

Chapter 1. Ancient and Modern Liberty

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Chapter 1. Ancient and Modern Liberty

The concept of liberty carries a bewildering range of competing meanings (MacGilvray 2011, 4). Isaiah Berlin (1969, 121) noted that historians have recorded more than two hundred distinct senses of the word liberty. In contemporary debates, political philosophers have focussed on positive and negative liberty (Berlin 2002 [1958]) and distinguished between liberal and republican conceptions (Pettit 1997). The English language is fortunate to have two words: liberty and freedom.¹ I use the term liberty to mean freedom and equality as a normative pair.

Rather than intervening directly in these philosophical debates, I pursue a different strategy. I propose a logical classification of liberty concepts that allows us to identify and compare changes in societies. I speak of two dimensions instead of concepts. Each encompasses multiple variants and acquires meaning only through interaction with the other. Together, these two dimensions define a conceptual space within which different interpretations of liberty can be located. The first dimension is horizontal, the second vertical. Concrete expressions of liberty in actual societies occupy shifting positions within this space.

The horizontal dimension concerns interactions between individuals. Do social relations enable or constrain what individuals wish to do? This defines civil liberty. Do individuals treat each other as free and equal? When they enter agreements voluntarily and recognise each other as capable of binding commitment, they exercise individual freedom. But when asymmetrical power relations permit discrimination and the imposition of one's will on others, they violate equality and transform formal freedom into domination.

The vertical dimension concerns individuals' relations with the collective—authorities and institutions. This defines political liberty. Conventions, rules, regulations, and laws help to coordinate human actions, but they also constrain what individuals are supposed to do. Who sets these constraints—and why are they adhered to? In small communities, where everyone knows, accepts, and shares the norms of behaviour, individuality may be frowned upon. But if the state is such an authority, who authorises the deontic power — rights, duties, and permissions — that makes laws valid? The state marks a shift from convention-based constraints to juridically authorised coercion. It matters whether the deprivation of liberty is justified by shared social conventions or by the claimed legitimacy of public authority.

Political liberty depends on whether the rules to which everyone must submit are issued by a ruler who governs in the interest of the collective, or by one who rules for personal gain. At one extreme, tyrannical dictators assert the right to rule even without social acceptance. In a democracy, by contrast, individual citizens are the source of this authority: they authorise government through political procedures and recognise laws as binding because these laws arise from institutions they have collectively constituted. Liberty, in this sense, rests not on the absence of rules, but on the conditions under which rule-making power itself is legitimised.

¹ For an analysis of the linguistic roots of freedom and liberty, see (Pitkin 1988).

This book develops a foundational theory of *modern* liberty. This requires clarifying what we mean by modern as compared to ancient. I will approach this distinction from three angles. One is the institutional structure of liberty – the vertical relation between rulers and ruled. The second is the normative content of these institutions which I explain through the principles of political holism and individualism. The third contrasts the practices of ancient and traditional societies with those of modern, economically advanced ones. I seek to explain the transition from traditional to modern norms and I will use evidence from European history for this is where the transformation first occurred.

I argue that the liberty of the moderns emerges with a change in economic practices. In traditional societies resources are allocated by hierarchy which values and ensures the survival of the collective and therefore requires the submission of individuals to the general will. Hierarchy therefore defines the contours of ancient liberty. Modern societies, by contrast, value individual lives in all their variety. They do not suppress individuality into a homogeneous collective but instead support individuals' creativity that contributes to the welfare of all. The general acceptance of such individualistic norms is rooted in the practice of concluding contracts because individuals are normatively free to accept or reject the contractual terms, and this freedom makes them normatively equal. In the contract economy, holding liquid money provides the security which hierarchy generates in traditional societies. This security carries a price — the rate of interest — which drives the relentless expansion of contracts and of individual liberty.

Benjamin Constant captured this transformation with great clarity in his 1819 speech at the Royal Athenaeum of Paris where he differentiated between ancient and modern liberty. He described ancient liberty as the collective self-rule of citizens who actively participate in public power but accept extensive social and moral constraints on individual life. Modern liberty prioritises individual independence—personal rights, private choice, and security under law—while political participation becomes limited and indirect. Constant's distinction corresponds to a deeper normative foundation described by Louis Dumont (1980) and Karl Popper (1995 [1945]) as holism versus individualism.

Wars, revolutions, and cultural upheavals marked the transition from the ancients to the moderns in Europe. Accepting the idea of individual liberty was far from natural or self-evident. Yet it now underpins the modern concept of liberty and human rights. It has become the dominant norm in global politics and a cornerstone of international law (Goodhart 2013, 2). This normative process is linked to a profound economic transformation. Economic modernisation and individual liberty are not merely correlated; they are normatively and causally connected, and this book will show why that is so.

Collective and Individual liberty

Constant's (1819) speech remains one of the most influential accounts of how liberty has evolved. Having witnessed the fall of the *Ancien Régime*, survived the *Terreur*, watched Napoleon's rise and fall, and endured exile in England before returning to France, he spoke from experience. His speech articulated politically what observers in the seventeenth century from Hobbes onwards had sensed: the meaning of liberty had fundamentally changed. Liberty

could no longer reside in collective self-rule alone once individuals became bearers of rights against each other.

Constant (1988) concentrated on the benefits of representative government that he called “the only one in the shelter of which we could find some freedom and peace today” although such government remained “totally unknown to the free nations of antiquity”. His originality consists in combining the vertical dimension of liberty with the horizontal dimension of individual liberty. For the ancients, liberty meant “the sharing of social power among citizens of the same fatherland” (1988 [1819], 317), but they considered this collective freedom “compatible with the complete subjection of the individual to the authority of the community” (p. 311). This has changed for the moderns whose aim “is the enjoyment of security in private pleasures; and they call liberty the guarantees accorded by institutions to these pleasures.” Hence, Constant said, “individual liberty is the true modern liberty” (p. 321). Thus, we may say that for the ancients political liberty existed without civil liberty; in modern societies political liberty is founded in civil liberty.

In traditional societies, ancient liberty means freedom from foreign domination and the right to live according to inherited values, customs, and laws.² Liberty describes the capacity of the community to govern itself. A community is unfree when it is dominated by an external power and cannot determine its own laws. Foreign rulers impose foreign norms and laws to extract tributes and taxes without reciprocal political benefits. But a community is free when it can formulate its own laws regardless of what freedom these laws grant to different individuals. Living by these values counted as virtue; liberty meant normative consistency with local custom. Local leaders therefore had to rule with virtue and people follow their commands voluntarily. In monarchies, a single ruler issued laws. If his laws served the survival and wellbeing of the community, he was a virtuous king; if he used his power for selfish ends, a tyrant. Yet, vertical autonomy did not imply horizontal freedom among individuals. Within the community, liberty was sharply constrained by hierarchy. The co-existence of slavery with ancient liberty proves the point.

Ancient societies did not merely neglect individual freedom—they actively distrusted it. They assumed that unchecked personal autonomy would dissolve moral order and grant licence to do evil. Individual liberty, if exercised horizontally among equals, threatened the norms that sustained hierarchy. Ancient societies preserved normative homogeneity between rulers and ruled by eliminating dissenters. The execution of Socrates is a famous example. Thus, while communities sought freedom from external domination, they simultaneously restricted freedom within.

Individuals were not free. Liberty belonged to the collective of citizens and, within it, to those empowered to legislate. Submission to communal rules was not understood as a loss of liberty but as its moral precondition. This had economic implications. In societies living close to subsistence, obedience to hierarchy was often a matter of survival, but if the leaders did not provide security, they lost the right to rule. For much of human history—over ten millennia—hierarchy remained humanity’s ideological default, the “normal case” (D. Graeber 2001, 17).

² This is the original sense of autonomy (αὐτό-νομος) – self-laws.

Only in modern times - once contracts and money could supply the security against risk and uncertainty that hierarchy had previously guaranteed - did individualism emerge.

In ancient Greece and Rome, political liberty meant the freedom of elites to make laws and set norms for the society they governed. Their authority was justified by the need to preserve social cohesion and ensure collective survival. Those counted as “free” (*eleutheroi*, *liberi*) were members of the ruling strata. Society was conceived as an organic whole ordered by status and rank. Free citizens stood above workers and slaves, even though all groups were mutually dependent. Slaves supplied the labour necessary for material production; elites, in turn, sustained subsistence by enforcing communal norms and laws.

Hierarchy did not prevent conflicts between the haves and have-nots. They were called *stasis* and challenged the hierarchical authority of elites when the poor felt threatened in the security of their survival. Romm (2025, 222) describes this beautifully for the Syracusan revolution after the fall of the tyrant Dionysius in 356 BCE: “With the freedom to make its own laws for the first time in decades, the assembly [of citizens] took up a measure that the poor of Greece were always quick to adopt and the rich to repress: land redistribution.” Similar events occurred in many Greek city states and later in Rome with the land redistribution after the Gracchi rebellion. Yet these revolts targeted particularly cruel forms of hierarchy, never the system of hierarchy itself.

The social ordering in traditional societies corresponds closely to Louis Dumont’s concept of hierarchy.³ In Dumont’s account, elites ranked higher not because they commanded greater force or material power, but because they were entrusted with the preservation of the community’s core values which ultimately ensured the survival of the community. “The higher” depended on “the lower” for its own existence: elites sustained the social order because the subordinated classes provided the material means of subsistence. Hierarchy thus organised mutual dependence asymmetrically. Ancient hierarchy was neither a simple structure of oppression nor a proto-individualist class system, but a moral economy in which value, not autonomy, determined status and rank; it derived legitimacy and general acceptance from the provision of collective security.

Dumont’s conception of hierarchy clarifies why Benjamin Constant’s distinction between ancient and modern liberty marks a genuine rupture rather than a gradual extension of earlier freedoms. Ancient liberty was embedded in a value-ordered whole and political autonomy operated vertically at the level of the collective. Horizontal freedom among individuals was morally constrained in the name of social cohesion. Rank and status reflected the capacity to uphold collective values, not the possession of equal rights. Modern liberty reverses this ordering. Autonomy shifts from the collective to the individual. Liberty now means the freedom to define and pursue one’s own life plan—a freedom that applies equally to all.

Amartya Sen (1999) has described individual liberty as the substantive capabilities to choose a life one has reason to value. This is the hard core of modern liberty. Society’s function is no longer to impose meaning through hierarchy, but to enable individual emancipation and

³ The standard reference is (L. Dumont, *Homo Hierarchicus. The Caste System and its Implications* 1980). But it is present in nearly all of Dumont’s work.

creativity, while individuals acquire the right to question, challenge, and transform society itself. This conception of liberty is both radical and historically recent.⁴ Its acceptance represented a revolution without precedent. However, on a global scale it remains incomplete, as many societies still do not recognise individual liberty as a governing principle. And even in modern societies rising insecurity can trigger a backlash towards authoritarian hierarchy.

Ideologies and normative discourses

The transition from ancient to modern liberty reflects not merely institutional change, but the transformation in the underlying normative structure of society. If liberty is a normative claim, it is only intelligible within the social order that renders the claim valid. The shift can be stated in ideological terms. Earlier approaches often treated ideology as a distortion of truth.⁵ I adopt a different view. Ideological narratives are best understood as structured sets of normative claims—statements about values and beliefs that articulate both a moral vision of the good life and a framework for interpreting the world.⁶ In this sense, ideology is not primarily epistemic but *performative*. It operates through language that does not merely describe social reality but helps to constitute it. I shall discuss the linguistic foundation of liberty discourses in the next chapter. But first, it is useful to see how they are anchored in sociological analysis.

The normative core of the distinction between the liberty of the ancients and moderns is opposition between the concepts of *holism* and *individualism* as articulated by Louis Dumont (1980) and Karl Popper (1995 [1945]). They must be distinguished from the sociological debate between *methodological individualism* and *methodological holism*. Although Popper is often associated with the former—the view that all social phenomena ultimately result from individual actions—this methodological controversy is not at issue here. My concern is not how societies should be explained, but how they justify authority and liberty. To avoid confusion, I therefore speak of political holism and political individualism: the foundational normative principles that structure ideological narratives about how individuals ought to live within society.

In everyday language, *individualism* suggests doing things one's own way, while *holism* evokes the bigger picture in which everything is connected. Such colloquial meanings obscure their deeper significance. In the context developed here, holism and individualism refer not to personal attitudes or methodological choices, but to ideological structures that organise the relationship between individuals and society. This is how Karl Popper understood them in *The*

⁴ Constant (1988, S. 312) quotes Condorcet approvingly: “the ancients had no notion of individual rights”.

⁵ Considering ideology as “false consciousness” (Lukács 1923) gave rise to the “Mannheim paradox” which states that “when we try to understand contending ideologies that constitute a political field, and when we seek to test the possibilities for their realization in light of the historical developmental tendencies and political tensions, our constructions of this context is itself informed by these ideologies” (Breiner 2013). Thus, nothing remains testable. While the Marxist paradigm of false consciousness has lost appeal, the communitarian critique of (neo)liberalism and Fukuyama's “End of History” encounter the same difficulty. See (Sandel 1984); (Sandel 1996); (Benhabib 1992); (Seligman and Montgomery 2019). The Mannheim paradox is overcome when the analysis of ideologies “is not geared to directing or recommending political action, but to explain, to interpret, to decode, and to categorise” (Freedman 1998, 3). We can then analyse the effects of ideologies objectively.

⁶ I follow Pippa Norris (2020, 698).

Open Society and Its Enemies. He argued that modern totalitarianism was rooted in holistic philosophies that subordinated individuals to collective purposes—an intellectual lineage he traced through Plato, Hegel, and Marx. By contrast, he maintained that a liberal *open society* rests on individualist principles, in which individuals are the ultimate bearers of value and responsibility.⁷

Although Popper's influence has waned since the end of the Cold War appeared to have entrenched liberalism as the dominant global ideology, the opposition between holism and individualism has regained relevance in an era of rising illiberalism. A strictly binary reading would be too crude for contemporary realities, yet the distinction remains indispensable for understanding competing normative claims about liberty, authority, and social order.

Louis Dumont's *Homo Hierarchicus* provides a complementary perspective. Dumont demonstrated that holistic ideology is intrinsically linked to social hierarchy: societies organised around holistic values rank individuals according to their contribution to the preservation of collective meaning. Crucially, Dumont always emphasised that holism and individualism coexist, in varying proportions, in all societies. This insight is essential not only for analysing ancient and traditional social orders, but also for situating contemporary regimes along a spectrum between liberal and illiberal forms of rule. It is for this reason that I treat political holism as the normative foundation of traditional and authoritarian societies, and political individualism as the foundation of modern individual liberty.

The cleavage between these two norm systems has long occupied social theory. Ferdinand Tönnies provided one of its most enduring formulations. He described social wholes governed by holistic norms as *Gemeinschaft* (community)—also translated as union, association, or fraternity—which function “both inwardly and outwardly as a unified living entity” (2001 [1887], 17). What binds such communities together are shared language, customs, and beliefs, inherited “from the moment of our birth with our own folk for better or for worse” (18). Family life forms the nucleus of this communal order, which then expands into villages and towns, where kinship, lineage, and tradition structure social belonging.

Tönnies used the notion of *Gesellschaft* (society), by contrast, to describe social orders built on individualistic norms. *Gesellschaft* consists of autonomous individuals who coexist peacefully but are not essentially united. As he famously put it, “in *Gemeinschaft*, they stay together in spite of everything that separates them; in *Gesellschaft* they remain separate in spite of everything that unites them” (19). Social interaction in *Gesellschaft* does not express a pre-given collective will; no action derives its meaning from an overarching unity. “Nothing happens in *Gesellschaft*,” Tönnies observed, “that is more important for the individual's wider group than it is for himself” (52). Cooperation arises from contract, calculation, and mutual advantage rather than shared identity or inherited obligation.

⁷ Popper's interpretation of Hegel is controversial. Wood (1993) claimed that virtually every aspect of Popper's interpretation of Hegel is mistaken. However, Popper's core argument remains valid for our discussion: When Hegel writes in *Grundlinien der Philosophie des Rechts*, §142: *Die Sittlichkeit ist die Idee der Freiheit als das lebendige Gute* (Ethical life is the Idea of freedom as the living good), the word *Sittlichkeit* connotes collective, i.e. ancient, liberty rather than individual freedom to define one's own life-plans.

Tönnies' distinction clarifies the normative foundations of political holism and individualism. *Gemeinschaft* reflects a holistic narrative in which the social whole precedes the individual and confers meaning, status, and obligation. Even villages and towns are conceived as extended families, with clans and kinship networks forming the basic organisms of the collective body; guilds, corporations, and offices function as its tissues and organs, while inherited relations and fortunes remain central to communal rights and privileges (254). *Gesellschaft*, by contrast, embodies political individualism: society is no longer an organic whole but an arena of interaction among self-standing individuals. Liberty, in this setting, ceases to be collective self-rule and becomes individual autonomy—freedom secured not by belonging, but by rights.

This understanding of political holism is consistent with classical sociological accounts of social order. Émile Durkheim treated society as a moral reality *sui generis*, endowed with authority over individuals through what he termed the collective conscience. In *The Division of Labour in Society* (1984) Durkheim emphasised how shared norms integrate individuals into a coherent social whole, while in *The Elementary Forms of Religious Life* (1995) he showed how collective representations, rituals, and symbols generate binding obligations and social solidarity. Norms, in this perspective, are not merely constraints but constitutive of social meaning and cohesion.

Max Weber, by contrast, analysed how such normative orders are stabilised through legitimate domination. In *Economy and Society* (1972), Weber distinguished traditional authority—grounded in belief in the sanctity of inherited customs—from charismatic and legal-rational forms of legitimacy. In traditional societies, hierarchy is sustained not primarily by coercion, but by shared beliefs, ritualised practices, and authoritative declarations that render social roles meaningful and binding. Despite their different emphases—moral integration for Durkheim, legitimacy and domination for Weber—both saw that holistic social orders depend on hierarchically structured norms that bind individuals to a collective whole.

Ralf Dahrendorf (1994, 425-6) recognised that vertical linkages between individuals and the collective alone cannot sustain individual liberty. Civil society must mediate between the state and atomised individuals by establishing what Dahrendorf called "ligatures"—allegiances, bonds, or linkages that connect "life chances" (options) to individuals and give meaning to social possibilities. The term derives from the Latin *ligare*, the root of *obligation* (1992, 41). These ligatures express deep cultural obligations between individuals and the collective. They arise from inner norms, morality, churches, and family ties. Yet ligatures without diverse options and the autonomy to choose among them become oppressive, whilst options without bonds remain meaningless (1979, 31). Dahrendorf asked (1994, 429) how civil societies emerge but provided no analytic answer. I argue that civil society's ligatures are generated by the contract economy.

These sociological theories reveal the normative tension between individuals and the collectives in which they live. The transition from ancient to modern liberty reflects a normative shift. Understanding this shift requires examining the structure of norms underlying holism and individualism.

Political holism and hierarchy

Louis Dumont's analysis sharpens the conception of political holism in relation to economic practices. Holistic societies are hierarchical — but Dumont insisted that hierarchy should not be understood as a simple ranking of independent individuals in a chain of command. The superior term operates on a more general plane of value, while the inferior is included within it at a subordinate level.⁸ Hierarchies, he argued, are organised by *encompassment*: the social whole is the bearer of paramount value, while individuals derive meaning, status, rank, and obligations from their place within a hierarchically structured moral order. In such orders the individual cannot be conceived apart from the community: persons exist only as members of a social whole fulfilling their positions within the hierarchy. The hierarchical norms were woven into broader narratives of belonging and purpose. They endowed individual lives with meaning as elements of a collective order. Individuals were expected to conform to their assigned roles and to accept their place within the hierarchy. Political holism thus stands in structural opposition to individual liberty: the “whole” takes precedence over the individual, constraining the space for free will—even when such subordination is embraced voluntarily.

What counts as a social “whole,” however, can vary widely. A local community, an ethnic or religious group, a nation, or even a supranational entity such as the European Union may function as a holistic unit. Brubaker and Laitin (1998) identify several criteria that specify how such political “wholes” are constituted. First, narratives operate as coding practices: they classify individuals into categories of belonging and thereby define group membership. Second, to claim that individuals “belong” to a group implies a normative demand that they subordinate their personal will to the norms articulated by these narratives—an obligation that directly limits individual freedom for insiders. Third, political holism requires mechanisms of in-group policing, through formal or informal sanctions, to enforce conformity and sustain a unified stance toward outsiders. Finally, group leaders typically claim—often with considerable dramatisation—to protect members against external threats. This protective claim constitutes the foundation of their authority. Taken together, these elements transform collections of individuals into socially recognised wholes.

⁸ Taylor (1989) has summarized Dumont's logic as follows. A distinction is imposed on a whole, dividing it into two complementary parts, x and y. From an essentialist perspective, the two parts are seen only in their mutual exclusion and contradiction (x versus y), but from a procedural perspective, the complementary relation implies reciprocity, because both parts are needed to complete the whole. Eliminating one element would destroy the whole. Dumont argued that for hierarchy to emerge, one of (at least) two distinct elements must encompass its opposite. For instance, purity encompasses impurity. This means that what is described as a general primordial X (an undifferentiated One) undergoes differentiation into particular elements x and y. The undifferentiated whole and the different parts can now be described as two levels of generality. When considered only from the point of their mutual differentiation, x and y oppose each other; when complementary, they constitute the whole. But then a logical paradox arises. At the higher level, the general primordial X continues to be thought of as the undifferentiated (encompassing and hierarchically superior) One, where y exists only potentially. Hence, when the two levels are considered together, X/x and y are simultaneously identical on the superior general plane and opposed on the differentiated plane of specifics. The asymmetrical, hierarchical relation between X/x and y arises from the fact that X/x is both the source of y (because y was generated by the distinction of X) and opposed to it.

This logic helps explain why hierarchy is often misread. We instinctively interpret it as a ranking of persons, whereas Dumont analysed it as a ranking of values. For example, in universalistic claims such as “all men are born free and equal,” the supposedly general category *man* historically encompassed and hierarchically subsumed women. The higher, universal term signified humanity as such, while simultaneously organising gender difference at a lower level. A similar structure appears in Aristotle’s *Nicomachean Ethics* (1939, Bk V.), where justice is first treated as a general virtue and only subsequently differentiated into particular forms such as distributive justice, which means shares allocated in proportion to merit or worth. Aristotle called this proportional allocation *geometric* justice and ranked it above the *arithmetic* justice of equality. Hence, proportional desert and not simple equality provided the ethical foundation for hierarchy. Yet geometric and arithmetic justice were both encompassed within virtue. Hierarchy thus operated not merely through coercion, but through value-ordering narratives that rendered inequality intelligible and legitimate within a holistic moral universe.⁹

Political individualism and contracts

Political individualism reverses the normative logic of holism. Where holistic orders subordinate individuals to a value-laden social whole, modern societies recognise individuals as free and equal bearers of value. In this sense, political individualism does not merely weaken hierarchy; it dissolves it as a principle of legitimacy. Individuals are no longer conceived as organs of a collective body, but as autonomous agents whose lives are ends in themselves. The “whole” ceases to be morally prior to its members and becomes derivative of their purposes, agreements, and rights.

Louis Dumont provided one of the most precise formulations of political individualism’s underlying value order. In individualist societies, he argued, the human being is regarded as “the indivisible, ‘elementary’ man,” simultaneously a biological being and a thinking subject. Each individual, in a sense, incarnates humanity as a whole; “man is the measure of all things.” Values are thus inverted: what was once called “society” becomes a means, while the life of each individual becomes the end (1980, 9). Ontologically, society no longer exists as a moral totality that can override individual claims; it persists only as an irreducible fact that must not thwart the demands of liberty and equality.

The normative reversal lies at the core of the *open society* analysed by Karl Popper. For Popper, political individualism is the foundation of a social order that combines freedom and democracy. Individuals choose the purposes and directions of their actions; they are not the property of the collective, nor of any ruler, class, or tradition. Individuals do not *belong* to society in the holistic sense; rather, society belongs to them. Authority emerges from horizontal interactions between individuals and rises to collective institutions (especially the government). These interactions are the context within which individuals live and through

⁹ See (M. I. Finley 1964); (M. I. Finley 1998); (K. Raaflaub 2004, 14). Free citizens probably accounted for 10–20% of the 150,000 polis population, and of these only some 3,000 actively participated in politics (Cartwright 2018).

which—individually or jointly—they determine how social arrangements may contribute to the development and flourishing of their talents and capacities (K. Popper 1995 [1945], I, 6).

The normative content of modern liberty was articulated by the early Whig theorists John Trenchard and Thomas Gordon. Writing in *Cato's Letters* (1995), they defined liberty as “the power which every man has over his own actions, and his right to enjoy the fruit of his labour, art and industry, as far as by it he hurts not the society, or any member of it.” This formulation captures the essential structure of modern individual liberty: self-authorship bounded not by hierarchical obligation, but by respect for the other and reciprocal rights. Liberty is exercised horizontally among equals and secured vertically through the institution of democratic government which guarantees the enforcement of rights, contracts, and property.

The inversion of values has profound consequences for the concept of liberty. If human beings are the measure of all things, they must be free to determine their own ends; they cannot be reduced to instruments of a transcendent collective will. Individual liberty therefore presupposes free will and entails responsibility—not merely in the narrow Augustinian sense of choosing between moral conformity and sin, but in the broader sense of authorship over one's life. Responsibility becomes the condition of creativity: individuals are called upon to shape their own purposes, revise them in light of experience, and accept accountability for their consequences. Political individualism thus grounds modern liberty not in obedience to inherited norms, but in the capacity for self-direction secured by rights.

The economics of holism and individualism

Hierarchy gave the ancient economies their normative form. They operated with finely differentiated status orders, ranging from free citizenship to slavery. The supreme value governing social relations was the preservation of the community as a whole—and preserving the whole required preserving its constituent parts. The superior gave meaning and order to social life, while the inferior sustained it through labour. Meaning descended from above; resources ascended from below. Each person fulfilled a function serving the collective and individuals were conceived as organs within a living social body.

The opposition between political holism and individualism carries direct implications for economic organisation. Hierarchical social orders generate distinctive economic logics for redistribution, reciprocity, and allocation by rank, while individual autonomy emerges with markets, contracts, and money.¹⁰ To understand these modern economic institutions, we must begin with the economics of hierarchy and non-monetary coordination.

Under holistic norms, resources are allocated according to *status and rank*, not according to contractual claims. Individuals receive shares consistent with the reproduction of the social whole, including for the reproduction of the symbolic structures of order and distinction. The archetype of a fully articulated hierarchical order is the Indian caste system analysed by Dumont (1980). He explains the *steepness* of hierarchies by the number of value levels

¹⁰ See (Polanyi 2001).

encompassing lower components. Different modes of production thus generate different hierarchical structures.

In societies dominated by domestic modes of production—such as ancient Greece or many pre-colonial African societies—hierarchies were comparatively flat. Symmetric reciprocity prevailed. Communities were bound together through obligations of gift-giving and mutual assistance, which reduced uncertainty and ensured subsistence. Authority was personalised and redistributive: the *big man*, chief, or king embodied the preservation of the whole and was legitimate insofar as he redistributed resources in times of need. Economic coordination relied on status, obligation, and reputation rather than prices or contracts.¹¹

The ancient pre-monetary societies—such as ancient Mesopotamia, Egypt, Knossos, or large imperial formations in Asia and Mesoamerica— were steeply hierarchical and highly centralised. Relations of reciprocity were asymmetric, mediated through religious practices. Priests occupied the apex of the hierarchy because they symbolically represented the encompassing whole, uniting cosmic, religious, and social orders. Their practices reproduced the hierarchy by legitimising unequal allocation and centralised redistribution.

In traditional societies, the grandiosity of temples, palaces, and churches was more than wasteful consumption by elites. These edifices were storage facilities with the purpose of preserving survival, but they also communicated status required for the reproduction of hierarchy. In poor societies where most people live close to subsistence levels, the hierarchical encompassment ensured that the community was perceived as an insurance mechanism that guarantees survival. This explains why the value of community superseded the value of individual preference.

Holistic economic narratives combine symbolic representations of hierarchy with the legitimacy of exercising power in the process of social reproduction. At this point, the notion of *power* requires clarification. Power can be understood as the degree to which actions successfully realise intentions. Yet intentions are necessarily constrained by one's choice-set: one cannot commit to actions one is not free to choose. Power therefore presupposes freedom. If individuals are not free, they cannot realise their intentions and are, in this sense, powerless. Because restrictions on liberty shrink choice-sets, they distribute power unequally. Sustained hierarchical domination arises not because power limits freedom, but because the limitation of liberty enshrines that inequality.

Despite these restrictions, individuals in ancient societies were regarded as free—*when the whole was free*. Freedom was defined negatively as the absence of external interference. A community was free if it was not dominated by outsiders. Holistic freedom thus did not consist in individual self-determination, but in living in harmony with a given social order to which individuals belonged.

¹¹ (Mauss 1950). For a discussion of “face-to face” societies and the relevance of this concept for ancient Greece, see (Ober 1989, 31-33). For the importance of πιστός (trustworthiness) among Greek elites, see (Iribarren 2017) and (Kurke 1999).

Early economic life, accordingly, was organised without generalised contracts or money: allocation followed rank, obligation, and collective purpose. The historic transition to political individualism entailed a fundamental economic transformation. It started with the invention of coinage that I will discuss in chapter 5. Coinage expanded the range of commercial transactions and generated early forms of markets — especially Athens' booming slave market. Coins serving as means of exchange coupled with the prohibition of usury kept the ancient economies in stagnation. This changed in the Renaissance when the letter of credit in long distance trade incorporated a liquidity premium for monetary transactions.

Once individuals were recognised as autonomous agents with the capacity to choose their own ends, allocation could no longer be determined by status or rank. Coordination proceeded instead through contracts between juridically equal persons — the horizontal dimension — and through the social contract governing public goods — the vertical dimension.

Contracts come in two kinds, and the difference matters for everything that follows. Commercial contracts exchange goods and services and are extinguished upon delivery and payment. Financial contracts create obligations that stretch across time: credit must be repaid with interest, and between commitment and settlement lies uncertainty. It is the financial contract that binds liberty to money, because the obligation to settle future debts makes a general means of payment indispensable.

Financial contracts, however, require money as a general means of payment—a socially recognised instrument for *discharging contractual debts*. In this function money became the engine of normative transformation. Money did not create contractual freedom, but it made generalised contracting possible.

How contracts perform this coordinating work — and what kind of liberty they generate — is the subject of Chapter 3 and 4. Two points must be established now, because the argument of this book depends on them. First, freedom of contract is not the freedom of exchange found in economics textbooks. It is the normative capacity of two parties to bind themselves by mutual commitment, each free to accept or refuse the terms offered. Because either party can walk away, neither stands above the other: contractual freedom entails equality. Equality is not a principle added to freedom; it is its logical consequence.

Second, contracts generate a distinctive form of rights. Hierarchies grant rights from above — privileges that rulers concede and may revoke. Contracts create claim-rights that individuals hold against one another and, ultimately, against the state. Chapter 3 develops this distinction and shows how modern property emerged from it.

When I speak of modern liberty, I always mean the normative combination of freedom and equality. At the same time, contractual freedom is exercised under mutual constraint: each party must take the preferences of the other into account, for otherwise there will be no agreement. This constraint does not negate freedom; it is the condition of its reciprocal exercise. Respect for another person as free, and as one's equal in that freedom, is the foundation of human dignity.

The enemies of liberty

A troublesome question hides behind the facts. If all human beings are born free and equal in dignity and rights, why do they not always live in accordance with these principles? The vulgar version of liberty as a natural right paints a picture of oppressed people fighting heroically and usually victoriously for these rights. Societies have innovated and experimented with different institutional forms for limiting the power of authorities; they have found, copied, and kept institutions that worked to preserve their liberty. In some cases, it took longer because the enemies of liberty were stronger and nastier, but ultimately liberty has prevailed—and always will—because it is natural.¹²

But who are the enemies of liberty? In the standard model, evil rulers defend their privileges against claims for equality. Predatory elites resist the redistribution of income that would make them worse off (Acemoglu, D. and J. Robinson 2012, 84). There is obviously truth to that. As Mao Zedong said (and he knew what he was talking about): "Political power grows out of the barrel of a gun."¹³ But we must take a deeper look. How is it that the powerful can exercise their power? Someone must give the order to shoot; someone must obey the order; someone must pull the trigger; and many must watch silently. The conventional explanation of such rule-following is that the fear of sanctions and punishment for non-compliance prevents people from rebelling. Clague, Keefer, Knack, & Olson (1996) have explained this as a coordination game. An autocrat or dictator is securely in control when everyone expects that almost all others will follow the autocrat's orders. What is rational to do depends on what average opinion expects average opinion to be. Hence, people lack freedom because they are oppressed by power, coercion, violence, and fear.

However, the enemies of modern liberty may not be so brutal. They may simply require, at least implicitly, acquiescence to traditional moral standards. This does not mean that everyone likes being dominated, but that most people go along with it.¹⁴ They have reasons for doing so, and fear of punishment may be one of them. Fear of coercion and violence, power and submission to it—these are what people think about. And so are the norms of interacting as free and equal. The desire for security and order often dominates the desire for freedom and equality. Fear of death is especially powerful. But in most societies people surrender to authority because effective behaviour in society simply requires the coordination of actions to get on with their lives. For instance, if public stoning of women is

¹² Acemoglu and Robinson (2012, 4) come close to this description: "Britain (or England, to be exact) had a revolution that transformed the politics and thus the economics of the nation. People fought for and won more political rights, and they use them to expand their economic opportunities. The result was a fundamentally different political and economic trajectory, culminating in the Industrial Revolution."

¹³ "Communists do not fight for personal military power (...), but they must fight for military power for the Party, for military power for the people. (...) It is very difficult for the laboring people, who have been deceived and intimidated by the reactionary ruling classes for thousands of years, to awaken to the importance of having guns in their own hands. (...) Every Communist must grasp the truth, 'Political power grows out of the barrel of a gun'". See https://en.wikipedia.org/wiki/Political_power_grows_out_of_the_barrel_of_a_gun

¹⁴ In a fascinating exchange with Judge Raveh, Adolf Eichmann declared in his trial in Jerusalem that all his life he had tried to live according to the Kantian imperative, but he was unable to act accordingly because he was bound by his oath to the Führer. See: <http://www.nizkor.org/hweb/people/e/eichmann-adolf/transcripts/Sessions/Session-105-04.html>. (Accessed 19.3. 2014). In the thought pattern of Nazis, surrender to the leader was more important than human decency.

permitted in some countries as punishment for sex outside marriage, along with flogging for unmarried male offenders, this is not the deed of evil rulers but a law that finds significant public support. Similarly, the Nazi state found enough willing executioners to build concentration camps (Goldhagen 1996). In Myanmar, the persecution of the Rohingya rests not merely on the will of the military rulers but on the widely accepted doctrine of *taingyintha*, or 'national races,' which since the 1982 Citizenship Law has made membership of one of the officially recognised national races the condition of belonging to the political community. The Rohingya were deliberately excluded from the list of 135 national races drawn up in 1990. Invoking 'the resentments of the people',¹⁵ successive governments — civilian and military alike — have refused even to use the name 'Rohingya' (Cheesman 2017). Here persecution is legitimated by a norm held valid across the political spectrum, not imposed against the popular will.

The troublesome question thus has an answer, though not the one the natural-rights tradition offers. If liberty were a natural fact, it could not be lost; if it were merely an ideal, it could never be enacted. Liberty is a norm: it exists where, and only where, people accept it and validate it in their practices. This is why the enemies of liberty need not be tyrants — acquiescence to inherited hierarchy suffices. But it also explains why liberty can spread: norms change when practices change. What makes a norm valid, how acceptance diffuses through a society, and why free will matters for normative agency are the questions Chapter 2 addresses.

The transition to modern liberty

The transition from ancient to modern liberty involved two parallel movements. One was the change in daily practices by making contracts and this movement was accelerated by the development of the monetary economy after the financial revolution in the 17th century. The other was a change in normative narratives which reflected these new practices. I shall discuss that in depth in future chapters.

Yet the historic transition to modern liberty was a slow-moving process of trial and error and learning by doing over several centuries. It is certainly interesting to study this from a historical perspective: how come ancient societies accepted individualist norms and became modern in the 17th century? But given that nearly two thirds of countries in the world are characterised as “not free”,¹⁶ the question remains highly relevant for political developments today.

To understand the shift from holism to individualism, we need to understand the historic roots of political holism. Ignorance of the past bars the pathway to the future. Constant, like most of his contemporaries, derived his insights from reading the classical authors like Plato, Aristotle, etc., but we have nowadays richer knowledge of traditional societies and must incorporate insights from historians, anthropologists, sociologists, and economists.

¹⁵ This was explicitly said by President Thein Sein to the UN rapporteur who enquired on the Rohingya issue. (Cheesman 2017).

¹⁶ See <https://freedomhouse.org/>

Nevertheless, the ancient Greek philosophers are a good starting point for they shaped the narrative of political holism until today.

Historic roots of political holism

Ancient liberty was already an innovation for humanity. As far as we know, none of the great palatial civilisations had developed a coherent concept of liberty. What Constant called ancient liberty only emerged in the Greek *polis* after Solon's reforms in early 6th century BCE, made sense in ancient Rome, and finally transformed into individual freedom and equality in Renaissance Europe. But it was the Financial Revolution in the 17th century that laid the ground for the global diffusion of the norms of individual liberty. In later chapters I will discuss these two normative transitions: from steep hierarchy to flat communities in early Greece, and from hierarchical status to contract in England.

Ancient liberty was not yet individualism in a modern sense. Individuals were not free to decide how to shape their lives, but they became moral persons who could decide on a virtuous or immoral life. Plato and Aristotle discussed individual behaviour not in terms of freedom but as deviations from virtue, that is as violations of generally accepted norms. Later, Medieval Christian intellectuals like Saint Augustine (354 – 430 CE) and later Protestant zealots developed the idea that individuals were responsible for a moral life because they had free will, but they still had to surrender to the God-given moral norms. Their freedom consisted in deciding whether to live a good or a sinful life.

Plato was the first to give a comprehensive description of political holism. Dumont (1980, 9) summarised it: "In traditional societies, as in Plato's Republic, the stress is placed on the society as a whole, as collective Man; the ideal derives from the organization of society with respect to *its ends* (and not with respect to *individual happiness*); it is above all a matter of order, of hierarchy; each particular man in his place must contribute to the global order, and justice consists in ensuring that the proportion between social functions are adapted to the whole" (emphasis added). Thus, in ancient societies, citizens were free insofar they participated in the collective decision-making that affected the whole community, but women, slaves, and foreigners were without rights.

Popper (1995 [1945], 100) also has traced political holism back to "Plato's demand that the individual should subserve the interests of the whole, whether this be the universe, the city, the tribe, the race, or any other collective body". Popper then referred to a key passage in the *Nomoi*. In that text, Plato had defended the idea that the universe is run by a divine will and he refuted certain views that he believed would obstruct good government because they would be incoherent with that will. An "Athenian stranger" discussed with some representatives from strongly hierarchical Crete and Sparta the idea that God supervised the cosmos in a way that served the interest of the whole as well as of each part. He said: "all things are ordered systematically by Him who cares for the World—all with a view to the preservation and excellence of the Whole, whereof also each part, so far as it can, does and suffers what is proper to it. To each of these parts, down to the smallest fraction, rulers of their action and passion are appointed to bring about fulfilment even to the uttermost fraction; whereof your portion, too, (...) is One, and tends therefore always in its striving towards the All, tiny though it may be. But *you fail to perceive that all that is generated is for*

the sake of the Whole, so that the life of the whole may be blissful—it is not created for your sake, but you [are created] for its sake.”¹⁷

Plato described here the three core principles of political holism. First, the ultimate reference is the universe, the largest whole. It serves as the benchmark for what Weiner (1992) has called “the cosmological authentication” of hierarchy and it explains why people accept to subordinate their own will to the community. Second, each part has a role that contributes to the ultimate end of the whole. These roles determine what is “proper” and, therefore, the property of the part. Hence, the happiness of which the ancient philosophers spoke was not individual happiness, but the happiness caused by the individual functioning effectively as a part in the broader system.¹⁸ Aristotle (1939, 31 [1097b8]) threw light on this when he said that happiness (εὐδαιμονία) was “the end at which all actions aim”. Modern economists might call this utility. However, for Aristotle happiness meant fulfilling the *functions* people have (τὸ ἔργον τοῦ ἀνθρώπου) and not realizing their individual preferences.

Third, we also note that for Plato each part is subordinated to “rulers who are appointed” (ἄρχοντες προστεταγμένοι) and who ensure that the parts fulfil their functions. Thus, every individual must surrender and submit to the will of the ruler who represents the whole, because that creates the good spirit of happiness (εὐδαιμονία). The function of the ruler is therefore also to repress any deviation from the virtuous path. In the Buddhist version of ancient Indian hierarchy, at least since King Ashoka, the virtuous ruler, the *dharmaraja*, had to wield strict authority (*danda*) to preserve the moral order, that is he had to inflict punishment and exercise coercive force whenever and wherever a violation of the *dharma* (virtue) occurred (Tambiah 1976, 23-24, 83). Ancient liberty did not tolerate deviations from the norm. It was cruel thousands of years ago, and it still is today when authoritarian regimes repress challenges to their rule.

Dumont has always insisted that holism and individualism coexist in all societies. What characterises different societies is how these norms are combined and articulated. In ancient holistic societies, individualism was inward-looking and private. Given their restricted freedom, individualists sought liberation by “going inside” to overcome the feeling of suffering that results from not getting what they want. The followers of Dionysus in ancient Greece, of Bacchus in Rome, the practitioners of Buddhism and Jainism in India, of Dàoism in

¹⁷ The original text is notoriously difficult to translate. It reads like this: “Πείθωμεν τὸν νεανίαν τοῖς λόγοις ὡς τῷ τοῦ παντὸς ἐπιμελουμένῳ πρὸς τὴν σωτηρίαν καὶ ἀρετὴν τοῦ ὅλου πάντ’ ἐστὶ συντεταγμένα, ὧν καὶ τὸ μέρος εἰς δύναμιν ἕκαστον τὸ προσῆκον πάσχει καὶ ποιεῖ. τούτοις δ’ εἰσὶν ἄρχοντες προστεταγμένοι ἐκάστοις ἐπὶ τὸ σμικρότατον αἰεὶ πάθης καὶ πράξεως, εἰς μερισμὸν τὸν ἔσχατον τέλος ἀπειργασμένοι: [903ξ] ὧν ἓν καὶ τὸ σόν, ὃ σχετλίε, μῦθον εἰς τὸ πᾶν συντείνει βλέπον αἰεὶ, καίπερ πάνσμικρον ὄν, σὲ δὲ λέληθεν περὶ τοῦτο αὐτὸ ὡς γένεσις ἔνεκα ἐκείνου γίγνεται πᾶσα, ὅπως ἦ τῷ τοῦ παντὸς βίῳ ὑπάρχουσα εὐδαιμῶν οὐσία, οὐχ ἔνεκα σοῦ γιγνομένη, σὺ δ’ ἔνεκα ἐκείνου”. (Plato, *Laws* 1967, 362 [10.903b-c]). I have used the English translation (1967) by Bury and the German translation by Schleiermacher (Platon 1991), but I have made my own amendments. I suspect that Popper (1995 [1945], 100) used Schleiermacher’s translation.

¹⁸ Thucydides (1910, p. 117 [1.70.]) expressed this holism succinctly: “As for their bodies they regard them as expendable for the city’s sake, as though they were not their own; and each man cultivates his own wisdom again with a view to doing something notable for the city” (Translation quoted by (Morris 2000, 120). It finds an echo in a holistic German World War I monument at Hamburg’s Stephans Platz, which shows marching soldiers with an inscription “Deutschland muss leben, auch wenn wir sterben müssen”.

China, the Sufis in the Near East – they all sought individual liberation from the rigid rules of ancient hierarchical communities. Spiritual freedom seekers had to leave society. The archetype is the Indian Sadhu who lived naked in the woods. The Buddha also left the civilised palace of his father. The individual liberation was an inner, mystic experience, while the external social practices did not allow them the liberty of choosing their own ends in life.

In classical Athens, some forms of individualism started to emerge among Greek maritime merchants in Piraeus and the Sophist philosophers (Barnes 1983), but in other communities like Sparta, where coinage was not used, this was unthinkable. Only in the Renaissance did individuals start to claim individual freedom based on free will.¹⁹ As the frequency of contractual practices increased, individuals became conscious of their autonomy. The new practices and their implicit norms were integrated into broader narratives which defined modernity. Thomas Hobbes and John Locke are the best-known authors of these new narratives. However, they also transformed the ways individuals perceived their identity.

With the increasing practice of making contracts, individualism became outward-oriented and political.²⁰ It was no longer an inner freedom because individuals interact with others out of their free will. Rights that they could claim protected their freedom. The state became an institution that guaranteed this freedom. This was a profound shift in ideology for it covered all aspects of society: morality and religious belief, reproduction and economic growth, politics, and constitutional states.

A shift in practices: from hierarchical status to contract

Sir Henry Sumner Maine (1861), a famous Whig comparative lawyer and a member of the Council of India in the 19th century, described modernity as the transition “from status to contract”. It is worth quoting his argument in full: “The movement of the progressive societies has (...) been distinguished by the gradual dissolution of family dependency and the growth of individual obligation in its place. The Individual is steadily substituted for the Family, as the unit of which civil laws take account. The advance has been accomplished by varying rates of celerity, and there are societies, not absolutely stationary in which the collapse of the ancient organization can only be perceived by careful study of the phenomena they present. But, whatever its pace, the change has not been subject to reaction or recoil, and apparent retardations will be found to have been occasioned through the absorption of archaic ideas and customs from some entirely foreign source. Nor is it difficult to see what is the tie between man and man which replaces by degrees those forms of reciprocity in rights and duties which have their origin in the Family. It is Contract. Starting, as from one terminus of

¹⁹ Burckhardt wrote the classic study about individualism in the Renaissance. He correctly described the normative shift, although he got the inward/outward movement wrong: “In the Middle Ages both sides of human consciousness – that which was turned within as that which was turned without – lay dreaming or half-awake beneath the common veil. The veil was woven of faith, illusion, and childish prepossessions through which the world and history were seen clad in strange hues. Man was conscious of himself only as a member of a race, people, party, family, or corporation – only through some general category. In Italy this veil first melted into air; an objective treatment and consideration of the state and of all things of this world became possible. The subjective side at the same time asserted itself with corresponding emphasis; man became a spiritual individual.” (Burckhardt 1990, 98)

²⁰ (L. Dumont 1986). For the gradual emergence of individualism as a normative discourse of modernity, see (Lukes 1971) (Lukes 2006).

history, from a condition of society in which all the relations of Persons summed up in the relations of Family, we seem to have steadily moved toward a phase of social order in which all these relations arise from the free agreement of Individuals. In Western Europe the progress achieved in this direction has been considerable. Thus the status of the slave has disappeared - it has been superseded by the contractual relation of the servant to his master. The status of the Female under Tutelage, (...) has also ceased to exist; from her coming to age to her marriage all the relations she may form are relations of contract. So too the status of the Son under Power has no true place in law of modern European societies. (...) The word Status may be usefully employed to construct a formula expressing the law of progress thus indicated (...). All the forms of Status taken notice of in the Law of Persons were derived from, and to some extent are still coloured by, the powers and privileges anciently residing in the Family. If then we employ Status (...) to signify these personal conditions only, and avoid applying the term to such conditions as the immediate or remote result of agreement, we may say that the movement of the progressive societies has hitherto been a movement from Status to Contract." (Maine 1861, 168-170).

Thus, when contracts are widely used for allocating resources, a society becomes modern because the enactment of the norms of freedom and equality dominates. This practice is reflected in narratives and it is a boon of speech act theory that it avoids the strict dichotomy between holism and individualism. Normative shifts are then related to changes in the *frequency distribution of speech acts*. Fotion (2000, 40) has compared such change with a large batch of paint that results from the mixture of several smaller batches each with its distinct colour. An even better metaphor would be pixels in a digital picture. We say that contractual relations have the colour of individualism, and directives the colour of holism. The picture of holism and individualism in society is then changing as the frequency and structure of the pixels changes.

What changes the colour of the pixels and what drove their distribution? I contend that the choice of holism versus individualism depends on the relative utility of security of survival versus more material wealth, and that the norm of individual liberty is grounded in the practice of negotiating contracts which defines individuals as free and equal. From this practice emerged the institution of property rights which could be transferred in markets. With property rights and money, the management of uncertainty changed. I will discuss this process in later chapters. However, I wish to emphasise immediately that property rights are not possession rights. Possession rights dominate neoclassical economics because they model the exchange of useful goods. Property rights are claims in space and time and therefore resemble financial contracts. They are subject to risk and uncertainties to different degrees. Because money is liquidity *par excellence*, it provides certainty and security as a means of payment. Money allows, therefore, the individualised management of risk and uncertainty that is an alternative to the holistic security of the community. For this reason, money takes a crucial role in the transformation of the economy and thereby also for the ideological narratives. But this role is unintelligible if we consider economic transactions simply as the neoclassical exchange of utility maximising goods.

A summary

This book sees liberty as a moving object. Liberty does not have the same meaning in all societies. Why has it changed? Figure 1 summarises the analytical structure of my argument. The elements of ancient liberty are political holism, hierarchy, and non-market transactions expressed by directive speech acts. Modern liberty is based on political individualism, money, and the duo of commercial and financial contracts, expressed by commissive speech acts. What this means for the theory of rights and economic institutions, I will discuss in Chapter 3. But a conjecture is not yet a theory. Before the historical chapters can carry the argument, we need an account of how norms come into existence, acquire validity, and spread — how the practice of contracting could generate the norm of liberty at all. That is the task of Chapter 2.

If my analysis of the foundation of modern liberty is correct, it has far-reaching implications for the promotion of freedom, equality, democracy, and human rights. It is fashionable today to promote modern liberty in countries where these ideas have no meaning. My analysis implies that liberty cannot be imposed on societies where the monetary economy is weakly developed. However, as history shows, the logic can be inverted. The development of the monetary economy with financial contracts has propagated and diffused the norms of modern liberty. There is no reason why this would not work in less developed countries with authoritarian rule. Instead of norm *transfer*, the promotion of liberty requires norm *generation* by setting up a stable economic framework where contractual practices will develop, the norms of political individualism get firmly anchored, and claim rights crowd out hierarchy.

Figure 1. The analytic framework



