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CHAPTER 2. THE EMERGENCE OF SOCIAL NORMS

The previous chapter explored liberty as a norm and distinguished its ancient from its modern form. Yet most people care about liberty not as a philosophical idea but as a social fact — something expected in daily life, whose absence is felt as domination or injustice. This chapter explains how a normative concept acquires such factual status.

Norms are neither brute facts nor mere moral preferences. They are the content of social facts, and they exist only insofar as they are generally accepted, known, and enacted in practice. I develop a general theory of normativity in which norms emerge from social practices and, through abstraction, crystallise into shared narratives that guide action. I shall call these abstractions meta-discourses.¹ Understanding how this shared acceptance comes about is essential for explaining both the historical emergence of liberty and its political fragility.

This chapter gives an overview of the conditions that generate consensus about collective norms. The technical details are presented in the annex to this chapter. The following Chapter 3 then applies this framework to the emergence of institutions. My purpose here is not to explain liberty itself, but to explain how norms become real. The chapter first establishes that liberty is a social fact whose validity can be grounded neither in nature nor in mere intellectual construction. It then clarifies the distinctions between facts, norms, values, rules, and practices, and shows how preferences for liberty arise from the evaluation of desires. It examines how norms emerge, stabilise, and replace others through social interaction, and how the practice of making contracts enacts freedom and equality. It develops the concept of meta-discourses as abstract narratives that articulate the normative structure implicit in recurring practices. The chapter concludes by explaining how general acceptance should be understood not as unanimity or coercion, but as a stochastic process that renders norms dominant, yet always vulnerable to reversal.

¹ I derive the term *meta-discourse* from the Greek *meta-* (above, beyond) to denote a normative framework that stands one level above the first-order norms it organises and, once held as common knowledge, stabilises the very practices from which it is abstracted. The coinage predates my awareness of Jean-François Lyotard's cognate *métarécit*, rendered in English as 'metanarrative', and the two should not be conflated. Lyotard's metanarratives are the grand legitimating stories of emancipation and progress whose defining postmodern fate he summarised as 'incredulity toward metanarratives' (Lyotard 1979). My meta-discourses are neither necessarily grand nor in decline. On the contrary, this book argues that one such framework — individual liberty — is continuously regenerated by the contractual practices it articulates, and is therefore grounded in practice rather than dissolved by scepticism. The term is likewise distinct from the linguists' *metadiscourse* (Hyland 2005)), which denotes the signals by which a writer organises a text.

NORMS AND SOCIAL FACTS

Facts, as Wittgenstein noted in the *Tractatus*, constitute “everything that is the case” — the totality of facts, not of things.² But what, precisely, is a fact? Facts are not simply events themselves, but events as they are known and described. Events occur whether or not anyone observes them; they become facts when humans ascribe meaning to them through language. I call such meaning-conferring descriptions *narratives* — structured accounts through which agents interpret and communicate what has occurred.

Meaning does not reside in words taken in isolation. Crucially, meaning is not private. Words acquire communicative force because people jointly learn and acknowledge the conventions that govern them. As Wittgenstein argued in the *Philosophical Investigations*, it arises from use within practical activities — what he called “language games.”³ Austin (1962) emphasised the performative character of such use, and Searle (1969) extended this insight through his theory of speech acts. One speech act above all others — the promise — will prove decisive for this chapter’s argument; the full taxonomy of speech acts and their institutional consequences is developed in Chapter 3. Narratives depend on collective intentionality — the shared beliefs, intentions, and commitments that allow people to act together (Searle 1995, 23-24). They both shape and are shaped by social facts.

Liberty as a social fact

With respect to ontology, Searle, following Anscombe, distinguishes between brute facts and social facts. Brute facts — mountains, stars, molecules — are ontologically objective. They exist independently of what human beings think or believe; they are observer-independent. Individual experiences, by contrast — pains, tickles, moments of awe — are ontologically subjective. They exist only insofar as they are experienced by a person.

Social facts occupy a different category. They exist only because people collectively recognise them and are in this sense ontologically subjective. But they are not merely private mental states. While social facts depend on individual minds for their existence, they presuppose shared recognition and common knowledge. A banknote is worth ten pounds not because any single person believes it, but because a community collectively accepts that it is. For this reason, social

² “(1) The world is everything that is the case (Die Welt ist alles, was der Fall ist). (1.1) The world is the totality of facts (Tatsachen), not of things (Dinge). (1.2) The world is determined by the facts, and by these being *all* the facts.” (Wittgenstein, *Tractatus Logico-philosophicus*; with an introduction by Bertrand Russell 1988)

³ (Wittgenstein 1984, 7): “I shall also call the whole, consisting of language and the actions into which it is woven, the “language game”.... “We can also think of the whole process of using words [...] as one of those games by means of which children learn their native language”.

facts are epistemically objective: they can be identified and known in the same way by all competent members of a community. Their objectivity derives not from ontological independence but from the publicly shared knowledge that sustains them. Social facts, moreover, do more than describe — they bind. When a community collectively accepts that a promise creates an obligation, that acceptance generates a normatively binding reason for action. Social facts, constituted by collectively accepted rules and shared intentionality, are the foundation of institutional facts which I discuss in the next chapter.

Liberty is not a brute fact; it is a social fact. It is ontologically subjective because it depends on human recognition and acceptance. Yet when liberty functions as a valid norm, it is epistemically objective: members of a community know what claims liberty entails and what conditions must be satisfied for it to acquire the force of a social fact.

What turns coincident individual beliefs into a genuinely shared orientation is mutual knowledge — the condition, long studied under the name of common knowledge, in which I know that you know, you know that I know, and so on without end.⁴ A norm has this character when everyone knows it and knows that everyone else knows it. Such mutual knowledge is what Searle calls epistemic objectivity — objectivity not in the sense that the norm is true independently of what anyone thinks, but in the sense that its content is fixed intersubjectively, the same for all who share it. Norms are thus ontologically subjective, existing only in minds, yet epistemically objective, because their content is public and shared. This is what enables people to reduce friction and cooperate. But mutual knowledge alone does not make a norm valid. A norm becomes valid only when those who share it also hold it worthy of action — when they accept it as a reason to act. Modern liberty appears, therefore, in the form of normative narratives that people know, share, and endorse.

When a particular understanding of liberty is shared among the members of a group, and when everyone in a group knows that it is shared, the norm of liberty acquires epistemic objectivity. I call such a group an epistemic community. Ontologically, an epistemic community consists only of individuals, since only individuals can think and act — a premise that constitutes the core of methodological individualism. Yet the reasons behind any particular action depend on beliefs and knowledge that are intersubjective, not private. This is where critics of methodological *individualism* (List and Spiekermann 2013) miss an important distinction. Agency is always individual; the normative reasons that guide it are not.

Norms provide such intersubjective reasons. They are bundled into what I call normative meta-discourses — overarching frameworks that organise particular norms into coherent systems of

⁴ (Lewis 1969); (Chwe 2001); (Pinker 2025)

expectation and obligation. The creation of social facts therefore requires collective intentionality. In the case of modern liberty, this means that the norm of political individualism be generally accepted as common knowledge.

Neither nature nor construction

Individual freedom and human rights are the modern way of thinking about liberty. They are concepts that apply to all human beings, claiming to be universal, inalienable, and inviolable. Three documents have shaped the modern understanding of human rights. The American Declaration of Independence in 1776 stated: “We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness....” The French Declaration of the Rights of Man and of the Citizen of 1789 proclaimed in article 1: “*Men* are born and remain free and equal in *rights*”. And the United Nations’ 1948 Universal Declaration of Human Rights echoed that “all human beings are born free and equal in dignity and rights”.

Foundational theories of human rights often assume that the desire for liberty is something natural, something humans are born with, something grounded in their immutable nature. One could adapt Leibniz’s (1988) reasoning on justice to liberty: “Justice follows certain rules of equality and of proportion no less founded on the immutable nature of things and in the divine ideas, that are the principles of arithmetic and geometry”.⁵ But this will not do. The facts are not there. Millions of people live in conditions that do not count as free. They are born with biological characteristics into social settings that are far from equal. John Locke had already rejected the idea that knowledge is innate.⁶ We are born with a biology that responds to external circumstances, and this capacity enables us to learn. What we learn is the knowledge of specific norms, laws, and principles.⁷

If freedom is assumed to be a “natural right”, the question is in what condition do humans live “by nature”? Jean-Jacques Rousseau (1964) famously wrote: ‘Man is born free, and everywhere he is in chains’. He did not claim to know how to explain this fact, but he thought it could be made legitimate. For Rousseau, freedom meant living in a state of nature characterised by compassion and the absence of greed, whilst civilisations were built on a social contract which deprived men of their natural liberty. By contrast, Thomas Hobbes thought that in the state of nature individuals would harm each other through their unconstrained freedom, although they were free to choose

⁵ Quoted in (Nelson 2004, 148)

⁶ (Locke 1975). See also: (Goad 1991).

⁷ David Ragazzoni has suggested to me to call this naturalist argument an “ontological argument” and to distinguish it from the utilitarian argument. However, it will become clear later why the naturalist reasoning is just as epistemological as utilitarianism.

protection by the sovereign. John Locke subsequently recognised that unfettered sovereigns acting in the name of the collective were a threat to individuals' lives, freedom, and possessions, and therefore needed to be constitutionally circumscribed. However, Locke was insensitive to the pressures which communities, rather than the state, can exercise on individuals. While Alexis de Tocqueville (2017 [1835]) observed the danger of the "tyranny of the majority" in democracies, John Stuart Mill (1972 [1859]) extended this insight to "the tyranny of the prevailing opinion and feeling". Human rights then become a protection against interferences and abuses by the sovereign and by the community.

Grounding individual liberty in human nature, as the vulgar model of human rights does, will not do as an explanation. Too large are the differences between concepts of liberty; too embittered are the conflicts between cultures which define liberty, equality, and dignity in radically different ways. Philosophers from Hobbes to Rawls have deconstructed the view that modern liberty and human rights derive from God or from human nature in His image. At most, one may retain with H. L. A. Hart (1955, 175) a single natural right: the right of all human beings to be free, applying to "any adult human being capable of choice", provided these actions are "not coercing or restraining or designed to injure other persons."⁸ Human rights are natural, on this reading, only because by nature all human beings have *free will* which enables them to choose. But free will allows an enormous diversity of beliefs. What people choose depends on the norms available to them — a point to which I return at the end of this chapter.

If we reject naturalism, constructionism is an alternative. It is fashionable. Constructionists interpret rights as institutions (Gregg 2013). An institution is defined as a structure of rules that shape and constrain social behaviour. These rules can be formal, like laws and regulations, or informal, like social conventions and traditions. According to this view, lawyers, philosophers, and other intellectuals have "constructed" discourses of individual liberty during the Age of Enlightenment. In a process of "copy and paste", they invented complex narratives from more fundamental elements (Buckley 2005). However, this still begs the question of why such "invention" did not occur earlier, why it emerged in the Age of Enlightenment, and most importantly why the discourse that we are born free and equal has become a universally accepted norm today. If liberty is neither written into nature nor freely invented by philosophers, a third account is needed: liberty as a social fact, generated by practices and sustained by general acceptance.

⁸ Writing in 1955, Hart still used the word "man" for all human beings, just as many other writers in earlier times. Even if we are gender-sensitive today, I will be tolerant with such use of words.

Norms and facts

Instead of interpreting liberty and human rights as facts, we can understand the statement that all human beings are born free and equal as a normative declaration. It says how individuals ought to treat each other so that they can coordinate their interactions accordingly. Such normative statements take the form of rules, laws, and rights. However, there is a variety of norms concerning how people ought to behave, and Constant's distinction between ancient and modern liberty describes the crucial cleavage. The fundamental norm of modern liberty can be stated as 'all individuals ought to be free and equal', whilst ancient liberty narratives claim 'the collective (the whole) ought to be free'. They do not contain the norm of equality.

Facts are true; norms are valid. How can norms then be self-evident? In the tradition of Kantian philosophy, statements are called analytically true or self-evident if they are assumed a priori true, so that denying a part of such a statement invalidates the whole.⁹ But modern liberty claims that all individuals have dignity because they are free and equal. For liberty to be a fact, the world must fulfil the conditions that are described by the claim articulating the norms of liberty. Liberty becomes a fact when the norm is realised. From a modern perspective, liberty applies to all individuals, but unless it is realised, human dignity is violated. In other words, if individuals do not have equal rights, they are not free, and if they are not free, they are deprived of their status as true human beings. Lack of freedom has therefore two dimensions: non-recognition of the norm and non-realisation of the norm. This book concentrates on the recognition of modern liberty norms.

Theories of human rights assert that they are rights a person has simply by virtue of being a human being. In ancient times, that was not so. The dignity of a person was derived from status and social position. One obtained rights by virtue of meeting some special qualifying condition. For example, the King granted rights over land and people to his lords. Nowadays, many rights are granted to citizens but not necessarily to immigrants (Miller 2015). Thus, individual liberty is far from being "self-evident".

The distinction of norm and fact applies to human rights as legal acts, too. A legal act is a statute or law that articulates a right. It is valid when it is generally accepted. But the law says how something ought to be; it has normative content. Hence, rights imply that their normative content is generally accepted. They may be accepted because some legitimate legislative body has created them, or because the normative content is consistent with what everyone believes. These are two dimensions of normative validity: the validity of legal acts is distinct from their

⁹ See (Kant 1998)

normative content. To be acceptable, they must be justified.¹⁰ Yet, given that the social acceptance of norms is often less general than the acceptance of the procedural validity of laws, many interpretations of liberty and human rights coexist. Chapter 3 examines how legal institutions handle this tension.

But then, what grounds the modern view? How did the norms of modern liberty become dominant? To find an answer, one must question the attachments to familiar doctrines.¹¹ Virginia Woolf (1937) described modern liberty beautifully as “freedom from unreal loyalties”, namely from loyalties to nations, neighbourhoods, sex, teachers, schools, churches, ceremonies, etc. As long as one believes that modern liberty is the only acceptable form of liberty, it is impossible to understand how the ancient view of collective freedom has turned into the freedom of individuals.

The naturalistic fallacy

This book argues that the norms of modern liberty emerge from contractual practices in the monetary economy. A well-known objection stands in the way. David Hume (1978 [1739]) argued that an “ought” cannot be deduced from an “is,” and G. E. Moore (1993) warned against reducing normative concepts to natural properties. If norms cannot be derived from facts without committing a naturalistic fallacy, then the project of grounding liberty in economic practices appears doomed from the start. Yet this objection rests on a misunderstanding of the types of facts involved.

Moore’s warning concerns deriving values from purely descriptive premises. But institutional facts are not purely descriptive; they have performative characteristics and are constituted by rules and normative expectations. As Searle (1995) shows, institutions are normative from the outset. A handshake that seals a deal, a banknote accepted as payment, a vote that carries authority — none of these can be described without reference to the norms that make them intelligible. The relationship between norms and institutional facts is constitutive, not inferential. To observe that contractual practices generate norms of equality is not to commit the naturalistic

¹⁰ “Rights, in general, exist if they are valid. The validity of human rights qua moral rights depends on their justifiability and on that alone. Human rights exist if and only if they are justifiable.” (Alexy 2012, 290)

¹¹ One has to forget, so to say, who one is in order to find out who one has become. But how can we ever forget who we are? As Skinner (2002, 58) has pointed out, it will never be possible to study the past without bringing to bear our own expectations and pre-judgements. Hence, we must question our customary assumptions and judgements. We can step out of our conventional certainties by formulating guesses, anticipations, tentative solutions to our questions and problems, hence by what Popper (2002) called conjectures. Accepting or refuting such conjectures depends on the evidence that they are true or false; or that they are valid if coherent and invalid if incoherent with an accepted set of norms. In other words, understanding the foundations of modern liberty is an epistemological enterprise.

fallacy — it is to recognise that the practice of making contracts would not exist without those norms already operative within it (Searle 1964). The linguistic turn in modern philosophy allows us to understand social institutions as created by speech acts, and it reveals that some speech acts — most notably promises — bridge descriptive and evaluative statements. This makes it possible to analyse how repeated practices can generate normative validity.

Norms, values, and practices

Norms are closely connected to values, but the relationship is more complex than a simple distinction between “what is” and “what ought to be.” Values project an evaluative representation of a possible world — a way the world could be arranged that is judged good, desirable, or worthy of action. Norms, by contrast, are guiding principles for action. They point toward a state of the world in which reality matches the evaluative content of the value. Norms thus provide reasons for acting so that the world is transformed until it fits the values.

Philosophers describe evaluative terms as either thin or thick (Williams 1985); (Putnam 2002). Thin concepts — good, bad, right, ought — are highly abstract. Thick concepts — cruel, fair, honest, oppressive, free, equal — combine substantial description with inherent evaluation. To describe an action as oppressive or honest is not only to depict what happened but to evaluate it. Most values relevant to social and political life are thick concepts. Freedom, equality, and justice each refer to patterns of interaction, institutional arrangements, and lived experience whose evaluative significance is inseparable from their descriptive content.

When individuals suffer from a lack of freedom, inequality, or injustice, norms function as attempts to close the gap between existing social facts and valued thick concepts. The gap is expressed by the auxiliary verb “ought,” which denotes duty, obligation, or expectation. When the norm prescribes that one ought to repay one’s debts, it links a thick concept — trustworthiness — to a directive for action. If the prescribed action is performed, the valued pattern becomes instantiated as a social fact that others can rely on. Money as a means of payment turns the uncertainty of ‘ought’ into the certainty of ‘is’ — a function I develop in chapter 4.

Norm-guided action must be repeated to have social significance. A *practice* is a structured pattern of behaviour that both realises the norm and contributes to its continued validity. The practice sustains the norm by reproducing the required action over time; the norm defines the practice by specifying what counts as fulfilment. Values articulate desirable states of affairs, norms specify the actions that would realise them, and practices enact the norms in ways that stabilise valued states as social realities.

The preference for liberty

If norms guide the transformation of the world toward valued states, we must still explain why individuals come to prefer one value over another — why some societies prefer the holistic liberty of the ancients, while others prefer the individual freedom of the moderns. Economists leave the explanation of preference change to political theorists, but as Buchanan (1991) remarked, change-theories still await their full integration into economic theory. In accordance with a long tradition in economics, Stigler and Becker (1977, 76) argued that desires are taken as “unchallengeable axioms of a man’s behaviour: he may properly (usefully) be criticised for inefficiency in satisfying his desires, but the desires themselves are data. Deplorable tastes - say, for arson - may be countered by coercive and punitive action, but these deplorable tastes, at least when held by an adult, are not capable of being changed by persuasion”. Thus, some desires are good, others are bad. But how do we know which tastes are deplorable? And why is individual liberty desirable? And what justifies suppressing a person's desire for liberty?

Microeconomic textbooks explain choice as utility maximisation: individuals rank the elements of a choice set and pick the option with the highest utility index.¹² If liberty is desirable, it is on this account a good that has utility. It makes us happy, supports creativity, and contributes to economic wealth. Unfortunately, the model never explains what generates the *perception of liberty as utility* in the first place, nor what determines preferences and why they change over time.¹³ The assignment of utility is the result of an evaluation, but the neoclassical model strictly avoids any reference to the *criteria by which choosers would determine the utility ranking*. All the model needs is to ask the consumer: is either x or y better *in your eyes*?¹⁴ Hence, desires and their representation as utilities are subjective; there is no objective value standard. Applying diminishing marginal utility to liberty — more liberty yields less additional utility until other things appear preferable — is pure hallucination unless we know what liberty is and how to measure it.

¹² Preferences are defined as asymmetric and transitive relations between the elements of the choice set; a numerical index called utility is assigned to the desire for objects, and it is postulated that individuals choose the options with the highest utility index number. Jevons (1970 [1871], 13) put the underlying assumption clearly: “I assume that on average, the ratio of utility is some continuous mathematical function of the quantity of commodity. This law of utility has, in fact, always been assumed by political economists under the more complex form and name of the Law of Supply and Demand.” I shall discuss in chapter 4 that this assumption is particularly problematic when we talk of the value of money. For the founding statements of utilitarianism, see Bentham (Bentham 2007 [1907], 2) on utility as “the principle which approves or disapproves every action whatsoever according to the tendency which appears to have to augment or diminish the happiness of the party whose interest is in question”, and Jevons (1970 [1871], 101): “Pleasure and pain are undoubtedly the ultimate objects of the calculus of economics.”

¹³ (Stigler and Becker 1977) were explicit: *De Gustibus non est Disputandum*.

¹⁴ See (Kreps 1988, 19)

The model also ignores the value of equality. Maximising aggregate happiness does not consider issues of distribution unless the happiness of some individuals causes pain for others, a condition axiomatically eliminated by the criterion of Pareto-optimality. Robbins (1938, 635) expressed his moral unease with this when he wrote: “I do not believe, and I never have believed, that in fact men are necessarily equal or should always be judged as such. But I do believe that, in most cases, political calculations which do not treat them as if they were equal are morally revolting.”

The utilitarian focus on commodities, moreover, neglects the desire for security as a component of utility. George Stigler (1971) quoted Adam Smith as saying that self-interest “dominates the majority of men”. However, he then referred to a famous passage from the *Wealth of Nations*: “The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it alone and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations; though the effect of these obstructions is only more or less either to encroach upon its freedom, or to diminish its security.”¹⁵ Amartya Sen (1987, 22) therefore rightly pointed out that for Smith self-interest covered both freedom and security - the desire for prosperity which Smith called wealth, and the protection against uncertainty which he called prudence. I will assume with Smith that prosperity *and* security - the freedom of action *and* the freedom from uncertainty - are both components of utility. I will then argue that the balance of these two principles determines whether people choose political holism or individualism.

The assumption that agents have stable and well-defined preferences for liberty is one of the greatest obstacles for understanding the modern ideas of freedom, equality, and human dignity. Liberty has many forms, and what it means reflects a *choice of society*, not a subjective value. This choice is the collective acceptance of a narrative which articulates a coherent set of norms, rules, and laws. When we ask how such a choice is made, we no longer focus on the choice set, but on social relations and the freedom of choosers.

The freedom of choosers is at the core of what Philip Pettit (1997) has called “republican liberty” — a rich concept that defines freedom as non-domination and is based on rights. However, in order to show the common roots of freedom of choice and choosers, it is useful to start with the concept of preferences. Keith Lehrer’s (2004) approach for analysing desire and preferences allows us to think liberty as the freedom of choosers. For Lehrer, our preferences are the source of our freedom: “We must have our preferences because we prefer to have them and not because they are imposed upon us. We have reasons for our preferences. Our reasons for our

¹⁵ (Smith 1978 [1776], 540). The passage is also quoted by (Stigler 1971).

preferences must be our reasons because we prefer them to be. We must be agent and author of our preferences for them to be free". This places autonomous individuals in the centre of liberty.

A crucial difference between Lehrer's and the standard economic textbook model is that desires and preferences are distinct. Desires arise in us without our bidding and often against our will; they are uninvited distractions. However, a free and autonomous person can choose *whether she accepts her desires as worthy of action or not*. She evaluates her desires and chooses to satisfy some but not others. Notice that she evaluates her desires, not the objects of her desire. Her preferences are the desires which she has accepted after evaluating them as being worthy of action.¹⁶

By evaluating my desires, I can choose to retain my desires, or reject them, although that requires criteria for evaluation. If my preferences are coherent with valid norms, they have validity. But even if I accept a preference, I am still the subject who is free to choose whether to act on it or not. This capacity to choose is the manifestation of my free will and it constitutes my identity. Because I am free to choose my preference and to act accordingly, modern liberty is more than the subjective, natural desire to do what one wants; it entails the collective preference for the norm that choosers ought to be free to choose.

Hence, while our desires may be subjective,¹⁷ we must find reasons for what we prefer. This implies that the evaluation of our desires is structured by epistemically "objective" norms. Desires and preferences are separate, and between the two stands the chooser. Desires are subjective; preferences are evaluated desires that take into account what other people think. Preferences have therefore epistemic objectivity. This is precisely what a foundational theory of liberty needs: an explanation why some societies prefer the holistic liberty of the ancients, while others prefer the individual freedom of the moderns. This choice cannot be based on arbitrary

¹⁶ "So preference is typically the positive evaluation of something desired. But not always. Sometimes I consider some course of action and prefer to undertake that course of action without any desire to do so. I prefer to prepare the materials to pay my taxes, but I have no desire to do so. None whatever. It is rather, as I consider the consequences of preparing or not preparing the materials to pay my taxes, I evaluate preparing the materials as preferable to not doing so, and I prefer to prepare them without any desire to do so. There are many cases of odious or burdensome obligations. Though I prefer to do what I am obliged to do, I have no desire for it. What this reveals is that preference is a different kind of state than desire, though both may influence what I do. I have proposed that preferences are states of a different level of mentality. So, I think of desire as arising without my bidding or approval, the states of a first level mind that are not up to me, as contrasted with preference which are up to me. What I prefer as I evaluate what I desire or consider, either reflectively or spontaneously, at the level of the metaimind, is where optionality and freedom enter the picture. Preference like choice, which is the immediate expression of preference, is a condition of our freedom." (Lehrer 2004, 48)

¹⁷ Desires are therefore at the edge to brute facts in the sense that they can occur without anyone observing them, including the person who has them if he is not trained to witness his own emotions.

desires; it needs to be founded in some objective criteria. Preferences, then, are desires that have survived evaluation against norms the chooser holds valid. But what kind of statement is a norm, that it can serve as a criterion of evaluation? The answer lies in its direction of fit.

Direction of fit and practice

Descriptive statements and normative statements differ fundamentally in their direction of fit (Searle 2010). Descriptive statements aim at a *mind-to-world* fit: they are true when the representation in the mind corresponds to the way the world actually is. Normative statements, by contrast, exhibit a *world-to-mind* direction of fit. They do not describe an existing state of affairs but prescribe actions intended to bring the world into conformity with a valued description.

This difference in direction of fit explains why norms cannot be reduced to factual statements. A norm does not become true or false in the same way a descriptive statement does; rather, it is fulfilled or violated depending on whether actions succeed in transforming the world in the required direction. Norms therefore function as reasons for action: they motivate behaviour aimed at closing the gap between existing facts and valued states of affairs - or if the gap is closed - by sustaining the world.

Practices thus play a mediating role between norms and social facts. By repeatedly acting in accordance with a norm, individuals contribute to the creation and maintenance of the very social reality that the norm presupposes. This dynamic will be essential for understanding how norms like modern liberty emerge, stabilise, and eventually acquire epistemic objectivity within a group.

Repressive and communicative theories of normativity

The emergence of norms has been widely debated, yet no single theory offers a fully satisfactory explanation. Broadly speaking, existing accounts can be divided into top-down and bottom-up approaches. Top-down theories explain norms as externally imposed constraints, issued by authoritative institutions such as states, churches, or legal systems. This perspective aligns with political holism, according to which norms bind individuals independently of their consent. Compliance is then enforced by sanctions (Coleman 1990) - hardly a model compatible with individual liberty. Bottom-up theories, by contrast, explain norms as emerging from individual interactions, shared practices, and mutual expectations. These accounts align with political individualism, in which norms arise through individual choice, coordination, and agreement.

Classical sociological and legal theories largely adopt a top-down perspective. Durkheim viewed norms as external social facts that constrain individual behaviour, whether rooted in shared beliefs in traditional societies or enforced through legal institutions in modern ones. Legal

positivism radicalised this view. Austin's (1995)¹⁸ command theory defined legal norms as sovereign commands backed by sanctions, while Weber's (1922) theory of authority classified norms according to their sources of legitimacy—traditional, charismatic, or legal-rational. Despite their differences, these approaches locate the validity of norms in authority rather than individual agreement. Norms are valid because they are issued by institutions that claim a monopoly of legitimate force. Such accounts explain compliance, but not legitimacy. They describe how norms are enforced, not how individuals come to regard them as binding for good reasons. This limitation becomes especially visible when explaining the transition from hierarchical forms of order to modern liberty.

Rational-choice approaches attempt to avoid political holism by grounding norms in individual preferences. Yet they, too, explain norm conformity by fear of sanctions. Coleman (1990) explained norms as collective solutions to externalities that markets cannot internalise. While this account clarifies why norms may be instrumentally useful, it assumes the very collective preferences it seeks to explain. Arrow's (1963) impossibility theorem underscores this problem: collective preference formation cannot be reduced to individual rankings without either incoherence or dictatorship. Norms therefore cannot emerge solely from preference aggregation or sanction-based incentives. What remains unexplained is how individuals come to revise their preferences and converge on shared normative commitments.

Communicative approaches shift attention to language and interaction. Mead (1967) explained norm formation through role-taking and the internalisation of social expectations, captured in the notion of the "generalised other." Habermas (1987, Vol II) developed this insight by arguing that norms are validated through rational discourse aimed at mutual understanding. While this approach rightly emphasises the communicative dimension of normativity, it presupposes the existence of shared discursive frameworks and does not explain why particular normative orientations—such as political holism or individual liberty—prevail in one society rather than another. Moreover, Habermas' distinction between lifeworlds and systems obscures the normative character of economic and institutional practices, treating money and power as media that substitute for language (Habermas 1987, Vol II). This approach sees money as a means and token of exchange but misses the fact that money is created by promises and contracts.

Taken together, these theories illuminate important aspects of normativity, but none explains how norms emerge as stable, legitimate, and action-guiding social facts without presupposing authority, fixed preferences, or already shared commitments. What is needed to explain modern liberty is an account that explains how norms arise through individual action and communication,

¹⁸ J. Austin (The Province of Jurisprudence determined 1995) not to confuse with J. L. Austin (How to do things with words: The William James Lectures Delivered at Harvard University in 1955 1962)

acquire epistemic objectivity through shared recognition, and stabilise through practices—without collapsing into either political holism or voluntarism.

THE EMERGENCE OF NORMS

Norms emerge neither through mere command nor through the aggregation of individual preferences. They arise through a dynamic process in which values, communication, action, and repetition interact over time. The process begins with a practical problem. Individuals encounter situations in which brute facts do not determine what ought to be done. The fact that A killed B does not settle whether the appropriate response is revenge, execution, or imprisonment. Values orient judgment — they indicate a preferred state of affairs — but they do not yet prescribe specific conduct. For that, a norm must crystallise: a shared directive that links the value to a pattern of conduct.

Norms emerge when these evaluations are articulated in the form of *ought*-statements. Such statements introduce a world-to-mind direction of fit: they prescribe actions intended to transform reality in line with the valued description. Initial compliance with these prescriptions may be experimental and not generally accepted, but repeated norm-guided actions gradually generate mutual expectations. Individuals come to expect not only that others will act in a certain way, but that others expect them to do so as well.

Through repetition, norm-guided actions stabilise into practices. Practices embed norms in patterns of behaviour that reduce uncertainty and structure reasons for action. Deviations are no longer treated as surprises, but as mistakes requiring justification or correction. At this point, norms acquire epistemic objectivity: they become common knowledge that can be invoked, taught, criticised, and defended.

When such practices are sufficiently stabilised, the valued state of affairs they aim at is realised as a social fact. The norm no longer merely prescribes how the world ought to be; it helps constitute how the social world actually is. Norms nevertheless remain fragile without institutional reinforcement — a problem I address in the next chapter. What the present account establishes is how norms can emerge from the interactions of individuals without external imposition, while acquiring the objectivity and stability characteristic of social reality.

Norms and rules

To be valid, a norm must be generally accepted — this is what makes it epistemically objective. “Generally accepted” means that the vast majority of individuals in a group know the content of the norm and accept it as a guide to conduct, even if their natural subjective desires differ. When

competing norms coexist and different subgroups regard different norms as binding, acceptance is partial and normative authority is contested.

Norms provide reasons for action; rules translate these reasons into context-specific guidance. Rules operationalise norms. Their content may be explicit or implicit, but in either case they enable individuals to recognise when conduct falls short of what the norm requires — to perceive, that is, a gap between how the world is and how it ought to be.

Persistent deviation from generally accepted norms generates friction, undermines mutual expectations, and threatens social reproduction. When expectations can no longer be formed reliably, uncertainty prevails — and, as Hobbes (1996) warned, disorder (“warre”) follows. Yet deviation is not always pathological. When consistently integrated into broader narratives, it can generate innovation and transformation. The early practice of lending at interest, in defiance of usury prohibitions, illustrates the point: what began as transgression eventually reshaped the normative order itself.

Rules do not function as deterministic causes of action. As Wittgenstein (1953, §202) observed, no rule determines its own application. A rule indicates a direction without compelling movement. The norm is the signpost — it indicates the direction of fit — while the rule provides the practical reasons for moving in that direction. But whether an individual follows the rule remains a matter of agency.

Because norms provide reasons rather than causes, valid norms enable coordination without eliminating freedom. Individuals may comply or deviate. When deviations occur, the resulting gap between norm and fact can be addressed in two ways: by enforcing compliance through sanctions, or by revising the norm itself. Enforcement brings the world into conformity with the norm — this is the function of institutions such as the police and the legal system. Revision adjusts the norm to an evolving world — it is the source of normative innovation and social transformation.

Valid norms stabilise expectations without determining outcomes. Yet when norms lose their validity, expectations cease to be rational and uncertainty or conflict follows. The transition from one normative system to another is therefore inherently unstable. Seventeenth-century England illustrates the point: the monarchical order could no longer ensure people’s security, but the alternative norms advanced by the Whig opposition were not yet generally accepted. The old system had lost legitimacy; the new one had not yet acquired it. Bridging that gap — stabilising new norms against the pull of disorder — is the work of institutions, to which I turn in the next chapter.

Rules and practices

Rules sustain social facts by guiding practices, but they need not be explicitly linked to norms in the consciousness of actors. When individuals follow rules, their practices enact norms — even if the actors do not consciously intend to realise them. Action may be intuitive,¹⁹ self-evident, or automatic.²⁰ Wittgenstein (1984, § 238) captured this with the notion of *selbstverständlich* — self-evident, taken for granted.²¹ It is precisely what the American Declaration of Independence proclaimed when it held certain truths, as noted above, to be “self-evident.” In each case, following a rule is a logical and not a causal condition for action. This distinction is crucial: reasons justify expectations, whereas causes produce outcomes. Normative narratives provide reasons for practices, not causes of them.

The distinction between reasons and causes requires a brief clarification. Since David Hume (1978 [1739], 79), causation has typically been understood as a relation among objects: one billiard ball strikes another and the second moves. Physical causation operates through contiguity and temporal sequence. Social causation operates differently. When individuals follow rules, the connection between one action and the next is not physical but normative — what links them is not contact but the shared understanding that they *ought* to follow each other. A borrower repays a lender not because the loan physically compels repayment, but because a norm requires it and both parties recognise that it does. Social facts are therefore produced by reasons, not by mechanical necessity. And because reasons can be accepted or rejected, the relationship between norms and the practices they guide is inherently probabilistic. Norms make certain outcomes *likely* by providing compelling reasons for action, but they cannot guarantee them. This is why social order is always vulnerable to disruption — and why institutions, as the next chapter will show, are needed to stabilise it.

¹⁹ (Wittgenstein, *Philosophische Untersuchungen* 1984, §232) “Let us imagine a rule intimating to me which way I am to obey it; that is, (...) a voice within me says: “this way!” - What is the difference between this process of obeying a kind of inspiration and that of obeying a rule? For they are surely not the same. In the case of inspiration I *await* direction.”

²⁰ In the Brown Book (Wittgenstein, *The Brown Book* 1969, 87) (*Eine Philosophische Betrachtung*. (Das sogenannte Braune Buch) 1984, 128), Wittgenstein describes a person who picks some cloth in the shop without a memory image. He then says this person “acted entirely automatically. (...) He had no reason for choosing it. (...) There need not have been a reason for the choice. A reason is a step preceding the step of the choice. But why should every step be preceded by another one?”

²¹ (L. Wittgenstein, *Philosophical Investigations* Oxford 1953, §238) gives the English translation as: “The rule can only seem to me to produce all its consequences in advance if I draw them as a *matter of fact*”. However, the German original (Wittgenstein, *Philosophische Untersuchungen* 1984, 238) is much clearer: “Damit es mir erscheinen kann, als hätten die Regeln alle ihre Folgesätze zum Voraus erzeugt, müssen sie mir *selbstverständlich* sein. So selbstverständlich wie es mir ist diese Farbe Blau zu nennen. (Kriterien dafür, dass dies mir ‘selbstverständlich’ ist.)”

Individual rules and the practices they guide do not exist in isolation. They are organised into broader normative frameworks — what I have called *meta-discourses* — that bundle particular norms into coherent systems of expectation. The norms of contractual exchange, for instance, do not stand alone; they are embedded in a meta-discourse of political individualism that connects property, consent, equality, and liberty into a single normative architecture. When such a meta-discourse is generally accepted as common knowledge, the norms it organises acquire the stability needed to sustain social order. We shall see that this explains how contracts become the foundation of modern liberty.

Promises, contracts, and the enactment of liberty

Which practices carry the norms of modern liberty? The answer of this book is: contractual practices. A contract is a voluntary agreement between two agents in which the promisor pledges to do something and the promisee acquires a justified expectation that the promise will be fulfilled.²² Contractual promises are conditional on agreed terms that assign rights and responsibilities. The promise thus generates an obligation for the promisor and a corresponding claim for the promisee. Crucially, both parties are free to accept or reject the terms under which these obligations arise. They negotiate the terms of an agreement on equal footing. Where hierarchy binds individuals through prior obligations, contracts bind them through chosen commitments. No party is normatively subordinated to the other. Making an agreement is thus an act of free will. But, once the contract is concluded, the freedom of the promisor is exchanged for an obligation to perform. In economic language, freedom is *ex ante*; obligation is *ex post*. In traditional societies, by contrast, obligation exists *ex ante*, and individuals submit.

The freedom to accept or reject contractual terms is reciprocal, and this reciprocity implies equality: each party is equally free to say *yes* or *no*. Freedom and equality are the two constitutive norms of modernity. They both grow on the same tree. One cannot exist without the other. However, we will see below that the usage of the terms liberty and freedom has change over time which has implications for the empirical work.

Liberty is therefore not merely declared; it is enacted through practices. Every time a contract is concluded, the norm of freedom and equality is enacted — whether or not the parties notice. Speech act theory clarifies how this works: a contract is constituted by reciprocal *commissive* speech acts — promises — through which both parties bind themselves to implement the agreed propositional content. Unlike hierarchical commands, which impose the speaker's will on the hearer, promises bind the speaker by her own free choice. The taxonomy of speech acts, and the way directives and commissives generate opposite architectures of rights, is the subject of the

²² For a discussion of interpreting “contract as promise” and “promise as contract”, see (Kimel 2005)

next chapter. What matters here is the normative structure of the practice itself: contracting presupposes, and thereby reproduces, the freedom and equality of the contracting parties. How such dispersed, often unnoticed enactments condense into an articulated narrative is the work of meta-discourses.

From task-specific practices to meta-discourses

Many rules are task-specific and grounded in utilitarian rationality. In a market economy, for example, the rule that goods must be paid for is followed not because individuals value payment as such, but because payment discharges the contractual obligation they accepted when they agreed to the price. Yet these practices implicitly enact a broader normative structure — one that presupposes and reproduces freedom and equality between contracting parties.

Because human cognitive capacity is limited, individuals abstract from recurring task-specific practices and articulate their underlying logic in more general terms. These abstractions take the form of normative *meta-discourses*. A promise to meet at five o'clock is task-specific; the meta-discourse "promises ought to be kept" articulates the normative structure that makes such practices intelligible and reliable.

Meta-discourses do not float freely; their validity depends on being anchored in prevailing practices. The discourse that the preservation of the community ranks higher than individual desires makes sense when serving the community provides security (Scott 1976) — this is the balance of freedom and security, discussed above, tilting towards security. Where economic life is organised hierarchically, the narrative of individual liberty lacks practical meaning. Where contracts dominate daily interactions, individual liberty becomes intelligible and plausible.

The likelihood that an individual accepts the meta-discourse of modern liberty depends on participation in contractual relations. Individual practices — buying, selling, borrowing, hiring — are motivated by utilitarian goals, not normative reflection. Yet the experience of negotiation carries implicit normative content. Repeated encounters gradually signal to individuals that they possess the freedom to say "yes" or "no" — that they are, in the relevant sense, free. And because every *genuine* contract requires a counterpart with— in principle — the same standing, the recognition of one's own freedom entails the recognition of the other's equality. Over time, lawyers, philosophers, and political actors articulate what dispersed practices imply: the meta-discourse "all individuals are born free and equal." The 1789 Declaration of the Rights of Man exemplifies this process of abstraction — translating the accumulated experience of contractual life into publicly intelligible principles. Once shared within an epistemic community, such a meta-discourse reshapes the institutional environment: it becomes a reason for sustaining contractual practices and a basis for codifying them into formal rights and laws.

From this analysis arises the book's foundational proposition. It is tempting to state it at the level of the individual — that a person grows more disposed to the norms of modern liberty the more deeply she is embedded in contractual practice. That tendency is real, and it is the micro-mechanism on which everything rests. But it does not, on its own, govern the outcome. Because norms form through mutual influence rather than in isolation, what a society settles upon is a consensus, not the average of its members' dispositions. What decides that consensus is alignment, not frequency: modern liberty prevails not because contracting is widespread on average, but because those most engaged in contractual practice are also those whose views carry weight. Where the contractually embedded are socially influential, the consensus is drawn towards liberty; where the influential stand outside contractual life, the same volume of contracting leaves it untouched, or pulls it the other way. Thus, when entrepreneurs, merchants and bankers are respected in society, the contractual logic they practice spreads. When priests and army officers hold the power, the process is slow or even blocked. The annex derives this result formally; the chapters that follow develop its implications.

This is not to say that any form of exchange generates liberty. Asymmetric information and incomplete descriptions of contracts generate power relations that violate the status of equality. Hierarchical, coercive, and debt-bondage relations may involve exchange transactions but do not constitute symmetrical contractual practices. Yet the norms of modern liberty - freedom and equality - emerge specifically from monetised legally mediated contracts that treat individuals as interchangeable agents capable of autonomous consent.

Feudal relations illustrate the contrast. The formal ceremonies of “homage” and “fealty,” in which the vassal swore loyalty and the lord pledged protection and land tenure, exchanged promises — but these were ritual affirmations of a pre-existing social order, not voluntary commitments between autonomous individuals. Feudal oaths were hereditary status relations, hierarchical and embedded in a system of fixed obligations that neither party could unilaterally revise. The practices they sustained reproduced a holistic normative structure in which persons act within inherited roles; they did not embody the norms of freedom and equality. By contrast, monetised contractual practices in market societies require individuals to make choices, express preferences, and engage as free and equal participants whose agreements depend on voluntary consent. Because these interactions are symmetrical, they carry implicit norms of freedom and equality; because they are repeated, those norms stabilise into the meta-discourse of individual liberty — the shared narrative that people are entitled to choose, negotiate, and refuse. The transition from feudal bonds to monetary contracts is therefore not simply an economic shift. It marks a profound normative transformation: contractual practices reconfigure social relations from hierarchical status to reciprocal agency and thereby constitute modern liberty as a social fact.

When meta-discourses become common knowledge, they reinforce practices by providing additional reasons for action. They are not the primary motivation for compliance, but they stabilise expectations and strengthen coordination. In this sense, meta-discourses amplify the efficacy of task-specific norms without replacing them.

The acceptance of meta-discourses as valid varies across individuals and societies, but unanimity is not required. What matters is whether liberty is generally preferred to hierarchical submission. In holistic societies, the prevailing narrative demands that individuals surrender to hierarchical authority. In modern societies, the meta-discourse of individual liberty is widely accepted. The transition from ancient to modern liberty therefore rests on the shifting acceptance of these competing narratives. Repeated command-obedience relations reinforce political holism; repeated contractual interactions reinforce political individualism. The relative prevalence of these practices contributes to which normative narrative becomes socially dominant. How this dominance is stabilised through collective intentionality is the subject of the next section.

STOCHASTIC CONSENSUS, COLLECTIVE INTENTIONALITY, AND NORMATIVE SHIFTS

Repeated practices and the emergence of meta-discourses do not automatically generate universally binding norms. What they produce are probabilistic regularities: participation in contractual practice raises an individual's disposition to accept the norms of liberty, but it does not by itself settle what the collective comes to accept. How does a population of individuals, each differing in both their contractual engagement and the weight of their judgment, arrive at a shared normative commitment?

I call this process stochastic consensus. It operates through two mechanisms. First, as the previous section established, an individual's probability of accepting the meta-discourse of modern liberty increases with the frequency of her contractual interactions: the repeated experience of negotiating as a free and equal party generates a disposition toward the norms that contractual practice presupposes. Second, individuals do not form their normative commitments in isolation. Under conditions of bounded rationality (Simon 1957), (Goodhart 1989), they cannot be fully confident in their own judgments. They therefore observe and consult others whom they trust, adjusting their assessments accordingly (Lehrer and Wagner 1981). Through repeated interaction, these trust-weighted adjustments generate convergence — not unanimity, but a progressive alignment of evaluation across a network.

This convergence gives rise to collective intentionality — the point at which individuals shift from an “I prefer” to a “we accept” perspective (Searle 1995). They jointly attend to a narrative, understand that others are doing the same, and share knowledge of its meaning. While “I ought to go to the market” expresses an individual intention, “we ought to go to the market” already

presupposes a collectively intelligible norm. And the meta-discourse may state: “free people can go to the market whenever they want.”

A central question in the philosophy of social action is whether collective intentionality requires an irreducible collective subject. Michael Bratman (1987) argues for a reductionist view: a shared intention is nothing more than a configuration of interlocking individual intentions, mutual beliefs, and coordinated plans. No collective mind is required; appropriately related I-intentions suffice for acting together. Margaret Gilbert (1992), by contrast, argues that when people form a joint intention, they enter a joint commitment creating a “plural subject” — a collective agent with intentions and obligations that cannot be analysed in terms of individual intentions alone.

I take a middle position. I agree with Bratman that there is no need to posit a supra-individual mind. Only individuals have mental states; collective intentionality is therefore ontologically subjective, residing in individual minds. However, Gilbert is right that something more than intersecting I-intentions is needed to explain the binding force and stability of norms. The key lies not in a collective subject but in the content of individual mental states. Collective intentionality arises not because individuals share a single mind, but because they share the same narrative — a representational structure that can be adopted by one person or by many. When individuals accept the same meta-discourse, they coordinate their intentions and actions through a common meaning structure. Collective intentionality therefore consists in the shared acceptance of meaning, not in the existence of a holistic mind.

Free will, identity, and the acceptance of norms

The relationship between individual free will and collective intentionality deserves closer attention, because it distinguishes my account from both determinism and holism. Free will links freedom to choice. Whether individuals truly have it is controversial and lies beyond my scope; but without presupposing it, there can be no rational decisions. Rationality implies that not all actions have antecedent conditions which are causally sufficient to determine the action (Searle 2004, 10). What would freedom mean if everything that happens were predetermined? Without further justification, I will therefore assume that people have free will.

Mark Balaguer (2014) has argued that “for a decision to be a product of my free will, it needs to be the case that (a) I did it and (b) nothing *made* me do it.” In other words, free will is linked to identity, but not to causality.

First, identity. Condition (a) requires that the actor has an identity as an actor — and identity is a label people assign to themselves and to others, a coding that reduces the complexity of interaction. But even this apparently simple self-ascription rests on a particular way of thinking about oneself. Korsgaard (2009) captures it: “action is self-constitution.” We make ourselves the

authors of our actions through the way we act, and an action, to be an action at all, must be “attributable to the person as a whole, as a unit, not to some force that is working in her or on her.” On this much I follow her: agency is not given but achieved, constituted in the acting.

Where I part from Korsgaard is on what supplies that unity. For her, the self is constituted by commitment to *universal* principles of practical reason — in the lineage of Plato’s just constitution of the soul and Kant’s categorical imperative. I locate the source elsewhere. The reasons that unify an actor and define an identity are not universal principles legislated by reason but *particular* norms held in common — the collective intentionality of a specific community at a specific time. Korsgaard is right that we author ourselves through the reasons we act on; but those reasons are supplied by shared, contingent norms, not by a universal moral law. This is why self-constitution cannot by itself distinguish ancient from modern liberty: the holistic actor and the modern individual are each constituted through the reasons their community makes available. What differs is the *content* of those reasons — holistic submission to the collective in the one case, the freedom and equality of self-authoring individuals in the other.

This implies that the general acceptance of norms, which are reasons for our actions, shapes our identity. Individuals act out of free will. But when they accept the reasons to act as valid, the collective will becomes their individual will. The label by which the collective intentionality is described will then become a label that describes the individual’s identity. Because other people know what the labels stand for, they are justified in expecting that the person will behave in accordance with the generally accepted norm. The description of identity can even shift from first person singular to first person plural. There are situations when a person does not act as an individual but as a member of a group. When a football supporter claims “we will win”, his identity is a label by which he expresses his will to be part of a group, but it would be wrong to say that winning the game will be the result of his free will. In traditional and holistic societies actors were not individuals in the sense in which we use the word. Actors in the modern sense only emerged in the Greek civilisation several thousand years ago.²³

Balaguer’s second condition (b) defines a free-will-decision as open and non-deterministic.²⁴ It means that a decision is not caused by events but chosen by individuals who have reasons to act. However, some actions are habits or unreflected impulses, where the reasons for acting in a specific way are buried in the past. The decision then appears to be automatic and not the result of free will. But that is not correct, because the habit conforms to an epistemically objective norm

²³ (Siedentop 2014) gives a beautiful description of the “invention of the individual”. I deviate, however, from his explanation of what caused this invention.

²⁴ For a discussion of indeterminism and methodological individualism in Popper’s and Hayek’s thinking see (Martínez Solano 2012)

the individual has freely accepted as valid. This extends Balaguer's condition (b): the habitual act is free not because each instance is open at the moment of acting, but because the standing commitment from which it flows was freely endorsed. Some actors make decisions - like the football fan - that conform to the expectations of the group. It then seems that these individuals have only a collective identity as group members. But their *decisions are not caused by the group*. The group *consensus is the reason* why a person chooses to behave as the collectively accepted norms stipulate.

We therefore conclude that free will is compatible with ancient and modern liberty. In traditional societies, individuals choose to conform to the collectively expected norms; in modern societies they choose their actions with the autonomy of free and equal individuals. This distinction may seem far-fetched, but it is essential for understanding the difference between political holism and individualism. And if identity itself is constituted by the reasons a community makes available, then the question of which meta-discourse prevails is not a question about opinions people hold but about the persons they become. This raises the stakes of the convergence process to which I now return.

Convergence and its fragility

Stochastic consensus explains how shared acceptance comes about. Individuals form judgments under imperfect information and bounded rationality; they observe and adjust to the views of those they trust. Over time, the distribution of acceptance probabilities converges toward a common value for the group. Collective intentionality arises when this convergence reaches a threshold at which individuals recognise that others share their acceptance and that everyone knows this. At that point, the meta-discourse acquires epistemic objectivity. It becomes a social fact not because a collective entity wills it, but because individuals freely accept it and know that others do likewise.

The durability of such norms depends on the networks in which consensus forms. Dense, decentralised contractual networks foster broad and resilient convergence; hierarchical or fragmented networks make norms volatile. This explains why liberty narratives stabilised in societies with widely distributed contractual relations — early North America being the paradigmatic case (Acemoglu and Robinson 2012) — while remaining fragile or reversible in oligarchic or crisis-prone economies such as Weimar Germany or the societies of the Arab Spring. Changes in contractual frequency, trust relations, or network topology shift acceptance probabilities and account for the uneven historical transition from ancient to modern liberty. The formal model underlying this account, including its network foundations and convergence properties, is presented in the annex to this chapter.

The annex to this chapter presents the formal model underlying the argument developed in Chapter 2. Its purpose is to explain how contractual practices generate individual dispositions toward the norms of modern liberty and how these dispositions become generally accepted through social interaction.

The argument proceeds in three stages. First, individuals participate to different degrees in contractual relations. Genuine contracts enact freedom because the parties may accept or reject their terms, and equality because this freedom is reciprocal. Repeated contractual participation therefore increases an individual's disposition to accept the meta-discourse of modern liberty.

Second, contractual experience does not carry the same normative force under all conditions. A promise that is reliably performed provides practical evidence that reciprocal commitments among formally equal persons structure social reality. A promise that is unlikely to be honoured does not. The normative efficacy of contractual experience therefore depends on the certainty with which contractual obligations can be performed and settled.

Third, individual dispositions do not become social norms through simple aggregation. Individuals form judgments under bounded rationality and revise them in response to people whose opinions they trust. General acceptance is therefore the outcome of a stochastic consensus process. The final consensus depends not merely on how widespread contractual engagement is, but on whether the contractually engaged are also epistemically influential.

From consensus to institutions

Stochastic consensus explains how a normative meta-discourse becomes generally accepted. It does not yet explain how that discourse acquires binding institutional form. Convergence in acceptance is not yet codification in law. For that, we need an account of how probabilistic consensus is transformed into recognised institutions — money, credit, legal frameworks, and rights — that stabilise the norms of modern liberty against disruption.

A consensus remains a distribution of individual judgments. It becomes an institution when generally accepted constitutive rules assign statuses, powers, rights, and obligations to persons and objects. Chapter 3 develops this transition. It shows how declarations transform accepted norms into institutional facts and how rights stabilise the position of individuals against both state authority and social majorities.

Chief among these are rights themselves important because normative consensus is never perfectly secure. Trust networks change, communities fragment, and influential groups may withdraw their support. Institutionalised rights preserve the deontic consequences of liberty even when immediate public acceptance fluctuates. They convert a fragile probability of acceptance into a standing social status.

Institutions cannot be sustained by formal declaration alone. Their validity depends on continuing recognition and on practices that reproduce their normative content. The relationship is therefore circular: Practises generate normative dispositions from which consensus emerges. This then becomes the foundation of institutions which finally stabilise practises again.

A striking thing about rights is that we speak of them as a possession, a thing we own, when it is in fact a constituted norm held in place by the acceptance of others. How a norm comes to feel like property, and how institutions transform volatile consensus into durable order, is the subject of the next chapter.

Money plays a crucial role in this process. Chapter 4 will examine the monetary foundation of this circle. Money is the institution that gives debt contracts a universally recognised means of final discharge. It turns an obligation that ought to be performed into an obligation that can be discharged with certainty. The liquidity premium measures the value of that settlement assurance.

The deeper link between money and liberty is therefore not that money merely facilitates exchange. It is that reliable monetary settlement of debt contracts sustains the credibility of reciprocal commitments. By doing so, it raises the normative efficacy of contractual experience and strengthens the social foundations of modern liberty.

ANNEX CHAPTER 2. A MODEL OF THE GENERAL ACCEPTANCE OF MODERN LIBERTY

The model of general acceptance of modern liberty integrates three distinct structures:

1. a contractual network that records relations of reciprocal commitment;
2. an affiliation structure that records individual dispositions toward competing meta-discourses;
3. a trust network through which individuals revise their normative judgments.

The separation of these structures is essential. Contracting shapes the experience from which individual dispositions arise. Settlement conditions determine how normatively consequential that experience is. Epistemic trust determines whose interpretation of that experience shapes collective judgment.

The model explains collective intentionality without invoking a collective subject. Only individuals think, judge, and act. Yet when they converge on the same normative narrative and know that others share it, the narrative acquires epistemic objectivity. It becomes a social fact.

1. NETWORK FOUNDATIONS

1.1 *The contractual network*

Consider a society consisting of n individuals,

$$V = \{1, \dots, n\}.$$

Contractual relations are represented by the adjacency matrix

$$A = (a_{ij}), \tag{A2.1}$$

where

$$a_{ij} = \begin{cases} 1, & \text{if individuals } i \text{ and } j \text{ are contractually connected,} \\ 0, & \text{otherwise.} \end{cases}$$

The binary specification is a simplification. It records whether a contractual relation exists but does not distinguish between contracts that differ in duration, value, frequency, or institutional quality.

That distinction matters because not every apparent agreement enacts modern liberty. Coercive exchanges, hereditary obligations, debt bondage, and relations governed by status may involve

promises, but they do not place the parties on the footing of reciprocal agency presupposed by modern liberty. We therefore attach a quality coefficient

$$q_{ij} \in [0,1] \quad (\text{A2.2})$$

to each contractual relation. The coefficient measures the degree to which the relation is voluntary, reciprocal, legally recognised, and capable of reliable performance.

The effective contractual connection is then

$$c_{ij} = a_{ij}q_{ij} \quad (\text{A2.3})$$

And an individual's contractual engagement is

$$z_i = \sum_{j=1}^n c_{ij} \quad (\text{A2.4})$$

The variable z_i measures individual i 's exposure to practices of reciprocal commitment. It is not simply the number of transactions she undertakes. It is the extent to which she participates in relations that enact the freedom and equality of contracting parties.

The mean contractual engagement of the population is

$$\bar{z} = \frac{1}{n} \sum_{i=1}^n z_i \quad (\text{A2.5})$$

A rise in $\bar{z}$ indicates that contractual practices have become more widespread. It does not yet tell us whether these practices are normatively effective or whether the people who participate in them possess social influence.

1.2 Competing meta-discourses

The society contains two competing normative meta-discourses. The first is modern liberty, whose central proposition is that individuals ought to be free and equal. The second is ancient liberty or political holism, in which the freedom, security, or survival of the collective takes precedence over the autonomy of its individual members.

Let

$$p_{i1,t}^{(0)}$$

denote individual i 's initial probability at time t of accepting modern liberty, and let

$$p_{i2,t}^{(0)}$$

denote the probability of accepting ancient liberty. Under the binary specification,

$$p_{i1,t}^{(0)} + p_{i2,t}^{(0)} = 1$$

We therefore focus on

$$p_{it}^{(0)} \equiv p_{i1,t}^{(0)}$$

This is not yet a publicly expressed opinion or a final commitment. It is an individual disposition: the probability that a person will regard the meta-discourse of modern liberty as a valid reason for action.

2. THE AFFILIATION STRUCTURE: CONTRACTUAL EXPERIENCE AND NORMATIVE DISPOSITION

2.1 The logistic acceptance function

The probability of accepting modern liberty rises with participation in genuine contractual relations. This relation is represented by a logistic function:

$$p_{it}^{(0)} = g(z_{it}, \lambda_t) = \frac{1}{1 + \exp[-\eta_{it}]} \quad (\text{A2.6})$$

where

$$\eta_{it} = k_t(z_{it} - z_0) - \delta\lambda_t \quad (\text{A2.7})$$

We write $g_i \equiv g(z_{it}, \lambda_t)$ for the value of the acceptance function: the disposition generated by contractual experience prior to deliberation, so that $p_{it}^{(0)} = g_i$. The symbol $p^{(s)}$ denotes dispositions as revised through s rounds of deliberation. Throughout the annex, g appears wherever a result concerns the structural mapping from experience to disposition; p appears wherever it concerns the social process that redistributes those dispositions.

The parameter z_0 is the contractual threshold at which an individual is equally disposed toward modern and ancient liberty when settlement insecurity is absent. At

$$z_{it} = z_0 \quad \text{and} \quad \lambda_t = 0,$$

we have

$$p_{it}^{(0)} = \frac{1}{2}.$$

The parameter $k_t > 0$ determines how strongly differences in contractual engagement are translated into differences in normative disposition. Now, λ_t denotes the liquidity premium which will be further discussed in chapter 4. It is the social valuation of settlement assurance. A high λ_t means that the means required to discharge obligations are scarce or insecure, indicating

high uncertainty that contractual promises will be kept. The parameter $\delta \geq 0$ captures the direct attraction of collective protection when settlement insecurity is high.

g_i stands for the degree of acceptance of modern liberty norms and $(1 - g_i)$ for accepting ancient liberty. The effect of contractual engagement is

$$\frac{\partial g_i}{\partial z_i} = k_t g_i (1 - g_i) > 0 \quad (\text{A2.8})$$

Here g_i is the inclination of accepting the norms of modern liberty and $(1 - g_i)$ the inclination of accepting ancient liberty. Their product measures normative indecision: it is greatest where the individual is torn between the two meta-discourses and vanishes as she commits to either. An additional genuine contractual relation therefore raises the probability of accepting modern liberty most strongly among the undecided — those near the threshold z_0 — while leaving the committed, on both sides, largely unmoved. Entrenched adherents of political holism are not converted by late contractual expansion; the contest between the two meta-discourses is fought over the middle of the distribution.

This captures the micro-mechanism described in Chapter 2. Buying, selling, borrowing, employing, and being employed are normally undertaken for practical purposes. The parties need not consciously reflect on political philosophy. Yet a genuine agreement requires each of them to possess the authority to say yes or no. Repeated contracting therefore enacts the norms of reciprocal agency from which the meta-discourse of modern liberty is abstracted.

2.2 The normative efficacy of contractual experience

The coefficient k_t is more than a mathematical slope. It measures the normative efficacy of contractual experience: the strength with which participation in contractual practices shapes an individual's understanding of herself and others as free and equal persons.

That efficacy depends on whether contractual commitments are credible. Where promises are normally performed, claims are honoured, and obligations can be discharged with certainty, contracting provides repeated practical evidence that reciprocal individual agency constitutes a reliable social order. Under such conditions, k_t is high.

Where contractual performance is uncertain, the same formal relation carries less normative meaning. A claim that cannot be realised is not experienced as an effective right. A promise that is routinely broken does not establish a stable relation of reciprocity. Contracting may continue, but its capacity to sustain the meta-discourse of modern liberty weakens.

We define

$$k_t = \kappa(\lambda_t), \quad \kappa'(\lambda_t) < 0 \quad (\text{A2.9})$$

Thus, the normative efficacy of contractual experience falls as the value of settlement assurance rises.

Substituting (A2.9) into (A2.7),

$$\eta_{it} = \kappa(\lambda_t)(z_{it} - z_0) - \delta\lambda_t \quad (\text{A2.10})$$

The liquidity premium affects normative disposition through two channels.

The first is the *efficacy channel*. Higher uncertainty rises λ_t and reduces k_t , weakening the relation between contractual participation and acceptance of liberty. Contractual experience becomes less informative because performance and settlement are less secure. The channel works in both directions. When settlement becomes more secure — contracts enforceable, exogenous shocks less frequent — λ_t falls and k_t rises. Each contractual experience then carries greater normative weight, and the probability that the norms of modern liberty are accepted increases.

The second is the *security channel*. A rise in λ_t increases the attraction of arrangements that promise collective protection, authoritative coordination, or privileged access to scarce settlement capacity. This is represented by the term $-\delta\lambda_t$.

The total effect is

$$\frac{\partial g_i}{\partial \lambda_t} = g_i(1 - g_i)[\kappa'(\lambda_t)(z_{it} - z_0) - \delta] \quad (\text{A2.11})$$

For individuals whose contractual engagement lies above the threshold z_0 , both channels operate in the same direction. The efficacy term $\kappa'(\lambda_t)(z_{it} - z_0)$ is negative, because $\kappa' < 0$ and $z_{it} > z_0$: greater settlement insecurity weakens the liberal meaning of their contractual experience. The security term $-\delta$ is negative for everyone: it increases the appeal of collective protection. Below the threshold the efficacy term changes sign, and the two channels part company.

For individuals below the threshold, the slope effect alone would compress dispositions toward the middle. The direct security effect ensures that severe insecurity can shift the entire distribution toward political holism. This corresponds to the distinction developed in the main chapter between freedom of action and protection against uncertainty. Modern liberty becomes attractive where reciprocal agency provides security. Political holism becomes attractive where security appears to require submission to collective authority.

Chapter 4 will derive λ_t from the monetary structure of contracting. In particular, the liquidity premium will be shown to depend on the expected multi-period settlement gap and macro-financial uncertainty:

$$\lambda_t = \rho(E_t(MSG_{t+1}), \sigma_t), \quad \rho_1 > 0, \quad \rho_2 > 0. \quad (A2.12)$$

For the purposes of the present chapter, equation (A2.12) is a forward reference rather than a result derived here. It states that contractual practices are normatively embedded in monetary conditions. A large expected settlement requirement and high uncertainty σ_t raise the value of liquidity, reduce the normative efficacy of contracting, and increase the appeal of collective protection.

Combining (A2.9) and (A2.12),

$$k_t = \kappa[\rho(E_t(MSG_{t+1}), \sigma_t)] \quad (A2.13)$$

so that

$$\frac{\partial k_t}{\partial E_t(MSG_{t+1})} < 0$$

and

$$\frac{\partial k_t}{\partial \sigma_t} < 0.$$

One further forward reference completes the monetary embedding. The contractual network A itself has a law of motion, and that law is monetary: it is derived in the annex to Chapter 4 (A 4.1.6). Because inside money is created by contracts and by nothing else, the settlement gap generates a recurrent demand for new contracting, so that under stable settlement conditions the network densifies and contractual engagement z_i rises; under settlement stress the same mechanism stalls tie formation and degrades the quality of existing relations. Yet for the purposes of this annex, the distribution of z_i and the quality coefficients q_{ij} may be taken as given at each date, on the understanding that their evolution is governed by the monetary dynamics of Chapter 4.

The institutional meaning is clear. The expansion of contractual credit can increase contractual engagement z_i , but the obligations generated by that expansion may also increase expected settlement pressure. Contracting can therefore strengthen the social foundations of liberty while simultaneously producing the fragility that makes those foundations vulnerable.

3. FROM INDIVIDUAL DISPOSITION TO COLLECTIVE ACCEPTANCE

3.1 *The epistemic trust network*

Individual dispositions do not become generally accepted norms merely because they are widespread. People form normative judgments under conditions of limited knowledge and bounded rationality. They cannot be fully certain that their own interpretation of social experience is valid. They therefore attend to the judgments of others.

This process is represented by a trust matrix

$$W = (w_{ij}) \quad (A2.14)$$

Where $w_{ij} \geq 0$

denotes the epistemic weight individual i places on the judgment of individual j .

The matrix is row-stochastic:

$$\sum_{j=1}^n w_{ij} = 1 \quad \text{for every } i. \quad (A2.15)$$

The diagonal element w_{ii} represents self-trust. A high value means that individual i revises her judgment only slowly in response to others. A low value means that she is comparatively receptive to external evaluation.

The contractual network C and the epistemic network W are analytically distinct. Individuals may trust people with whom they contract, but the overlap is incomplete. Family members, teachers, religious and political leaders, journalists, intellectuals, and military officers may possess epistemic authority without being contractual counterparts. Conversely, routine contractual partners may carry little authority in questions of political or moral judgment.

This partial divergence gives the model its explanatory force. Contractual practices may be widespread while epistemic authority remains concentrated among groups whose position and identity are rooted in hierarchy. In that case, deliberation can neutralise or reverse the normative implications of contractual experience. Conversely, trusted elites may articulate the norms of modern liberty before contractual practices have spread widely, allowing normative change to precede economic transformation.

3.2 *The adjustment process*

Let

$$p_t^{(s)} = \begin{pmatrix} p_{1t}^{(s)} \\ \vdots \\ p_{nt}^{(s)} \end{pmatrix}$$

denote the vector of acceptance probabilities after s rounds of deliberation. The initial vector is

$$p_t^{(0)} = \begin{pmatrix} g(z_{1t}, \lambda_t) \\ \vdots \\ g(z_{nt}, \lambda_t) \end{pmatrix}. \quad (\text{A2.16})$$

Individuals update their judgments according to

$$p_t^{(s+1)} = W p_t^{(s)} \quad (\text{A2.17})$$

After s rounds,

$$p_t^{(s)} = W^s p_t^{(0)} \quad (\text{A2.18})$$

Each updated judgment is a weighted average of the judgments held in the previous round. The process is stochastic because the entries of $p_t^{(s)}$ are probabilities, and because the outcome depends on the structure of interpersonal trust rather than on deterministic compulsion.

Normative convergence is therefore not a mechanical consequence of contractual experience. Contractual practices generate reasons that make certain judgments more likely. Deliberation then redistributes those judgments through a network of epistemic influence.

3.3 Convergence

Suppose that W is row-stochastic, strongly connected, and aperiodic. Strong connectedness means that every individual can be reached from every other individual through some chain of positive trust weights. Aperiodicity is ensured, under the usual conditions, when the network contains sufficient self-trust or other non-cyclical links.

Under these assumptions,

$$\lim_{s \rightarrow \infty} W^s = W^\infty = \mathbf{1}\pi' \quad (\text{A2.19})$$

where $\mathbf{1}$ is the unit vector and π is the normalised left eigenvector satisfying

$$\pi' W = \pi', \quad \sum_{i=1}^n \pi_i = 1, \quad \pi_i > 0. \quad (\text{A2.20})$$

Because every row of W^∞ is identical, every individual converges on the same acceptance probability:

$$p_t^\infty = \pi' p_t^{(0)} = \sum_{i=1}^n \pi_i g(z_{it}, \lambda_t). \quad (\text{A2.21})$$

The coefficient π_i measures individual i 's epistemic influence: the share of the final consensus that can be traced to her initial judgment. It depends on the entire trust network, not merely on the number of people who trust her directly. A person may possess influence because she is trusted by many people, because she is trusted by people who are themselves influential, or because she occupies a bridging position between otherwise separated communities.

The vector π summarises the epistemic community's collective judgment about credibility and expertise.

4. MEAN DISPOSITION AND EPISTEMIC ALIGNMENT

Since

$$\sum_{i=1}^n \pi_i = 1,$$

the mean influence weight is

$$\bar{\pi} = \frac{1}{n}.$$

Define the population mean disposition

$$\bar{g}_t = \frac{1}{n} \sum_{i=1}^n g(z_{it}, \lambda_t). \quad (\text{A2.22})$$

Using the population covariance,

$$\text{Cov}(\pi_i, g_i) = \frac{1}{n} \sum_{i=1}^n (\pi_i - \bar{\pi})(g_i - \bar{g}),$$

equation (A2.21) can be decomposed as

$$p_t^\infty = \bar{g}_t + n \text{Cov}[\pi_i, g(z_{it}, \lambda_t)] \quad (\text{A2.23})$$

This is the central result. It means, the final consensus equals the population's average disposition to accept modern liberty, corrected by the alignment between epistemic influence and that disposition.

In the special case, when influence is distributed equally,

$$\pi_i = \frac{1}{n} \quad \text{for every } i,$$

then

$$\text{Cov}(\pi_i, g_i) = 0$$

and

$$p_t^\infty = \bar{g}_t.$$

The population average then governs the outcome of acceptance.

Unequal influence does not by itself alter the consensus. What matters is whether influence is systematically associated with contractual engagement and settlement-conditioned normative disposition. If individuals with high $g(z_i, \lambda)$ possess above-average influence, then

$$\text{Cov}(\pi_i, g_i) > 0$$

and

$$p_t^\infty > \bar{g}_t.$$

Consensus settles above the ordinary population mean.

If epistemic authority is concentrated among people with low contractual engagement or a strong commitment to hierarchical protection, then

$$\text{Cov}(\pi_i, g_i) < 0$$

and

$$p_t^\infty < \bar{g}_t.$$

The decisive quantity is therefore alignment, not frequency alone.

Modern liberty, therefore, does not prevail simply because contracting is widespread. It prevails when three conditions reinforce one another:

- (1) contractual engagement is extensive,
- (2) contractual commitments are sufficiently credible,
- (3) the contractually engaged possess epistemic influence.

The first condition raises z_i . The second keeps λ_t low and k_t high. The third makes the covariance term positive.

5. SETTLEMENT INSECURITY AND COLLECTIVE CONSENSUS

Uncertainty is measured by the liquidity premium which enters every individual disposition. It affects therefore both components of equation (A2.23):

$$\frac{\partial p_t^\infty}{\partial \lambda_t} = \frac{1}{n} \sum_{i=1}^n \frac{\partial g_i}{\partial \lambda_t} + n \text{Cov} \left(\pi_i, \frac{\partial g_i}{\partial \lambda_t} \right) \quad (\text{A2.24})$$

The first term is the average effect of settlement insecurity on individual normative dispositions. The second measures whether those most affected by insecurity possess disproportionate epistemic influence.

The configurations that follow are not free-standing possibilities. They are generated by the contest for settlement capacity analysed in Chapter 4 (Annex 4.1.5). When the settlement gap makes liquidity scarce, firms respond not only by producing but by securing privileged access to future monetary inflows: monopoly positions, exclusive concessions, regulatory capture, political protection, corruption. Contest expenditure C_i lowers the individual liquidity premium (Chapter 4, equation 47):

$$\lambda_{it} = \lambda_{0t} - \phi_i(C_{it}), \quad \phi_i' > 0, \quad \sum_{i=1}^n \phi_i = 0. \quad (\text{A2.25})$$

The sum-to-zero condition carries the institutional meaning: contest activity redistributes settlement security; it creates none. Any reduction in one agent's exposure to settlement insecurity is offset by an increase elsewhere.

The individual premium now replaces the common premium in the disposition function:

$$\eta_{it} = \kappa(\lambda_{it})(z_{it} - z_0) - \delta \lambda_{it} \quad (\text{A2.26})$$

Settlement insecurity therefore shifts the distribution of dispositions differentially, not uniformly. Equation (A2.24) acquires a second source of heterogeneity beyond the curvature of the logistic function: agents differ in their exposure to the aggregate premium according to their success in the contest. The common-premium case analysed in Section 2 is the special case $\phi_i = 0$ for all i . Three results follow.

Reinforcing decline. Where settlement insecurity rises broadly and influential contractual actors bear the greatest exposure — ϕ_i low among the epistemically influential — the covariance correction in (A2.24) reinforces the average decline. Commercial and professional elites cease to articulate the norms of reciprocal liberty and demand protection, privilege, or authoritative intervention.

Insulated elites. Where influential actors hold large ϕ_i and are thereby shielded from the rise in λ_{0t} while less influential groups bear its costs, the average disposition deteriorates without an

equivalent shift in elite discourse. Consensus remains temporarily stable despite growing social fragility: the covariance term masks the erosion of the mean.

Endogenous misalignment. Contest success confers wealth, market power and political influence — which is to say, epistemic influence: π_i is increasing in ϕ_i . But the relations through which that success is secured — exclusive concessions, regulatory privilege, protected monopoly, corruption — are contracts in form and hierarchies in content. They are precisely the low-quality relations that equation (A2.2) excludes from genuine engagement: they organise priority access through position, not reciprocal agency. The contest winners' contractual experience is the experience of privilege, and their disposition toward the meta-discourse of reciprocal liberty weakens even as their influence grows. The alignment between influence and disposition is therefore driven endogenously negative by settlement stress:

$$\frac{\partial \text{Cov}(\pi_i, g_i)}{\partial \lambda_{0t}} < 0. \quad (\text{A2.27})$$

A rising aggregate liquidity premium tilts investment from productive to appropriative competition (Chapter 4, Annex 4.1.5); appropriative success concentrates ϕ_i ; concentrated ϕ_i concentrates π_i on agents whose g_i is falling; and the covariance term in (A2.23) turns against liberty. Monopolisation is the mechanism by which settlement scarcity captures the epistemic network.

This upgrades Proposition 3 below from a comparative-static observation to a dynamic threat. The alignment condition on which liberal consensus rests is exactly what appropriative competition erodes. The model therefore distinguishes contractual expansion from liberal consolidation in a precise sense. Under settlement stress the network may continue to densify — appropriative relations are still contracts — while mean quality $\bar{q}_t$ falls and influence migrates toward agents who experience the contractual order as a structure of privileged access to settlement capacity. A society dominated by monopolies can possess a large contractual economy, growing larger, whose contracts progressively cease to enact modern liberty and whose most influential members progressively cease to defend it.

6. STUBBORNNESS, AUTHORITY, AND FRAGMENTATION

The convergence result in equation (A2.19) requires that the trust network remain sufficiently connected and that no separate closed component prevents information from circulating.

High self-trust slows convergence. As w_{ii} approaches one, individual i responds only weakly to the judgments of others. Provided the network remains connected and the person is not perfectly absorbing, consensus can still emerge, but it may require many rounds of deliberation.

A perfectly stubborn individual satisfies

$$w_{ii} = 1.$$

She never revises her judgment. If all other individuals are connected, directly or indirectly, to her and no competing closed component exists, the network may converge on her initial position. She then functions as an epistemic dictator. Her influence weight becomes

$$\pi_i = 1,$$

and

$$p^\infty = p_i^{(0)}.$$

Consensus still exists, but it no longer reflects reciprocal deliberation.

If several perfectly stubborn individuals retain distinct positions, general convergence may fail. Different parts of the network can be drawn toward different fixed judgments, producing persistent normative disagreement. If all trust links between two subcommunities are severed, strong connectedness fails. Each community may converge internally while remaining permanently divided from the other. There is no society-wide consensus, only several local consensuses.

Such fragmentation helps explain the persistence of incompatible identities and meta-discourses within the same territorial state. The existence of a common legal authority does not imply the existence of a common epistemic community.

Weak links can restore convergence. A small number of trust connections between otherwise separated communities permits judgments to pass across the divide. Such connections may have little weight in any single round, yet they can fundamentally alter the long-run distribution of influence. They prevent local narratives from becoming entirely self-contained.

The constitutional issues developed in Chapter 3 arise at precisely this point. Institutions cannot manufacture normative agreement by command. They can, however, stabilise channels of communication, establish procedures for resolving disagreement, and create rights that protect individuals and minorities while consensus remains incomplete.

7. A SIMPLE NUMERICAL ILLUSTRATION

Consider a society of eleven individuals. Their initial acceptance probabilities are generated by their contractual engagement and the prevailing liquidity premium:

$$p_i^{(0)} = \frac{1}{1 + \exp\{-[\kappa(\lambda)(z_i - z_0) - \delta\lambda]\}}.$$

Four cases illustrate the logic.

Case 1: Decentralised trust

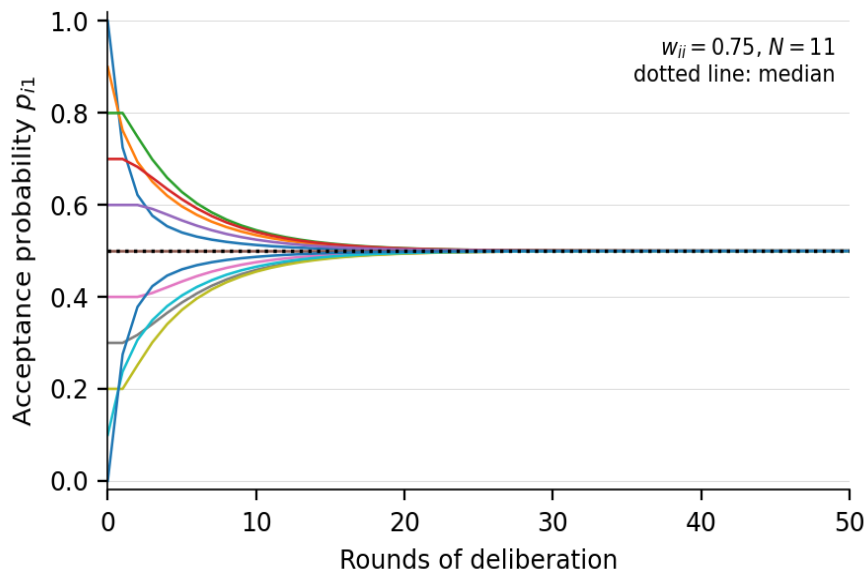
Every individual places some weight on her own judgment and distributes the remaining weight among several neighbours. The network is strongly connected, influence weights are approximately equal, and

$$\text{Cov}(\pi_i, g_i) \approx 0.$$

The group converges rapidly, and the final consensus lies close to the ordinary mean disposition $\bar{g}$. See Figure A2.1.

Figure A2.1 Consensus in a small world

($w_{ii} = 0.75$, $N = 11$; dotted line is the median).



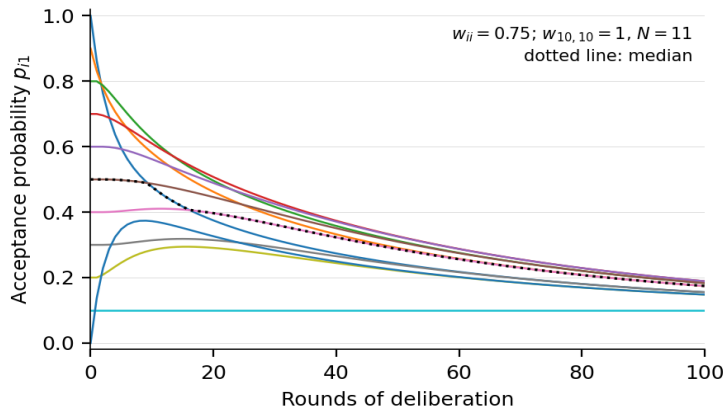
Case 2: Epistemic dictatorship

One individual retains her judgment completely, while all others are connected to her directly or indirectly. Her influence weight approaches one. The group converges toward her initial disposition rather than toward the population mean.

If the dictator has low contractual engagement or benefits from a hierarchical order, consensus may settle on political holism even in a commercially active population. See Figure A2.2.

Figure A2.2 Consensus in a small world with an epistemic dictator

($w_{ii} = 0.75$; $w_{dd} = 1$; $N = 11$; dotted line is the median).

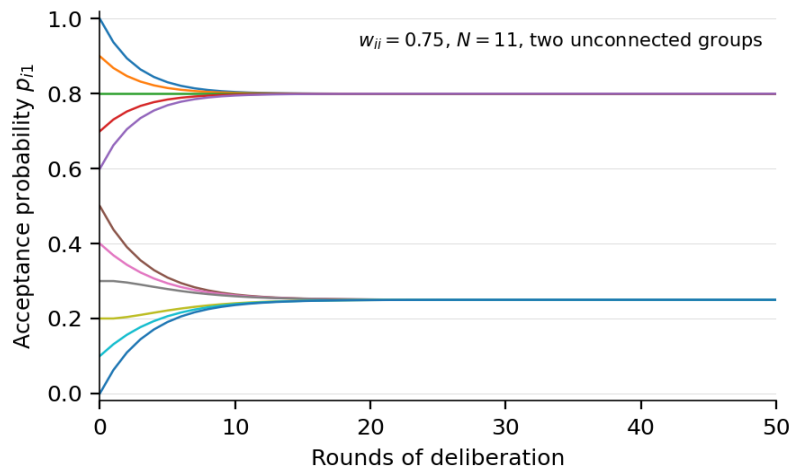


Case 3: Fragmented communities

The society separates into two trust networks with no connecting links. Each group converges internally, but no common consensus emerges. One community may accept modern liberty while the other retains a holistic narrative. See Figure A2.3.

Figure A2.3 Conflict between two small unrelated worlds

($w_{ii} = 0.75$, $N = 11$).

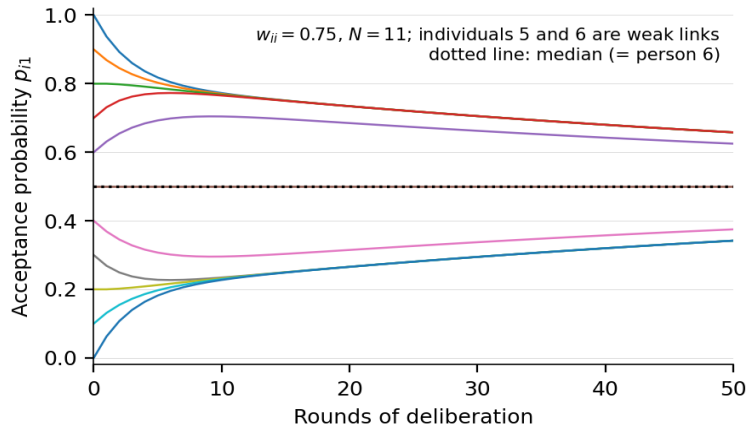


Case 4: Weak ties

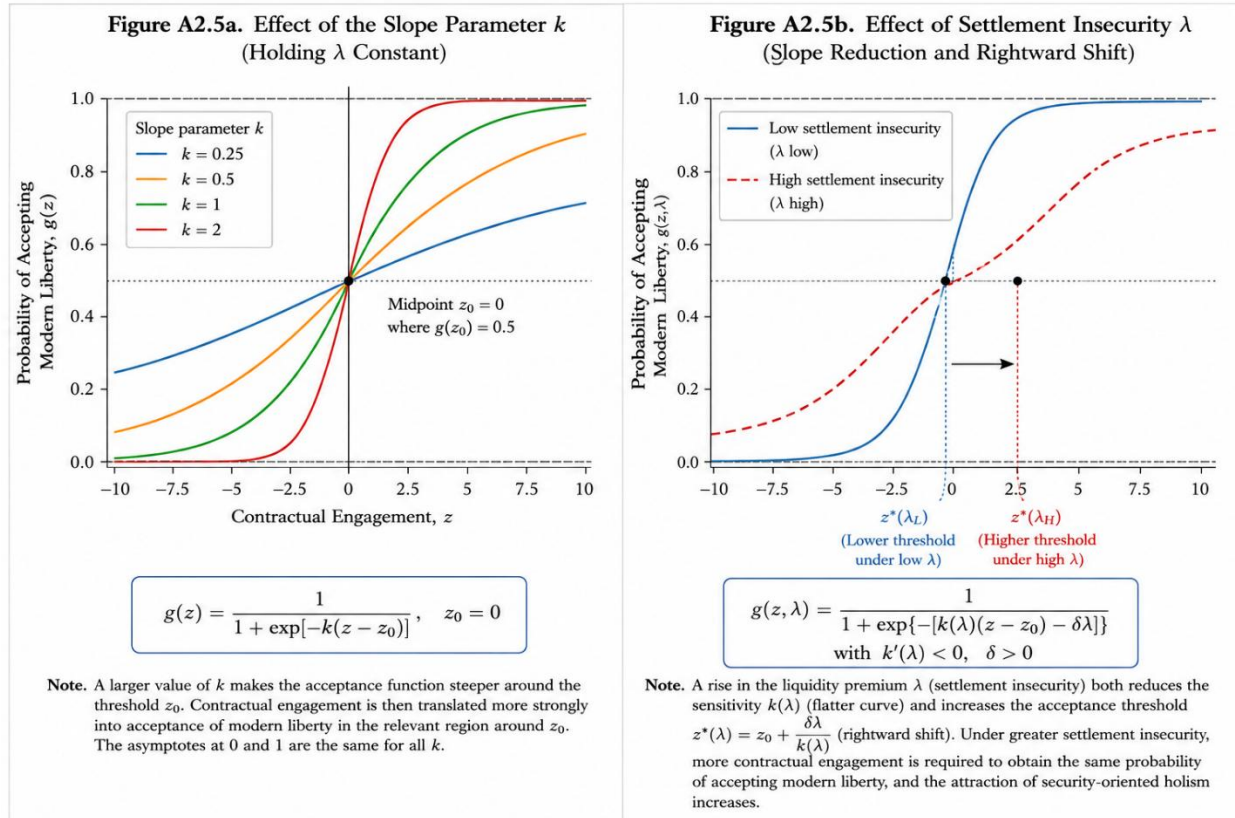
A small number of low-weight links connect the two communities. Convergence is restored, although it is slow. The final consensus depends strongly on the location of the bridge and on the influence of the individuals who maintain it. See Figure A2.4.

Figure A2.4 Consensus between two loosely connected small worlds

($w_{ij} = 0.75$, $N = 11$; individuals 5 and 6 are weak links; dotted line is the median, equal to person 6).



A fifth comparison concerns uncertainty of the settlement conditions. Hold the contractual network and trust network constant but raise λ . Initial dispositions become less strongly related to contractual engagement, and the distribution shifts toward security-oriented holism. See Figure A2.5. The same social network can therefore generate different normative equilibria under different monetary conditions.

Figure A2.5: Effect of a rise in λ on the logistic acceptance function

8. CONTRACTS, CONSENSUS, AND MODERN LIBERTY

The model yields four propositions.

Proposition 1: Contractual participation

Participation in genuine contractual relations raises an individual's disposition to accept the meta-discourse of modern liberty:

$$\frac{\partial g_i}{\partial z_i} > 0.$$

The mechanism is practical rather than deductive. Contracting repeatedly enacts the authority of individuals to choose their commitments and the equal standing of the parties who enter them.

Proposition 2: Settlement assurance

The normative efficacy of contractual participation decreases as the liquidity premium rises:

$$k_t = \kappa(\lambda_t), \quad \kappa'(\lambda_t) < 0.$$

When settlement is secure, contractual practices provide strong evidence that reciprocal rights and obligations are effective. When settlement is insecure, they provide weaker evidence and may increase demands for hierarchical protection.

Proposition 3: Epistemic alignment

The collective consensus depends on the covariance between individual normative disposition and epistemic influence:

$$p_t^\infty = \bar{g}_t + n\text{Cov}(\pi_i, g_i).$$

Contractual density is therefore insufficient. Modern liberty becomes generally accepted when the people whose experience supports it also shape the community's interpretation of social reality.

Proposition 4: Endogenous fragility

The contractual economy contains a potential contradiction. Credit expansion increases contractual engagement, but it also creates obligations requiring future monetary settlement and may therefore raise the liquidity premium. Modern liberty is therefore neither a necessary nor an irreversible consequence of commercial development. Whether expansion consolidates or corrodes it depends on whether settlement institutions hold the premium-intensity of credit growth below the critical ratio (A2.26).

Discussion

The net effect on individual disposition follows from combining (A2.8) and (A2.11). Totally differentiating (A2.6):

$$dg_i = g_i(1 - g_i)\{\kappa(\lambda_t) dz_i + [\kappa'(\lambda_t)(z_i - z_0) - \delta]d\lambda_t\}. \quad (\text{A2.28})$$

Because $g_i(1 - g_i) > 0$, the sign of the net effect is decided by the term in braces: a race between the engagement gain $\kappa(\lambda_t) dz_i$ and the erosion generated by the rising premium. The decisive quantity is therefore the premium-intensity of the expansion, $d\lambda_t/dz_i$: the rise in the liquidity premium generated per unit of new contractual engagement along the expansion path. Setting the braced term to zero yields the break-even value of this intensity — the highest price, in units of settlement insecurity per unit of engagement, at which an expansion still raises the individual's disposition. For an individual above the threshold z_0 , disposition declines despite rising engagement whenever the premium-intensity exceeds this critical ratio:

$$\frac{d\lambda_t}{dz_i} > \tau(z_i) \equiv \frac{\kappa(\lambda_t)}{\delta + |\kappa'(\lambda_t)|(z_i - z_0)} \quad (\text{A2.29})$$

The numerator is the marginal normative benefit of engagement; the denominator is the marginal normative damage of the premium, summing the security channel δ and the efficacy channel $|\kappa'| (z_i - z_0)$.

Two properties of (A2.29) carry the substance of the proposition.

First, the critical ratio τ is decreasing in z_i . The asymmetry lies between numerator and denominator: the benefit of an additional contract is κ for everyone, because the exponent is linear in z_i , but the damage of a rising premium scales with the individual's distance above the threshold. Flattening the acceptance function is like a proportional tax on accumulated engagement, so the more contractual experience a person's disposition rests on, the more she loses when that experience is devalued. The highly engaged therefore face the same gain but larger losses, and their break-even intensity is lower.

A given rise in the liquidity premium per unit of new engagement turns the dispositions of the most contractually engaged before it touches the median participant. Fragility strikes at the top of the engagement distribution. Where engagement and epistemic influence are positively associated, the covariance term of (A2.23) therefore deteriorates before the population mean, and the consensus p_t^∞ falls faster than the average disposition $\bar{g}_t$. This is the formal foundation of the elite reversals analysed in Section 5: commercial and professional elites cease to articulate the norms of reciprocal liberty not despite their engagement but because of it.

Second, below the threshold z_0 the two channels work against each other. The slope term $\kappa'(\lambda_t)(z_i - z_0)$ is positive for the weakly engaged — flattening the acceptance function pulls their dispositions up toward indifference — while the security term $-\delta$ pulls them down. If δ is small, a rise in the premium can raise the disposition of the weakly engaged even as it lowers that of the strongly engaged. Severe settlement insecurity then compresses the distribution of dispositions from both ends rather than lowering it uniformly (Figure A2.5b).

By equation (48) of the annex to Chapter 4, that is a property of the monetary regime. Where the settlement gap is closed — by freely funding inside credit or by accommodating outside money — the premium is stable along the expansion path and rising engagement translates unambiguously into rising acceptance of modern liberty. Where closure is constrained, the premium rises with expansion and the corrosion begins, among the most engaged first. Modern liberty is structurally stable only when monetary and legal institutions preserve the credibility of reciprocal commitments and when epistemic authority remains sufficiently aligned with contractual practice.

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