuinely interested in the forest and its fate would take the time to join. Perhaps, as Karl Hess has suggested, work trade arrangements could be made for people lacking the means to pay even these modest fees. Upon joining, members could participate in electing the trust's board of directors. Trusts would be organized somewhat like cooperatives rather than corporations. The vote of each member would count the same.

Each forest trust would probably have thousands of members. Some would be residents living close to the forest, some would be involved in extractive industries, some would be people making recreational use of the forest, and some would be people who are concerned with its well-being, even if they had never been there. A process of proportional representation could give the wide variety of legitimate interests representation on the Board of Directors. Elected directors would be under intense pressure to serve all or most interests which have legitimate claims upon the forests. With all interests represented it would be all but impossible to keep key decisions quiet.

Management of a forest would be the trust's responsibility, which would include raising enough money to meet its costs. Lack of access to tax monies would eliminate any incentive to subsidize extractive industries or other private interests, as is unfortunately currently the case. The forest would have to meet its overhead, but would be under no institutional incentive to make a significant profit, as with corporate

modes of control where influence tends to be proportional to investment. Decisions would of course remain influenced by economic forces, but because votes are not weighted by the voter's financial influence, economic motives become only one among many influences, rather than the guiding principle in deciding policy.

This forest trust will represent a true public interest. It is open to all. It makes use of modern society's capacity for enabling even widely dispersed people with common interests to organize effectively for their own purposes. It is difficult to imagine management becoming divorced from its constituency under such circumstances, because some organizations will always monitor what is happening, and people who use the forest will be able to observe for themselves the impact of managerial decisions. The frequent renewal of the directors through public debate and elections, where contrasting visions compete for the allegiance of voters deeply concerned with the forest's fate, would inhibit the rise of self-serving elites and in-grown administrations. Having a say in the fate of a forest for which we care would encourage trust members to become better educated on the range of forest issues. This is particularly the case because they are self-selected.

Because there would be many trusts, each with responsibility for only one forest, the membership of each be focused in its interests. In addition, inevitable errors in policy will be confined to a single area or forest, while successes will be able to be copied in many others. This decentralization will also encourage the exposure and correction of errors as they are discovered. Such an institutional arrangement maximizes the advantages of having a multiplicity of decision making centers, while using this same characteristic to minimize the impact of poorly chosen policies.

Such trusts would be genuinely public, democratic, and far less susceptible to the kinds of corruption which have devastated much of our forest land. Their mass membership and the organizations concerned with overseeing their functioning would help protect them from interference by Congress. Once established, they would quickly acquire a legitimacy far beyond that of the self-serving politicians who now exercise partisan and corrupt oversight over the public lands. The public would finally be far more consistently served than is the case today.

While members would not own the forests and parks, in other respects these trusts would resemble cooperatives. Because members are self-selected, and interested in the forest, the advantages of cooperative ownership would largely apply. This provides grounds for optimism. Cooperatives have

proven able to take very long-term points of view. In Japan and Switzerland, where the relative absence of foreign invasion has made it possible for traditional institutional forms to survive for centuries, local cooperatives have managed to maintain community forest and grazing land for as long as 800 years; far longer than the time it takes to establish an old growth forest.( McKean, 1992; Ostrom, 1990, pp. 58-69, 88-102) This record is certainly superior to that of either private corporations or political representatives, neither of which have proven particularly adept at considering the long run.

### In Conclusion

This paper has argued that while key insights from both classical and modern liberalism carry weight, they occur within misleading theoretical contexts. Further, it shows that what appear to be fundamental contradictions between these liberal variants are so primarily because of a misunderstanding on both sides as to the character of the democratic polity. Once the implications of the true character of democratic government are grasped, the field of public policy is transformed. On the one hand, sources of policy failure are better comprehended from both perspectives. On the other hand, a wide field of policy possibilities opens up which use different methods than either has envisioned in order to accomplish the public's goals. This does not mean there is no room for argument between modern and classical liberals. There always will be. But it will be argument within a common context, and so hopefully more productive of the sorts of resolutions that will benefit all involved. And all of us as citizens will be the better for it.

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