

# Governance amid Bigger, Better Markets

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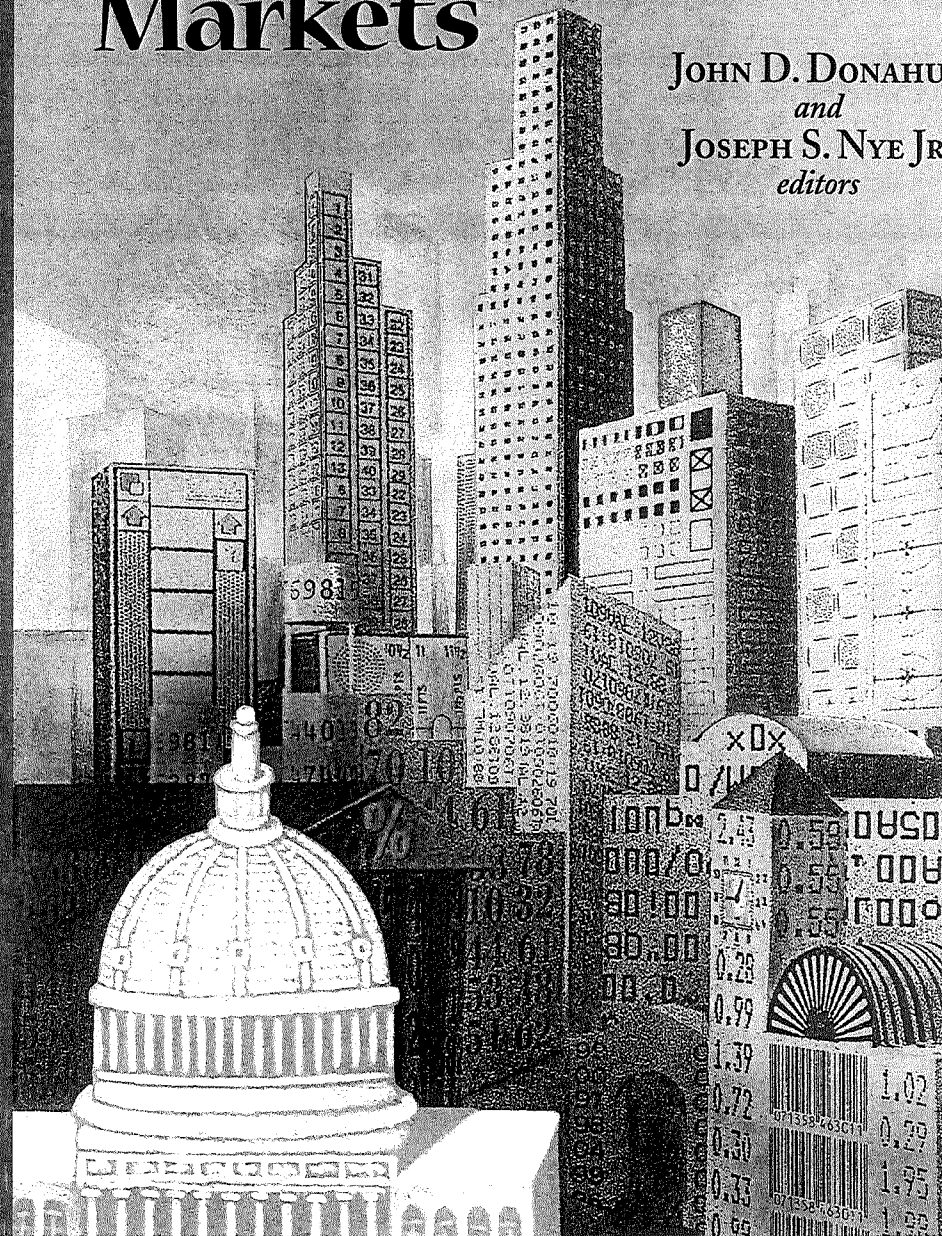
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Governance amid Bigger, Better Markets

BROOKINGS

# Governance amid Bigger, Better Markets

JOHN D. DONAHUE  
and  
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Visions of Governance in the 21st Century

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*Why People Don't Trust Government*

Joseph Nye Jr., Philip Zelikow, and David King  
(1997)

*democracy.com? Governance in a Networked World*

Elaine Ciulla Kamarck and Joseph Nye Jr.  
(1999)

*Governance in a Globalizing World*

Joseph Nye Jr. and John D. Donahue, editors  
(2000)

GOVERNANCE AMID  
BIGGER, BETTER  
MARKETS

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## GOVERNANCE AMID BIGGER, BETTER MARKETS

## *The Market versus the Forum*

AMONG THE CHALLENGES that bigger and better markets pose for governance is the potential impact that the *idea* of markets as a valuable way to organize economic, political, and social life has on *real* capacities to govern. By governance I mean: first, the capacity of some political community to establish a forum within which it can define purposes to be achieved using the power of the state; and second, the community's real ability to achieve the public purposes it defines for itself using both governmental and private capacities to achieve the desired result.

There can be little doubt that market expansion has long influenced real economic conditions throughout the world. The material effect of markets is evident in the growing gross national product of both developing and developed nations, and (to some degree) in declining absolute levels of hunger, illness, and poverty throughout the world. Less happily, market effects are also evident in the ugly and dangerous scars left by the careless use of the environment.

It is equally clear, I think, that the development of active global markets has profoundly shaped prospects for effective governance. The rapid movement of goods, services, capital, and information across governmental boundaries has made it impossible for national and local governments to chart their economic destinies independent of these powerful economic

forces. It is these real, material impacts of bigger and better markets—both positive and negative—that are the focus of many of the essays in this book.

Here I want to make an additional argument: namely, that the growth of markets helps to spread a *market ideology*. This effect happens as individuals participate in the market as consumers, employers, entrepreneurs, and investors and have the concrete experience of making independent choices about how they will spend their time, energy, and money. It also occurs as individuals observe the market at work and see its capacity to organize social energy. And it occurs as market actors organize to make increasingly effective political claims on government's power to support the market. Eventually, the market becomes not only a way of organizing the economy of a society but also a way for society's members to think about what they should value as individuals, how they might combine together to produce valuable social results, and how lines ought to be drawn in society between the private and the public, the individual and the collective, and the voluntary and the obligatory.

Of course, the market is not a new phenomenon. As an empirical reality, human beings have long exchanged things in markets without explicit social or political sanction. Moreover, those exchanges have always crossed the boundaries of class, culture, and citizenship and to some degree have unsettled social relationships built on tradition, charismatic authority, and coercive power. What is relatively new in the world, however, is the elevation of markets to the status of a reliable and important social institution for satisfying individuals and achieving social goals. The elevation of the market to this status as a valuable, all-purpose social institution has required the development of a market ideology that legitimates the market in this role—that explains why markets are a good (and fair) way of organizing the productive capacities of society to meet individual needs and wants.

The development of this market ideology has probably been a necessary cultural and political condition for the expansion of real economic markets around the world. Without this ideology to legitimate markets in otherwise hostile social and political environments, the spread of markets might have been slower and less global than it actually has been. It is also true that the success of markets in improving material conditions throughout the world has helped spread commitment to the market ideology. As markets have succeeded in creating wealth, satisfying individual desires and giving individuals a chance to lead their lives more freely than was previously

imaginable, the values celebrated by the market ideology have become more powerful.

This would unequivocally be a good thing if market ideology could be confined to offering instructions about how to organize a society's economic life. But market ideology has had a way of extending its reach into social and political as well as economic life:

—The idea that the selfish pursuit of individual material welfare produces efficient economies can affect individuals' ethical views of what they should value as individuals.

—The idea that the market reliably assigns value to individuals' contributions to the productive activities of the society through wages set in competitive labor markets, and that individuals are entitled to keep what they earn from their individual labor, can shape their ideas of what they as individuals are entitled to and what they owe to others.

—The idea that a system in which people own property and make voluntary exchanges with one another produces a kind of global efficiency in the organization of social effort that can shape individuals' social and political views about the importance and location of the boundary between the private (where individuals are free to pursue their own interests) and the public (where individuals decide together on the purposes that are important enough for them to tax and regulate themselves to accomplish).

—The idea that rational individuals can be expected to shy away from making contributions to the general welfare if others can be persuaded to do the work that will benefit all together, and will seek to maximize their own welfare when they act as the fiduciary agents of others, can shape our views about the possible ways in which individuals can combine together to accomplish public purposes and exercise effective control over those whom they rely on to achieve their purposes.

All these ideas together help to support the idea that a wise, good, and effective society would be one that concentrated most of its attention on protecting individual property rights and promoting economic development and much less attention on defining and working toward a common good or an expansive idea of justice.

In all these ways, the market ideology can shape the social and political culture of a society and influence choices about how individual and social life will be conducted in areas far removed from the processes of getting and spending.

I also want to argue that the political and cultural effects of a market ideology are more likely to be negative than positive for the cause of more

effective governance. There are, of course, some positive benefits of market ideas for effective governance. But I believe that the main effect of embracing a market ideology is to undermine the sense of collective responsibility for social life that is probably an essential condition for effective governance.

This adverse result derives, in the first instance, from the importance that the market ideology places on satisfying individual *material* desires to live well as individuals over individual *social* and *political* desires to live in a just and good society. In short, the market celebrates *Homo economicus* more than *Homo civicus* or *Homo politicus*. In doing so, the enthusiastic embrace of market ideology may not only discourage the expression of these important aspects of human life; it may also undermine the commitments and capabilities that make an effective social and political life possible.

The adverse effect of market ideology on governance derives, in the second instance, from the undermining of confidence in the capacity of a group of individuals to form and achieve a collective purpose that would be responsive to the political aspirations of the individuals who made up the collective. Economic theory tells us that it is impossible to aggregate individual preferences in a coherent way, that efforts to mobilize individuals to produce "collective goods" will be frustrated by "free-rider problems," that much of what lies beneath the surface of politics is "rent-seeking behavior" by materially self-interested people using phony public interest arguments to camouflage their selfish purposes, and that those whom we used to call public servants are really nothing other than bureaucratic empire builders devoted to maximizing their own power, prestige, and salaries.

In short, the market celebrates the processes of individual voluntary exchange and finds an attractive collective result only in the aggregation of these voluntary exchanges. Alternative forms of aggregating individual preferences and commitments (such as deliberation leading to the recognition of shared purposes and an acknowledgement of shared responsibilities for achieving those goals, which are then pursued as a point of honor and social commitment) are deemed insufficiently reliable, too vulnerable to exploitation, and too threatening to individual liberty to be effective means of achieving desirable social results. In short, civic association and politics—understood as the effort to form a collective will and a collective capacity to act from the commitments of individuals—is viewed as a problem rather than an opportunity. So is having to figure out how to use the asset that democratic theory asserts we all own in common—namely, the power of the state to tax and to regulate us as individuals for the common good.



If market ideology celebrates material interests and voluntary exchange among individuals and views other motivations and methods of aggregating social effort as unreliable; and if governance depends on individuals developing and expressing ideas about the common good and joining together in clumsy democratic processes that commit the citizens of a society to giving up some of their money and freedom to accomplish purposes they decided were important to pursue together, then the wide embrace of market ideology could well undermine the prospects for effective democratic governance.

To make this argument, I explore the elements of market ideology at several different levels. I begin simply by noting some important value commitments that are thought by many to be entailed by a social commitment to market ideology. I do not try to show that these ideas about social organization are necessary logical entailments of market ideals, or that they are, in fact, empirical consequences of the extension of markets. I note only that some individuals and societies react to the emergence of markets as though they sought to enshrine certain kinds of social values, relationships, and commitments that seem dangerous to public life. I then explore market ideas as an explicit guide to societies about how they might organize themselves to ensure that their resources are used most efficiently to satisfy individual desires. In effect, I deal with market ideology as though it were a more or less complete social and political theory. Third, I explore how market ideas can affect social choices about the sizes and character of different social sectors and the ways in which market ideals end up favoring the institutions of civil society over those of politics and government in achieving social results.

### Market Ideals as a Social and Political Ideology

I will shortly turn to the formal variants of what I term *market ideology*—welfare economics, and the extension of its core concepts into sociology, political science, and other disciplines. But first it is worth paying some attention to the broader intellectual gestalt from which these more structured concepts have been crystallized analytically in important social science theories. The idea of relying on markets and private enterprise to accomplish important social goals operates at this broader and fuzzier level both for market enthusiasts and for market skeptics.

Although it is hard to be conceptually or empirically rigorous in characterizing the particular values that seem to be celebrated by the market as a form of social organization, it is possible to construct a suggestive list. As a starting point for discussion, we might say that the market ideology is believed by many of its supporters to be a philosophy that emphasizes such values as:

- the right of individuals to form their own views of what is valuable over a collective's right to say what ought to be valued;

- the right of individuals to choose and enter freely into contracts over a collective's right to oblige and impose duties;

- the right of individuals to own their own time and decide how to spend it (including the important decision about how they will divide their lives among efforts at "getting and spending," "kicking back and enjoying life," and accepting the responsibilities of being a member of some kind of collective, such as a good spouse, a good parent, a good neighbor, a good congregant, or a good citizen;

- the right of individuals to accumulate the fruits of their own labor and use their property in ways that they choose;

- the importance of ensuring that society's productive capacity is deployed to meet the material desires of individuals, as a goal that individuals would have for themselves and as a goal that society as a whole would embrace as its ultimate purpose;

- the necessity of relying on disciplines produced by contractual accountability and competition as important ways of motivating individuals to produce, and firms to become efficient, over the naive view that people will do things simply because they are right;

- the justice of being able to own and build up private property as a consequence of one's own talents and efforts; and

- a belief that markets produce an important kind of justice in producing fair payments to individuals for the contribution that comes from their talents and effort in applying them.

Note the different kinds of claims in this list. Some of the claims are instrumental; they point to the effectiveness of the market in achieving particular results. Others are value claims; they take a position on what is just and fair in the ordering of social institutions rather than on what arrangement of social institutions works best to achieve individual and social goals. It is in these ways that the market ideology is a social and political ideology offering a vision of how individuals ought to relate to one another in society as

well as an instrumental scheme for organizing the productive energies of society.

The market ideology is believed by many *opponents* to be a philosophy that emphasizes: individualism over any important conception of recognized interdependence or collectivist commitment; materialism and consumption of goods and services over the search for spiritual growth and moral virtue as the path toward the good life; economic life as a more important place to spend one's time and derive happiness than social, or civic, or political life; competition over cooperation as an important spur to productive activity and innovation; pragmatism over idealism as a way of orienting oneself to work and motivating others to participate; short-run consumption over long-run conservation and patient investment.

Now, these views may or may not be logical entailments of a commitment to what could be rightly understood as market ideals. It is also true, I think, that given the past century's experience with both fascism and communism we can all imagine the ways in which political ideologies that emphasize collectivism over individualism in the name of individual and social virtue can be used as devices to destroy individual liberty and waste productive activity.

Still, those who are interested in spreading the market ideology, either as an umbrella under which real markets can continue to expand or as an attractive set of concepts to be used in thinking about the overall organization of society, must contend with the fact that market ideals are perceived and either supported or opposed by many on the grounds described above. Moreover, we must be prepared to confront the fact that, insofar as markets succeed and bring with them these particular ideals, the very success of markets may end up giving moral and social license to the values and conduct described above.

### Market Ideals as a Guide to Organizing Economies and Societies

Whatever the fuzzy connotations of the market ideology, there is also a very specific idea about markets and why they are to be preferred in organizing both economic and social life to ensure the "maximum good for the maximum number." Often these institutional arrangements are justified on the apparently neutral ground that they are more "efficient" and "effective" in accomplishing social results. And so they may be.

### *Efficiency as a Feature of Markets and as a Social Goal*

Yet one must keep in mind that there are two quite different ideas of efficiency and effectiveness embedded in this general claim about markets. The most commonly understood idea is that the market will *develop efficient and effective technologies or methods for producing any given desired result*—that is, that the same quantity and quality of output can be produced with less use of scarce materials such as land, labor, and capital. That result is ensured (in the short run) by the existence of *market competition*, which forces firms to find and use efficient technologies for producing goods and services lest they lose customers (and investors) to firms that can offer products and services at a lower cost. It is ensured over the long run by the desire of entrepreneurs to make money and the fact that they can do so if they are allowed to keep the benefits of finding a more efficient technology for producing a given result.

The second, less commonly understood but potentially more important idea is that the market will be efficient because it focuses the attention of producers on *supplying what individuals want*. This idea reflects the importance of *consumer sovereignty*. The market is judged to be efficient not only because it produces goods and services at the lowest possible cost (given today's technologies), but also because it does not waste time, effort, and material on producing things that people do not want. Or, somewhat more precisely, it systematically weeds out those enterprises that are wasting resources on things that individuals do not want and therefore guards against social waste.

It is of no small import, I think, to understand that the market ideology gives enormous weight and standing to *individual* desires, aspirations, and preferences. The fundamental social justification for the market is: (1) that it does very well in satisfying the material desires of individuals as consumers; (2) that accomplishing this goal efficiently should be the most important goal of an economy; and (3) that having an efficient economy (in the sense described above) should at least be a very important goal of society if not, in fact, the only important goal.

### *The Individualization of Politics: Liberal Political Theory*

Note that the importance of satisfying individual desires in *markets* aligns quite closely with the *political* ideals of a liberal democratic state. Both



free-market economic theories and liberal political theories start from the premise that the most important arbiter of value is the individual. That is as true in *markets* when people are buying deodorant or art, choosing among colleges, or deciding where to sell their labor as it is in the realm of *civic* life where individuals make voluntary contributions to public purposes, or in *political* forums where individuals cast their votes for particular candidates' visions of a good or just society, or in referendums that decide whether something is or is not a problem that ought to be addressed using the collectively owned powers of government.

Of course, the *kinds* of individual preferences that people express in markets might be quite different from the values they express in civic and political life. In markets, individuals are thought to express their preferences for material goods and the ways in which they decide to participate in the economy as investors, entrepreneurs, workers, and consumers. The values they express in civil society and in politics, in contrast, have less to do with individual consumption and more to do with individually held ethical, social, and political aspirations. In the civic and political sphere, individuals seek to find and express ideas about what constitutes virtue in their own lives, what they think is important to do for others, how they would like to combine with others both for camaraderie and to achieve shared goals, and how they would like to use state power to achieve a just and good society. (By describing these values as "individually held," I am not suggesting that, as an empirical matter, they are constructed by individuals standing alone without the important influences of social norms, traditions, or powerful institutions that mediate between the individual and society such as families, communities, and churches. I accept fully the idea that individuals' beliefs, commitments, and actions are profoundly influenced by the macro and micro social conditions in which they find themselves. I am simply observing that it would be possible to observe the values that individuals hold at the level of the individual and to imagine that the individuals both believe themselves to be and to some degree are independent agents in developing these views and deciding when and how to act on them.)

#### *Methods for Aggregating Individual Preferences: Markets and Forums*

The methods for aggregating or combining individual preferences and values also differ significantly between the market on one hand, and civic and political life on the other. In the market, aggregate results emerge willy-

nily as the cumulative results of individual exchanges. In the forums of civic and political life, exchange is hardly absent. Many collective arrangements arise from individual exchanges and negotiations among more or less materially self-interested individuals and groups.

But in civic and political forums we sometimes imagine that aggregate results could be produced by a different, more social, less individualistic process: namely, individuals might build up feelings of reciprocity and commitment such that they would do things for each other even without being sure that the account would be instantly cleared; or they might find that they had commonly shared purposes that could be more easily achieved if they cooperated to produce the mutually valued result rather than struggled to find ways to get another person to do most of the work of producing the result that they both want. The discovery of a common cause and the development of a common commitment to pursue it could occur *ab initio* as each person finds another like-minded and equally honorable person. Or the common cause could be created after some process of deliberation and joint action during which individuals who initially have different views about what would be valuable and feasible, and are uncertain about their ability to act together, develop more concerted views about what is worth doing and more confidence in one another's willingness to share their "fair" burden in achieving the mutually desired result.

Note that there is a very close relationship between our understanding of the preferences individuals have and want to express and our understanding about how social aggregation processes might work. If we imagine that the preferences and values that reliably guide human behavior are largely selfish and material—that each individual will evaluate the results of social engagements largely according to whether it was good for him or her alone rather than for the group or some larger purpose, and will neither identify much with others nor feel solidarity with them, nor cooperate as a matter of duty and honor—then the only way in which individuals can combine to accomplish collective purposes is through negotiation and deal-making in which the only things being exchanged are material goods that the negotiators desire.

If, however, we imagine that the preferences and values that reliably guide human behavior include some desire to maintain right relationships with others, and to accomplish larger social objectives than attaining comfort and sustenance, then new ways of combining become possible. Even if we stay in the world of negotiation, more deals become possible if the negotiators care about the welfare of their negotiating partners and take

some satisfaction in the overall value produced by the deal as well as their share of it. And, if we step outside the negotiation framework and give greater weight to individuals' desires to help one another or to maintain a right relationship with others, or to achieve the larger purposes of living in a just as well as prosperous community, then these motivations alone can suffice to create an organization that can extract effort from individuals and transform both material and social conditions in a society.

In sum, if we think individuals care about one another as individuals and about the aggregate material, social, and political conditions in which they live, then the aggregating processes we associate with civic and political forums have more potential to organize society than they would if individual preferences were limited to selfish material desires. In that world, the market would be the only reliable mechanism. This is one of the important ways in which economics might properly be viewed as the "dismal science": it is not only gloomy about the prospects of human development; it is gloomy about human nature and humans' ability to combine together as well.

The fact that market ideology emphasizes the value of voluntary exchange among individuals as the preferred way of aggregating individuals into collective units that can accomplish things (whether that aggregation happens in the use of markets to organize much economic activity, or in the combination of capital and labor to form a firm, or in the negotiations that occur among neighbors about how they might build and care for a playground that both their families could enjoy) has important implications for how those imbued with the market ideology will view the aggregation processes that happen in civic and political forums. To market enthusiasts and liberal political theorists who value individual choice and freedom over social obligation, civic and political forums are potentially dangerous to the social goal of satisfying individual desires. In such settings, the weight of the collective bears down on the individual members of the forum. In that weight lies the stench of social coercion against free individuals. In that weight lies the hypocrisy of individuals and groups who assert that their particular desires should be embraced as a public cause. In that weight lies the potential to grasp the power of the state to advance some interests against the interests of others.

This view of any collective deliberation process as a threat to the interests and rights of individuals poses a real difficulty for theories of democratic governance. By definition, a state enjoys the right to use its author-

ity over its citizens to advance common purposes. In democratic theory, that authority is supposed to be jointly owned by the citizens. It is supposed to be used to protect their rights and to advance whatever common interests they might decide that they have. The fact that the state has power to accomplish things and is jointly owned by citizens means that citizens own something in common: namely, the power of the state. It follows, then, that they must have some way of deciding how they will use the power of the state, and that will be, by definition, a collective process. If this process is unreliable in helping individuals achieve their valued goals, it follows that much about the state will be suspect. It follows as well that a society ought to resist using the state whenever possible, for its use can be only imperfectly guided toward the cause of maximizing individual welfare.

Of course, I am describing here the fundamental tenets of a libertarian political philosophy. There are other "liberal" political philosophies that would view the state as a potentially valuable actor in producing prosperous and just societies, and who think of the processes of guiding the state's actions through democratic politics as a reasonably reliable method of advancing individual and social welfare. I want to emphasize, however, that even though liberal political ideals include some acceptance of the necessity of individuals combining together to provide guidance to a democratic state, most liberal political theorists (to say nothing of most welfare economists) remain profoundly suspicious of the idea that a collective—a "we" that can have desires and the will to accomplish collective purposes—can be reliably formed from individual desires.

Despite the bold claims prominently displayed on American currency, liberals of all stripes have serious doubts about the extent to which a "pluribus" can reliably produce an "unum." In liberal political theory as well as welfare economics, the irreducible element of society is the individual—not the family, not the community, not the polity. These collective enterprises—however small, organic, and intimate or large, socially constructed, and impersonal—exist only as long as they can continue to earn the loyalty and commitment of the individuals who constitute them. To say that they can operate together with a collective will is at best a bad metaphor that obscures the important question of how such collectives form and maintain the commitments of freely choosing individuals to them. The idea of a collective will is, at worst, an idea that paves the way to fascism and totalitarianism.

*The Social Preference for Markets and Economies  
over Forums and Governments*

The fact that market ideologues and liberal political theorists have such a profound commitment to individuals as the sole arbiters of (economic, social, and political) value, and such a profound suspicion of the possibility of forging collective decisions from those individual valuations in any real collective choice process, causes these groups to favor the market economy over other sectors of society. The reason is simply that markets allow individual preferences to have the greatest power to be satisfied. This is true even though it may only be *material* desires that can be satisfied through markets. If material choices can be satisfied through markets, and political aspirations cannot be well satisfied either through markets or through politics, it follows that if we want to have individuals satisfied rather than frustrated we should encourage them to concentrate on what can be done within markets rather than through politics. A wise society would emphasize the potential of markets, with the wide freedom of expression they allow and their fantastic capacity to enhance material welfare over the worlds of public action.

*Politics in a Society Dominated by Market Ideology*

Taking this argument from the economic realm into the political realm, those with strong commitments to a market ideology find that they have strong views about political and civic culture: that is, about how individuals should think and act as citizens of a social and political community. They also have strong views about structuring institutions in society: that is, about how the line should be drawn between private and public institutions and what the proper ends of government should be.

More specifically, those committed to a market ideology often think it would be best if politics—understood as a continuing collective discussion about what we should tax and regulate ourselves to accomplish together—were relegated to the margins of individual life and treated as a necessary evil rather than an important and beneficial part of our lives. Given that there is no obvious way that people with conflicting views about the purposes for which and the ways in which society ought to be organized, it is probably best for individuals to keep their political ideas to themselves. To minimize conflict and avoid frustration, then, politics and public life ought to be minimized in favor of more private living.

To the extent that some kind of politics is necessary to give guidance to the democratic state, those who admire market ideals believe that politics should be structured competitively—like markets. We should have a “free market of ideas” about what society ought to try to achieve and how it ought to go about it. We should have “competitive elections” in which individual candidates compete for the votes of individuals by aligning themselves with individuals’ views about how they want to be governed: how they would like to divide the world between public and private and what public purposes are important to achieve. The idea is that such “political markets” will produce “efficiency” in the satisfaction of individuals’ social and political aspirations in the same way that “economic markets” will satisfy individual material desires.

Such considerations lead to the “welfare economics” view of how best to organize society both economically and politically, and to the “rational choice” view of politics and government. In this view, the best society is one that is designed to meet the desires of individual consumers in the market realm and the aspirations of individual citizens in the political realm. The consumers are thought to be people who have primarily material desires. To the extent that they have moral or political or religious aspirations, these must be satisfied outside the domain of the market by choices they make for themselves in their personal lives, in their communities of faith, or through the act of voting. To the extent they have political aspirations for the shape of society as a whole, they have to compete with many others’ views to elect their candidates or otherwise get the government to adopt their preferred ideas. The best political forums will be those in which individuals simply cast their individual votes for preferred social states, and the state is selected that comes closest to satisfying the political aspirations of the “median voter.”

*The Role of Politics and the State in a Society Dominated  
by Market Ideology: Libertarianism and Liberalism*

Of course, even libertarians understand that there has to be some role for the state, and therefore some political activity to guide the state’s activity. Since the market is so important to the satisfaction of individual material desires, a crucial function of the state is to keep the market running properly. At a minimum, the state must be able to protect private property and enforce contracts. Somewhat more ambitiously, the state must deal with “externalities” (the fact that there are some unowned and unpriced but

nonetheless valuable resources that are used in economic production) and provide some "collective goods" (goods that are valuable to produce but that individuals cannot be excluded from enjoying even though they have not paid to do so).

It is also true that both libertarians and liberals have ideas about what individuals are entitled to as a matter of political right, and that a state has to exist in order to enforce the rights that allow individuals to freely express their preferences for how to live outside the market economy. In both liberal and libertarian political philosophies, the state must allow people to own and accumulate property and do what they wish with it. It must allow them to speak and associate as they will, guarantee their right to worship as they please, and so on.

And, because a state must exist at a minimum to allow markets to do their work, and to some degree to correct some predictable defects of the market, we must also construct a process that ensures that the collectively owned assets of the democratic state—the power to tax and to regulate—will be guided by the preferences (both selfish/material and altruistic/political if such exist) of individual citizens in whose name the state acts. This means that we must have authoritative policies governing political activities such as voting, the use of the referendum, legislative processes, administrative processes, and so on. In short, every decision that commits the collectively owned property, money, or authority of the (presumably democratic) state must be made vulnerable to the influence of citizens whose interests and political commitments are affected by the choice.

It is important to understand at this stage that an important contradiction has been introduced into the organization of a society. Having created a state as a necessary institution to support the functioning of markets and to protect individual rights that allow citizens to act freely in the civic and political realm, we have created the potential for politics to arise in which individuals decide not to set their civic and political ambitions aside, but instead to pursue them through collective civic and political action. They can join together to achieve common civic purposes using their own resources. Or they can join with others to lay claim to the powers of the state to achieve social purposes that go well beyond the protection of markets and individual political rights. That is, the institutional means have been created for the development and expression of collective purposes beyond the limited ones of ensuring the smooth functioning of the market and the protection of individual rights. In principle, then, individuals could decide to pursue many different purposes rather than these minimal

purposes of the state. If they thought the market was eroding important individual and communal values, they could decide to restrict the inroads of the market into their society. If they thought that justice required significant redistribution of income, they could presumably decide to use state power to accomplish this collectively agreed upon result. The point is that there is nothing that necessarily limits their political aspirations to minimizing the use of the state.

At this stage, however, the market ideology steps in and argues for a libertarian political philosophy as the best idea about how to use the powers of the state, rather than a liberal or communitarian political philosophy. The important libertarian idea is that because collective processes are so unreliable, as much of social life as possible ought to be left to the workings of the private market in which individuals can choose what to consume, how to divide their time between leisure and work, and how to live their lives outside of the marketplace. As little as possible ought to be decided collectively. As little economic life as possible ought to be governed by collective decisions to tax and spend. As little social life as possible ought to be brought under the influence of the collective using the authority of the state. In short, the best state would be the one in which we collectively agreed to minimize the use of the state.

Of course, even if one believes in the importance of markets as a useful device for organizing economies (the places where individuals work to satisfy their material desires for food, shelter, clothing, and other necessities), and in the importance of constructing social arrangements that honor individuals over collectives, one does not have to become a libertarian. One can accept the view, for example, that markets are limited in their ability to satisfy individuals needs efficiently and effectively and that we need governmental power to allow markets to work more efficiently. This includes using governmental power not only to protect property and enforce contracts but also to force economic decisionmakers to pay attention to situations when they are using unpriced assets (such as air) in their economic activities, and to recognize that there is social value attached to these assets even though they are not owned and exchanged in markets. It also includes the power to guard against the emergence of monopoly power, and to prevent firms from cheating or defrauding, or coercing their shareholders, employees, and customers. We can call all of this "economic regulation."

Once a state exists with the power to ensure that markets work to satisfy consumer desires efficiently and effectively and a process that grants individuals in the society rights to argue for the use of state power to advance

political outcome the fact that individuals voted to use state power to achieve these goals, while libertarians would to some degree deny the right of individuals to make claims on one another through political aspirations and to use politics and the state to advance purposes that the collective decided were important. Liberals look for a collective life guided by freely choosing, politically motivated individuals; libertarians suspect such a society and would view political motivations as thinly veiled self-interest or idiosyncratic conceptions of the public good that should not be allowed to impinge on their freedom.

### *An Alternative: The Communitarian View of Politics and the State*

What both libertarian and liberal traditions miss or underemphasize, however, is a view that takes collective life—whether that be social, civic, or political—far more seriously as an essential part of what human beings both like and need to do. In this view, collective life is not viewed as a necessary evil that has to exist only long enough to remind us of the hazards of trying to live collectively and to reaffirm our collective commitment to live as privately and individually as possible. It is, instead, viewed as a necessary part of both individual and social well-being. Without participating in the processes of collective life—of deciding what we are and could be together as well as who we are and could be as individuals—we cannot be satisfied as individuals. Nor can we develop ourselves as individuals. In short, human beings need collective life not only as a means of creating the conditions under which they can live well with one another but also as an end in itself.

In this conception of the role of collective life, a society might come to the view that a market-dominated society would end up not only without enough social goods and enough equity *but also without enough opportunity for individuals to satisfy themselves as social, political, and communal beings.* In this conception, collective decisionmaking and the means for achieving collectively defined goals and aspirations are not threats to individual choice or problems to be minimized; they are, instead, desirable human activities to be embraced in the interests of a higher-quality individual and collective life. The need to come together to construct and deploy collective power is not just occasionally necessary to create the institutional structures that can guarantee efficient markets and protect liberty. It is, instead, something more systematically and continuously valuable to individuals as they live and develop themselves as individuals, and as they reach for fairer,

more just, and more prosperous societies to live within. Individuals have desires to gather together and commit themselves to accomplishing things together, not just a technical need to do so (in short, humans are *political* as well as *economic* creatures); thus, in order for societies to be fully satisfactory to humans, they must provide a vibrant sector of society in which individuals can and do act socially and politically.

From this perspective, the political/governmental world (and the voluntary third sector of associations and civil action) would be an important complement to the market in providing individuals within a society access to the good life. They would have this access not only as individual consumers and laborers but also as neighbors, congregants, and citizens. These roles would be as important to the good life as the roles of consumer, employee, investor, and entrepreneur.

### *The Public as the Arbiter of Value; Public Value as the Goal of Government*

So far, I have argued that we could adopt the view that a collective life of voluntary association, politics, and governmental action is important to individual satisfaction and to the ability to create just and good societies. I have also argued that it is plausible to imagine that such activities do not simply aggregate individual preferences (whether self-regarding or other-regarding) by adding them up through exchanges and contracts, but instead through argument and deliberation about the kind of people we are and the kind of society we want to inhabit. If both these points are (tentatively) accepted, then we could take one more step and note the extent to which this idea would be consistent with the profoundly illiberal idea that a collective “we” could be established that was capable of willing, choosing, and acting as a collective. Further, we might imagine that that “we” could compete with individuals as an arbiter of value in deciding how society’s resources ought to be deployed.

In this conception, it is possible to imagine that a *social* utility function could be constructed and make claims on socially available resources as well as *individual* utility functions; further, that this social utility function would become the proper scorecard to use in judging whether some of society’s efforts were successful rather than the summation of individual satisfactions. Or, to put it less technically, we as a society and a collective could decide that there are things we want to produce together as desirable features of society: a first-rate military, a reliable criminal justice system, an

accessible court system, a means for guaranteeing the safety and cleanliness of the air we breathe and the water we drink, a health care system that provides a high degree of quality care and accessibility to all regardless of ability to pay. These collectively defined purposes could then make claims on us as individuals. We could be taxed to produce the money required to produce these social results. Or we could be regulated and obliged to act in ways that contributed to these objectives directly. We could be drafted into the army, forced to serve on juries, and prohibited from dumping toxic wastes into the air and water.

One way to think about this is to see that the "public policies" that emerge from the processes of representative government are essentially collective statements about the important public purposes that are to be achieved using the assets of the state—both the public funds that were raised through the power of taxation and the state's authority to force individuals to make contributions to the public good. Insofar as these public policies set out purposes to be achieved with social resources, they define the "public value" that is to be pursued through the use of collectively owned resources. (In more technical terms, we could say that public policies established little social utility functions.) Further, we can imagine that these political commitments to particular conceptions of public rather than private value would trump individual market decisions about whether and how much of these valued purposes society as a whole ought to buy.

Thus, for example, the collective could decide that an educated citizenry is important enough to its economic, social, civic, and political future that it would be willing to use its authority to require kids to go to school and its money to pay for books, teachers, and so on. The *collective*, not the market, has decided how much education will be provided and how it will be distributed. (Or more precisely, it has established some minimum universal conditions; if individuals can meet and exceed them through their own efforts, they are entitled to do.) This is the moment when the public as a political collective stepped in and decided what was valuable to produce with its resources rather than leaving the decision to the market.

Arguably, it is the domain marked out by these collective decisions to try to achieve collectively defined purposes through collectively owned assets that is the domain of the government sector. It is this sector (whatever its size) that is guided by collective choices about what is desirable to do and that uses the collectively owned assets of the state (its property, its money, and its authority) to accomplish these goals rather than individually

defined purposes. The existence of this domain competes with and shoves aside the idea that *individual* valuations are the only things that matter in society and allows collective decisionmaking processes to make a claim on both the principle of individual choice and the society's overall resources.

Precisely because the government sector depends on collective agreements to decide what is worth doing and relies on collectively owned assets to accomplish this goal, libertarians and others who think individuals are the only arbiters of value would like to keep this public domain as small as possible. But it is also for this reason that communitarians who think that a wholly individual life is both a lie and dissatisfying to individuals would allow for a much greater influence of collective processes (including but not limited to politics and government) in social life.

### *Vouchers as Collective Support for Individual Decisionmaking*

Note that "vouchers" fit into this scheme in an interesting and complex way. In an important sense, vouchers embody simultaneously a collective decision to finance and subsidize a particular kind of purchase by a particular class of individuals (for example, food stamps represent a social commitment to subsidize food purchases by poor people, Medicaid represents a social commitment to subsidize medical care for the poor, school vouchers represent a decision to subsidize education for the rich and middle class as well as the poor). As such, they represent a nonmarket, collective decision that a particular good is sufficiently important to individuals and to the society that the society wants to make sure that everyone gets enough of it.

At the same time, vouchers seem to enshrine the idea that individuals ought to be able to decide how they will meet their nutritional, health, and education needs. The delegation of this choice (but not the financing) from the society to the individual supports not only the market principle of competition on the *supply* side (with its attractive effects on innovation, adaptation, and cost reduction), but also the principle of individual choice on the *demand* side (individuals can pick the kind of food, health, and education they desire rather than have the collective decide for them). Both things promise greater efficiency both in the sense of finding more efficient ways of producing particular socially desired results and in the sense of producing what individual clients want and value rather than simply what society values.

Yet it remains uncertain whether vouchers have really privatized the decision or left it in the collective's hands. After all, the collective has not



given out money with no strings attached. It has said to consumers that this money must be spent on particular things and makes significant efforts to ensure that the voucher's economic power is not spent on things that the voucher is not supposed to cover (such as alcohol rather than cereal for the kids, or faith healing rather than real medicine). Presumably, if individuals began making choices that seemed wrongheaded or improper to the collective, the collective would constrain the individual choices further.

Also uncertain is the extent to which vouchers are understood to be valuable because they guarantee the maximum degree of individual satisfaction (given that the purpose has been somewhat constrained by the collectively defined purpose), or because they are more likely to achieve the socially defined purpose they were designed for in the first place (that is, encouraging effective cooperation of the individuals who receive the vouchers in accomplishing the socially desirable goals). This difference could be revealed in the difference between thinking that educational vouchers are valuable because they increase the likelihood that parents and children will *like* the school they attend, or because the combination of liking the school and the new competitive pressures that result in both significant adaptation and innovation achieve the desired social result, which is *more educated kids*. In the first, satisfaction is treated as an end in itself. In the second, satisfaction is treated as one thing that contributes to the efficient and effective production of what is *really* desired: namely, the socially established goal of producing an educated citizenry.

*Summary: Political Rights and Decisionmaking  
about a Just and Good Society*

The point, then, is that if the fundamental idea behind the market ideology is that it is important to empower individual ideas about value over collective ideas of value, then this ideology poses a challenge to governance precisely because it undermines the idea that a collective agrees on what would be valuable to accomplish together. After all, even a libertarian society needs a social agreement that it will be a libertarian society. Further, to keep itself libertarian it needs to find some way to undermine the ambitions of those who would like it to be something else. A truly democratic society not yet committed to libertarianism would need some way to keep checking with citizens that libertarianism was still the form of society they wanted.

It follows, I think, that if there is a legitimate collective capacity to decide that a good society would be a libertarian one, there might also be

a legitimate collective capacity to decide on a state that became the agent of a collective will to achieve social results different from those that would result from a libertarian political commitment. To make the claim that there are "core functions" of a state and that the state sector should be limited to these "core functions" is not a *technical* statement that emerges from social science understanding; it is a *political* statement about how much of a society's activities ought to be decided on by the collective. It might be good for economic progress and individual freedom for a state to severely limit its ambitions.

But if a collective wanted to produce values other than economic growth and individual freedom—for example, a fairer distribution of wealth and greater opportunities for community engagement—then the "core functions" of government would end up being quite different. A state could be produced that supported the development of a market economy that produced public goods such as state-supported enforcement of contracts and the protection of private property against theft. Or, a state could be enabled to try to produce a kind of social justice or economic equality that suited the political aspirations of its citizens.

To the extent that individuals have social and political commitments that they would like to have realized in their societies—that is, to the extent that they seek to govern themselves—then they have to depart (at least to some degree) from the important market principle that only individual preferences matter. They have to find a way to reach a collective view about their purposes and the means they will use to construct their collective life together, even if their ambition is to make that collective life as limited and as small as possible.

Once we accept the idea that collective purposes can be established through political processes, and that these purposes can trump individual valuations and claim social resources, we can see one of the ways in which the market ideology might undermine a valuable capacity for governance. It might deny individuals the chance to exercise what Hannah Arendt once described as the only kind of liberty worth having: namely, the right to participate in the process of governing the society of which one is a part. In doing so, it would eliminate something that was valuable to individuals, as well as something that was valuable to a society that wanted to be good and just.

But market principles are not finished yet. They can also make claims on how society might think of the role of the voluntary third sector of society as a vehicle both for the expression of social and political aspirations

and for dealing with important public problems or advancing important social goals. It is to these ideas that we next turn.

### Market Ideology and the Role of the "Voluntary Third Sector"

The burden of my argument so far has been that it is meaningful to talk of "public purposes" as something other than the maximization of the sum of individual valuations; that there is a way in which the processes of representative government can be relied upon to form collective judgments about what constitutes "public value"; and that these collective judgments about public value can, to some degree and in some domains, trump individual valuations and claim resources from the ordinary processes of individual exchange that constitute a well-functioning market economy. Exactly how a "we" forms from collections of individuals to establish such judgments about public value remains a bit unclear, of course. It is also easy to imagine all the ways in which the processes of forming a "we" that could have social preferences could be corrupted. It is for this reason that, as a political view, one might adopt a political philosophy that kept as much of social life as possible out of the reach of the unreliable "we" to maximize the chance that each of us who makes up the "we" would be able to achieve what each of us wants to achieve for ourselves.

The problem with the strictly libertarian view, however, is not only the technical problem that even a libertarian state requires some collective capacity to establish and maintain itself, but the more fundamental problem that it leaves out the following important ideas: first, that individuals might have social and political aspirations as well as material aspirations; second, that it might be important to individual and social welfare for society to construct institutions that would allow *all* of these preferences to be expressed and achieved; third, that often social aspirations can only be met through concerted social action carried out on a scale larger than the individual. That is, welfare economics and associated libertarian political philosophies leave out the idea that individuals have ambitions for what they would like to do *for and with others in activities that exist outside of the market*, and they *have ideas about the kind of society they would like to live in*. Or, more precisely, it says that *if* people have such ideas they ought to be free to express and pursue them, but to do so on their own, without invoking the powers of the state to make claims on others in realizing their more or less idiosyncratic social ambitions.

Although the idea that individuals might have and want to express desires to be virtuous in their lives, to do for others, and to join together in common cause to achieve social conditions they judge to be desirable is not immediately congenial to those who embrace market ideals; once such an idea is accepted, the welfare economist and libertarian would be forced to think about how such ambitions could be satisfied. One answer, of course, is that such ambitions could be satisfied through politics and the construction of a "we" that defined social purposes to be achieved through the power of the state. That is the perspective that is implicitly embraced above. But from the point of view of those who value market principles that emphasize individual choice, this is a bad answer. It makes politics and the state too important. It makes individuals too vulnerable to state compulsion.

### *The Third Sector as an Efficient Alternative to Politics and Government as a Way of Achieving Public Purposes*

As an alternative, welfare economists and libertarians would fall back to a different position: namely, that such civic and political ambitions might best be satisfied through *voluntary civic action* rather than through politics aimed at commandeering state power to compel all to contribute to some more or less idiosyncratic or corrupt conception of the common good. The reasons that a person who admired market ideals would prefer voluntary civic action over political/governmental policy as a way of allowing individuals to express and achieve their social ambitions should be pretty clear.

For one thing, if society constructed a civic space that allowed individuals to hold and act on individually held social and political ideals, then a kind of expressive freedom would be created for the establishment of social conditions as well as for the consumption of goods and services. Utopians of all stripes ranging from Bronson Alcott to the Branch Davidians would be free to create their own little societies that reflected their social ideals. They would not have to subject their ideas about what is good for humans and what constitutes a good and just society to the bruising tests of majoritarian politics; they would be able to act freely to enact their views. They would not have to bend their ideas to the collective opinion of their fellow citizens. No one else would be much discomfited. This creates the kind of "efficiency" that those who favor markets like: the opportunity for each individual to express his or her own views, and (to the extent that their means make possible) for their individual views to be satisfied (even when those views refer to social conditions rather than individual consumption).

For another, establishing a voluntary civil sector would allow society to achieve some public purposes without having to rely on the coercive power of government. If the definition of the voluntary third sector is based on the idea that individuals voluntarily contribute resources—money, time, sometimes even pieces of their body—to others and to public purposes, then this represents an alternative to taxation and regulation to accomplish social purposes. Instead of having to go through the laborious political process of forming a collective agreement strong enough to command the power of the state, and then living with the pain associated with using state powers to accomplish public purposes, a vibrant voluntary sector would allow society to accomplish social purposes simply by stepping back and graciously accepting the contributions that socially and politically motivated individuals would make to the welfare of others and to society. This would relieve government of a burden that it otherwise might have to bear and would simultaneously protect freedom and minimize the use of the coercive powers of the state.

*"Governmental Failure" as an Explanation and Rationalization for the Existence of the Voluntary Sector*

These are the ideas that lie behind the hypothesis that a kind of "governmental failure" inevitably stimulates the development of a voluntary civil society (at least in societies that do not actively suppress such activity). In this theory, it is assumed that individuals have social and political aspirations they would like to have satisfied, as well as individual consumer desires. The difficulty is that, at any given moment, society can be only one thing. As Charles Taylor has observed, the social conditions in which we live together are an irreducibly shared experience. As a result, at any given moment, the state can satisfy only some individual political aspirations. A libertarian living in a liberal or communal society feels less satisfied than if he lived in a libertarian society.

Because many individuals will necessarily be dissatisfied with the political regime they inhabit, they will feel motivated to act. That social energy will eventually express itself either in individual acts or in the creation of voluntary associations that seek to bring about the social conditions that dissatisfied individuals want to see realized. Sometimes the action takes the form of direct *voluntary* action in which the dissatisfied citizens use their own resources to accomplish their goals. They form a volunteer fire department or band together to create an after-school mentoring program for

teenagers. Other times the actions is *political* in the sense that the dissatisfied individuals organize to achieve the kind of political power and leverage they would need to grasp the instruments of the state to help them achieve their purposes. Whatever form it takes, some portion of society's resources and activity will be devoted to the articulation and pursuit of social and political preferences that are not satisfied by the current social and political conditions; it is this energy that creates the voluntary civic sector and bleeds into the political sector.

*Reasons for the Increased Prominence of the Civic Sector*

The idea that individuals have social and political aspirations, and that those can be expressed and achieved through voluntary action in a civic sector of society, helps us understand at least some of the reasons why this voluntary third sector is becoming important in contemporary political thought. Viewed from one perspective, this sector seems to allow the market principles of individual choice and voluntary action to deal with problems that were previously thought to be primarily the responsibility of government. The existence of a voluntary third sector gives the lie to the idea that there can be only two sectors of society: the private market sector in which individuals display their values by making choices in voluntary transactions, and the political/governmental sector in which individuals come together to decide what kind of society they want to live in, what sorts of things ought to be brought into the public sphere, and how best government authority and money ought to be deployed to accomplish the collectively desired result. Logically and empirically a third sector exists in which individuals, as part of their effort to live the good life, can decide to pursue a purpose they think is publicly valuable using only their own resources or others that can be attracted on a voluntary basis to pursue them.

In principle, of course, this sector need not be protected, much less subsidized, by government. Indeed, in many countries, voluntary associations committed to using their own resources for public purposes are regarded as threats to the existing government and are willfully suppressed. In a liberal society, however, the rights to use one's own property for public purposes and to associate on a voluntary basis are usually protected by the state and facilitated by legal forms of various kinds.

Moreover, as market principles become more influential, it is easy to see why a voluntary civic sector would be preferred to politics and government

as a way both to satisfy social and political preferences and to achieve social goals. From the point of view of market principles, voluntary civic action has two key advantages over politics and government. First, because individuals contribute only to the social purposes that they, as individuals, think are important to address, we can all be sure that their individual social ambitions are being addressed. In effect, they are voting for social purposes with their money and time, not simply with their political power. Second, because the individuals are contributing their money, time, and material voluntarily, the state is relieved of the burden of having to use its coercive authority to mobilize these resources to accomplish its collective purposes. Individuals are getting the social results they want and are prepared to support; the collective is benefiting from a flow of resources that it does not have to use its authority to amass. It is, apparently, an "efficient" way to define and pursue social purposes.

### *The Civic Sector as the Privatization of the Definition of Public Value*

This all seems so sensible that it is easy to overlook just how important and in some ways breathtaking the idea of a voluntary civic sector really is. In the United States, we have in place a set of public policies designed not only to create a space for, but also to actively encourage, a voluntary civic sector. On one hand, these public policies are rooted in basic first amendment rights to speak and to associate. On the other, they are rooted in the rights of individuals to use their own property for whatever purposes they think appropriate, even if those purposes are to benefit people other than themselves and their families. The policies are also located in tax provisions that encourage individuals to make charitable contributions and exempt from taxes those organizations that have committed themselves to public purposes and renounced the right to enjoy the economic benefits that could flow to them as a result of their activities.

On reflection, what seems surprising about these policies is that they have, in effect, given over to individuals and nongovernmental groups the right to define and pursue public purposes *without subjecting them to the demanding tests of democratic politics*. (More precisely, they have authorized individuals to pursue a very broad set of collectively defined purposes with the means at their disposal, and have given them different kinds of public sanction ranging from tolerance to financial support for doing so.) Put somewhat more provocatively, to some degree, we have both "individualized" and "privatized" decisions about what constitutes the public good.

The charitable exemption of the inheritance tax allows John Paul Getty to decide that what Los Angeles needs is a beautiful art museum rather than a (slightly) better endowed school system. It also allows the millions of individual donors who felt sad when President Kennedy was assassinated to endow a "living memorial" to President Kennedy at Harvard as a way of encouraging young people to go into politics. Resources that otherwise might have gone to collective political processes for decisions as to their use are instead committed by individuals to public purposes that these individuals think are desirable (and are covered by the statutes that define appropriate charitable purposes).

These policies reveal, I think, the U.S. commitment to a broad, liberal individualism. After all, one might think that if there is anything that ought to be considered a fundamentally collectivist decision it would be the decision about what constitutes a widely accepted public purpose. How else could a collective purpose be defined other than through some process of collective discussion? Yet the United States has policies that allow *individuals* to decide what a public purpose is (subject to some broad statutory restrictions), and to act to achieve such purposes to the limit of their own resources and others they can recruit to the cause. This is the privatization of the definition of public purpose in almost the same sense that vouchers are. The main difference is that in philanthropy and volunteerism the choice about what is a public purpose is made by the person supplying the resources, while in the case of vouchers, the decision about the public purpose is made by the individual to whom the collective provided resources.

### *Institutional Arrangements Supportive of the Voluntary Sector*

Once one accepts the idea that individuals have social and political preferences that they would like to see achieved and recognizes the civic sector as a protected social space in which such activity can be carried out, one can see some other important implications of these ideas for the arrangement of social institutions. The most obvious, of course, is one I have already mentioned: the need for policies that create the social, political, and economic space that allows civil society to flourish. As noted, these already exist in the United States, though not necessarily in other parts of the world.

But there are conditions other than explicit policies that might be important to create if a society wanted to take full advantage of the potential of the voluntary sector. For example, if one wanted a vibrant voluntary

sector, one can imagine that it might be important to reduce the claims that the state made on individual private resources, or the extent to which it tried to monopolize and control the society's efforts to deal with social problems. Presumably, if the state takes private resources for public purposes, and if it allows or favors its efforts to solve public problems over those offered by voluntary associations, then some of the resources and some of the urgency that private actors might have and feel motivated to use for solving public problems will be lost. The idea that the state might compete with the voluntary sector as a device for defining and responding to social problems provides an additional reason for preferring a small rather than a large government. In this view, a small government is important not only to allow a private economy to flourish but also to allow a vibrant civil society to exist. Of course, one can have some skepticism about the extent to which voluntary action in dealing with social problems could be relied upon exclusively to deal with significant social problems. And one can easily imagine that society's overall ability to define and deal with social problems might well be enhanced through partnerships between the voluntary sector and government as well as through the independent action of the voluntary sector alone. But it is worth paying attention to the ways in which the voluntary and governmental sectors interact; and more specifically, whether (in economic terms) they act as "substitutes" for one another, or as "complements."

One could go even further to form an argument in favor not only of small governments in general but also in favor of highly decentralized federal governmental systems. In this view, a society that imposed few general restrictions on its citizens, decentralized what little authority it retained to small geographic units, and both allowed and encouraged citizens to develop their own voluntary associations would end up creating a world in which much of the collective work that happened in society would be accomplished through voluntary associations rather than government. Moreover, individuals would be able to "shop" among different combinations of voluntary associations and governments to find the ones that most closely approximated their own ideas about what constituted a good society. It is for this reason that those who favor market principles often prefer voluntary associations over politically mandated communities, and decentralized structures of governmental power over centralized ones. These institutional arrangements allow individuals more "choice" in the kinds of societies they want to be a part of than institutional arrangements in which

centralized governmental units are the only places where social and political preferences can be realized.

Thus those who prefer the market principles that celebrate individual choice tend to have strong preferences for the kinds of social institutions that are constructed to meet the social and political ambitions of individuals as well as those that meet their material desires. They would like to leave as much as they can to the market and limit government to a few "core functions." To the extent that there remain unsatisfied social and political ambitions after this society has been constructed, they would prefer that those be expressed through voluntary civic efforts rather than through politics and government. They would prefer a thin government that created room for many voluntary organizations over a thicker government that dominated the public space. And to the extent that governments were required at all, they would prefer a federal system of government in which many different regimes were offered to individuals who could then vote with their feet by moving to the regimes they liked best (for either individual material or social and political desires).

Now, the image conjured up by a world in which most social and political ambitions are met by voluntary contributions, civic associations, and "boutique governments" that compete for citizens who like their particular style of governing is, to many, a horrendous one. Insofar as such a society would allow individuals to segregate themselves from one another in homogeneous groups, and to escape the need to test their views about what constitutes a good life and a good and just society with individuals differently situated in society, it seems to be a recipe for the kind of human impoverishment that comes from living with people too much like oneself. Living in highly homogeneous communities may be as bad for idealistic altruists as for materialistic egoists—at least as we understand what goes into "human flourishing."

Such a set of social arrangements might also make it difficult to define and achieve a good and just society. For example, it might turn out that the amount of resources that would be voluntarily contributed to such important purposes as sheltering the homeless, feeding the hungry, healing the sick, enlightening the ignorant, protecting the oppressed, and inspiring the downcast would fall well short of what was required to achieve this goal. (Lester Salamon has called such a possibility the threat of "charitable failure" that parallels concerns about "government failure.") Or it could easily turn out that individuals might act strategically to maximize their own welfare

and seek out jurisdictions where the cost of being a citizen was low (say, a suburb or a gated community), but the advantages of being a citizen of a more pluralistic, culturally enriched community (say, a neighboring city) were still available to them.

These, of course, represent important reasons why one might prefer a more centralized, thicker governmental structure. But to find virtue in the creation of a stronger collective instrument, one must again celebrate what market principles find abhorrent: namely, the importance of public as against individual purposes, and the capacity of a "we" to form that would recognize what those public purposes were.

## Conclusion

The extension of economic markets throughout the world has brought important changes in material welfare—mostly but not all good. The extension of the markets has been accompanied by increased commitments to market principles or market ideology. These principles are important not only because they have created the room for markets to spread in previously hostile social and political terrain, but also because they have begun to influence social and political thought and the construction of social relations and public institutions outside the boundaries of markets.

At the core of market ideology is the idea that individuals are the only social entities that should be relied upon to assign value to material goods and services on one hand and to social and political conditions on the other. Equally important is the notion that individuals ought to be able to choose. In the economic sphere, they ought to be able to choose how to use their own property, skills, and time to participate as producers in the economy and to spend their own money on the products and services they value. In the civic sphere, they ought to be able to decide what social and political causes they hold dear, with whom they will associate, and how they will use their property, time, talents, and energy to advance their social and political causes. In the political sphere, they ought to be allowed to express their views about what constitutes a good and just society and to vote for candidates and lobby for public policies that encode their ideas.

These market ideals turn out to have important implications for a great many aspects of individual and social life. They tend to emphasize individual life at the expense of social and political life. They tend to make material preferences more important than ideas about achieving individual

virtue or social justice. They tend to discourage people from having ideas that would make claims on the resources and convictions of others. They tend to make voluntary associations formed by agreements more important than the more demanding associations that are created by having to decide how the collectively owned assets of the state will be used to accomplish public purposes. They make the private economy a more important social sector than the public sector. Within the public sector, they make voluntary associations and nonprofit organizations more important than politics and government. And within the government sector, they confuse us about whose values are most important in guiding the use of the money and the authority of the state.

In the end, what market ideology threatens is the loss of confidence in any collective capacity to decide, to will, and to accomplish things together. At a fundamental level, it attacks the forum and seeks to put the market in its place. Because I take the forum to be the essence of governance, it is hard not to see the market ideology as potentially hostile to the capacity of communities, nations, and the world to govern themselves.