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## **State and civil society as an enabling environment for economic growth**

### **A historical and contemporary perspective**

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#### **Abstract**

For entrepreneurship to flourish an enabling institutional and cultural environment is required. On the surface of things entrepreneurship is dependent on initiatives of daring and competitive individuals, but implicitly in the notion of entrepreneurship there are also assumptions about cooperation and regulation, without which it cannot deliver on its promises. The combination of a strong state governed by law and an open civil society is therefore researched, since it is supposed to provide the institutional and moral basis for effective economic development. It is necessary to get a better understanding of the process of state formation and of the connection between state and civil society, as a historical project. In this contribution some of their historical origins will be traced, in order to draw some lessons for contemporary economic development and entrepreneurship. Besides the role of the state and civil society also attention will be paid to the role of a particular mindset and value set by which these institutions are supported and maintained.

The focus is on the theoretical framework Rosenstock-Huessy offers on state formation in the West, in co-evolution with society and social values. His insights will be related to more recent work on the interconnection of state, civil society and development. The insights gained from that exercise will be applied to the interconnection of state and civil society in present-day Africa.

**Keywords: state, civil society, entrepreneurial performance, history of institutions**

#### **1. Introduction**

In recent years many historical and sociological works on development have been published not just for the sake of fact finding or generalization, but in view of a better understanding of

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the political and societal predicament of the present. We might learn from history after all. In this literature authors focus on a number of different phenomena as the root cause of progress or mischief. According to Diamond collapse is threatening us due to misuse and overuse the environment (Diamond 2005). Landes sees another threat, poverty. The origins of both wealth and poverty of nations are due to morals and hard work that made it possible for once poor countries to make a leap forward (Landes 1998). According to others hard work doesn't make the real difference. The West owes its economic and political successes primarily to more resources, especially coal in England and land in the New World (Pomeranz 2000). But according to Ferguson it were the political institutions of Europe, that constituted the 'killer applications' and causes for progress, together with competition, science, medicine and the work ethic (Ferguson 2011). Van de Pijl casts doubt on such progress, because the imperial powers of the West are constantly and inevitably provoking 'nomadic' rebellion, the Islam being most prominent among them (Van der Pijl 2007). For Fukuyama however, the main challenge consists in building a uniform state on top of tribes, castes and interest groups (Fukuyama 2011). These different statements actually call for a more comprehensive approach regarding the emergence of the political institutions of the West throughout history and their meaning for social and economic development.

The work of Rosenstock-Huessy is of a much earlier date, yet it offers this comprehensive scope, while it is often also more precise in detail. He wrote a history of the Western revolutions after World War I (Rosenstock-Huessy 1933, 1938) and a universal history of society starting with the first tribes until modern history after World War II (Rosenstock-Huessy 1956, 1958). Due to its comprehensive overview and innovative approach his work is still waiting for full reception. Our recent history, struggling as it is with state formation, tribalism, and stagnation of development in societies less influenced by this Western history, may make his work relevant once more. He distinguishes a tribal phase from an imperial phase in history, and thereby offers a quite different account of state formation. In addition, he draws attention to the role of law in state formation and on top of that he points to the role of new values and life forms as creatively emerging in the midst of historical crises. Instead of values he speaks of "ways of speech" (German: "Sprechweisen"), because language contains and articulates, even creates, such values (Rosenstock-Huessy 1963). Speech organizes our social relations.

Three research hypotheses dominate this essay. Together they describe the political and social conditions for economic growth and entrepreneurship.

1. A *universalistic state* should create an equal level playing field for the social and economic sphere. It entails rule of law, equal access to the state bureaucracy, protection of property, law enforcement, transparency.

2. An *open civil society* is required, in which cooperation and competition can alternate. It is characterized by multiple memberships and shifting coalitions, and a pluralism of opinions and policies.

3. Both civil society and the state have to be kept alive by a particular *value sets and forms of cooperation* of ordinary civilians or in Rosenstock-Huessy's language "speech", by means of which they coordinate their efforts.

In the 90s, together with the concept of governance, an open civil society has been broadly advocated as a countervailing force to the powers of the state (Kefale & Aredo 2009, Keane 2001). This seemed to be particularly relevant in dealing with authoritarian and corrupt regimes (Eberly 2008). The concept has for that reason functioned primarily in political analyses and has not so much been explored in its economic meaning. As an enabling environment for entrepreneurship and economic growth, however, the interaction between the state and civil society is as important.

In order to make these three hypotheses plausible I will follow some historical developments from the Western tradition and then look how this heritage is dealt with in developing countries, primarily in Africa. That doesn't mean that the Western tradition is merely to be copied by the developing countries. There is ample room for different ways to deal with this tradition, innovating it, or adapting it to older layers of culture (Khilnani 2001). That is already the case within the Western tradition itself (Rosenstock-Huessy 1993). The societal institutions for instance of Great Britain and France differ widely.

This essay will argue that the compartmentalization of society in different ethnic groups or other collectivist identities, in combination with the control of the state bureaucracy by one or more of such groups, is a strong impediment for the development of an open civil society and universalistic governance and consequently for economic growth and of the entrepreneurship. But at the same time it is not merely a matter of adopting different institutions, because these institutions themselves need the support of a specific value set. As a consequence a change in the institutions of state and society cannot do without a change in human values and social relationships.

First attention will be paid to the emergence of larger political unities beyond the tribal order. After that some important steps in the creation of a civil society in the history of Europe will be presented. Finally the growth of state and civil society in African countries will be dealt with.

## **2. From tribes to empires and the state**

The tribe is the first form of society throughout. As hunters and gatherers the original tribes were constantly on the move. Bigger political units like empires and kingdoms took the form

of unification and/or suppression of the tribes within a fixed territory (Rosenstock-Huessy 1958). For the tribes procreation and continuity of the family lineage or clan through the generations were more important than the occupation of a territory. In general, the use of agriculture by the tribes is a later phenomenon. In course of time many tribes took over elements from the imperial form of organization such as kingship, sedentary life, and agriculture. In Africa many times such kingdoms were constituted as coalitions of tribes in a fragile equilibrium (Ayittey 2006). The Greek cities in antiquity as well started as tribes that gradually became sedentary (Fustel de Coulanges 1864) and adopted the agricultural habits and the astrological gods from the Egyptian example (Rosenstock-Huessy 1958, Bernal 1991). The original empires, on the contrary, organized the people by means of hierarchical command structures. This was also the case in the Empire of Egypt. This made it possible to avoid the destruction by the yearly floods along the Nile by means of irrigation and by timely removing the population. The population moved from the river valley during three months each year when the flood came (Rosenstock-Huessy 1958). There appears to be a strong connection between the cyclical agricultural calendar and the hierarchical rule by the Son of the Gods and the stars in the sky. The Emperor or the Pharaoh ruled by means of the interpretation of the conjunctions of the stars above the horizon, reading in them the prescriptions of the agricultural calendar. Specifically he could predict the flooding of the Nile by means of calculations on the position of the brightest star of the southern hemisphere, Sirius. This hierarchical rule introduces labor division (almost not present in the tribal way of life), planning and organization in a stratified society (Rosenstock-Huessy 1958).

Van der Pijl acknowledges the distinction between tribes and empires, maybe following Rosenstock-Huessy in that regard and stressing the nomadic and often hostile character of the chiefdoms at the borders of imperial states (Van der Pijl 2007). According to him the collectivism of the tribes has not been taken sufficiently into account in traditional Marxist class-based approaches. Such collective identities, he argues, should be understood in their own right. This interpretation has an important consequence that is not fully borne out in the work of Van der Pijl. Nor Marxism neither an institutional theory based on rational individuals and social contracts, like for instance that of Rawls, is satisfactory in understanding the collectivistic phenomena of tribal or caste identities. Only a value-based and language-based historical analysis is up to the task to understand such collective identities. These values and identities are articulated in language, in names, that constitute forms of cooperation or noncooperation, inclusion or exclusion, friend or foe, trust and distrust, (Rosenstock-Huessy 1981).

If it is understood that human cooperation is not just a matter of common interest (Marx) or abstract reasoning (Rawls), but a matter of fear and courage, trust and distrust, inclusion and exclusion, the question emerges, how separate groups and tribes in history

could ever be aligned with each other to form larger political units. Tribes did originally and usually not recognize each other's humanity (Rosenstock-Huessy 1958). Each tribe spoke a language of its own, adhering to its own values, represented by its ancestors. The tribe has been too small of a scale for state formation (Fukuyama 2011).

Rosenstock-Huessy calls the larger political formations empires, not states. The modern state has put off or at least tuned down the religious authority which in old hierarchical empires has always been in the foreground (the word 'hierarchy' literally means 'sacred order'). The notion of a secular state could only emerge after the church had eliminated the divine authority of the emperors by replacing it with a transcendent divine moral/spiritual authority that is beyond human control and that cannot be incarnated by political rulers (Rosenstock-Huessy 1931; Van der Pijl 2007). This is new in history. The tribes as well understand their social formations as founded on religion, in this case the authority of the ancestors and of the ritualized traditions.

Once established, imperial societies always had to cope with kinship relationships which threatened to undermine them. They had to deal with patronage and clientele systems marked by relationships of reciprocity, privileges and personal ties, in short, "patrimonialism", also more or less of a tribal character. On the other hand, or for the same reason, state institutions were not very reliable themselves either in terms of "rule of law". Under despotic and arbitrary imperial rule rich merchants might better not show off their luxuries, their gold and jewelry, which could always be confiscated (Landes 1998). By then entrepreneurship didn't consist of much else but trade, like Ayittey also confirms for the African case (Ayittey 2006). Under hierarchical rule professions were more differentiated and developed than in the tribes, but production was local. Only in the sixth century before Christ gold and silver came to be used as currency, money. That was an enormous impulse for trade. It could, though, also be the other way around. Maybe the international moral orientation, which was brought about by the axial age in religion and morals (Eisenstadt 1986), created more exchange, more trade and therefore more wealth. The use of gold for trade in a sense is also a form of secularization. Normally gold would be used for the statues of the gods to stress their eternity and their affinity with the stars. Now it was used just as money. The axial age in human history may coincide with the invention of universalism itself (Taylor 2012).

Rosenstock-Huessy traces the origin of state formation back to the Egyptian political and religious system. In Egypt the rule of the pharaoh was established in clear opposition with the tribes. Rosenstock-Huessy points to the pharaoh as marrying his sister, contrary to the strict rules of the tribes, he points to the deliberate prohibition of the use of tattoos as marks of tribal identity, to the judgment of the living over the shadowy existence of the dead (contrary to the tribe, where the ancestors judge the living) and mentions more of such oppositions (Rosenstock-Huessy 1958). Empires couldn't function without doing away with

the divisions and struggles over scarce resources of the tribes in order to benefit from the enormous resources and fertility of the land by hierarchically induced cooperation and irrigation (Rosenstock-Huessy 1958, 1963). Excavations have shown that in the early days of Egypt the laborers working on the pyramids were in good condition, well fed and even procured with medical service, to which bones once broken but healed testify. But in Egypt social life was under strict control of the imperial hierarchy. The control of this imperial hierarchy was absolute and complete. Something that could even remotely be compared to the present day concept of civil society was altogether lacking. In antiquity and all over the world there would be tribes and besides that there would be empires and nothing in between.

### **3. Tribes and empires in Africa**

Tribal societies are primarily concerned with the continuation of traditions and of the family lineages. The past generations, the ancestors, are in authority over the present generation. That is the reason for the harsh initiation rituals. They are meant to incorporate the individual into the group and into the tradition. To the tribe to the future presents itself primarily in the form of its wanderings. Wandering over the globe without a fixed territory the tribes are always confronted by new experiences (Morgan 1987). Many different forms of tribal life have been tried even despite and in discontinuity with the authority of the ancestors. A new branch, once broken away from the tribe, may have honored a different ancestor altogether (Ayittey 2006). Where different tribes speak the same language, which is often the case in Africa, despite their own self-understanding, they might still be related somewhere in the past. Entire families, if they were dissatisfied with the rule of their king, might move to another tribe and become part of it (Ayittey 2006). Everywhere on the globe the tribes have been very poor, at least in our eyes. Whatever possessions they had would easily be sacrificed in costly funerals or marriages (Rosenstock-Huessy 1958, White 1962). These constantly returning crises situations and the perpetual tradition stressing group cohesion mutually provoked each other, as they still often do in the present (Mehta 2013). Each crisis, be it the enemy, be it hunger, be it drought, received the same answer: lifelong solidarity and cohesiveness (Tshikuku 2001)! Since all the efforts were spent to this cohesiveness, the same cohesiveness that is the answer to the crisis to an extent also provokes the crisis. Where life becomes bare life, like in the African slums, there is poverty and malnutrition, but not hunger. Where the impulse of Westerners in such a crisis would be to do something not done before, take initiative and bring about change, the traditional African impulse always was: stick together, endure in solidarity! This moral attitude has been the basis for survival in the harsh circumstances of Africa (Calderisi 2006).

A strong feature of the African tribes, at least in sub-Saharan Africa, is the division in age groups. It means that groups with a span of 15 years constitute one generation, sharing a common life, to an extent even their wives, like the Maasai do in Kenya. At a particular point in time one age group abdicates and the age group below it will rule. This system created an equilibrium between different power centers and a change in government providing new options. It made the different age groups more accountable to each other, and the chief as well. The chief could not rule without some form of consent from his Council of elders. Otherwise he might be destooled, chased away, or even killed (Ayittey 2006). This system may have been very well adapted to keeping a group together as a political unity in the vast emptiness of Africa. Time and again larger imperial unities have been created in African history, but either by drought, or otherwise by internal divisions, they were always precarious and never survived long (Reader 1997). There was always the exit option in those times (not anymore now!). Even the most successful imperial system, apart from old Egypt, Ethiopia, has always maintained a fragile equilibrium between centralization on the one hand and the centrifugal dynamics of the many tribes, which were difficult to keep under control by the Emperor.

#### **4. The role of the state**

For trade and entrepreneurial initiatives to develop the strict control of the imperial hierarchy had to relax. This was difficult in China where the political institutions traditionally were quite extractive and strict. Chinese traders outside China always did better than in China (Landes 1998). Another impediment for economic growth has always been the closed in-group mentality of the tribes, putting absolute priority to one's own family or clan. In the old days, as much as in present history, often one tribal faction or caste would conquer state power and use that power to keep the other ethnic groups under bureaucratic or military control (Ayittey 2006, Landes 1998, Fukuyama 2011). One of the central concerns for state formation (or in those days empires) therefore is: how to create that social layer (and the supporting institutions) in society, which does not only use the state for the promotion of patrimonial loyalties or for the interests of one or a coalition of ethnic groups, but establishes and guarantees a strong, just, and accountable type of governance? This puts three important demands to the state: (1) a state should be strong, (2) abide by the rule of law, and (3) be accountable (Fukuyama 2011). It is not easy to get all three of them, since they are internally full of tensions. If the state is strong, why should it rule by law and be accountable? In China and India as well as in the Arab empires traditionally there was only very limited freedom in the economic sphere, because such freedom was limited by political patronage and to contingent and arbitrary priorities, due to lack of rule of law and therefore

lack of secure property, freedom of opinion etc. If the state is indeed accountable to its citizens (actually not homogenized citizens, but different and potentially competing ethnic groups), how can it really be powerful? If it is accountable, how can rule of law be maintained? The state can easily fall victim to the self-interest of collectivist groups or ethnic identities and be exclusively accountable to (one of) them. It is all-important to have some layer within society which makes it homogeneous and coherent, universalistic. If this does not succeed the disadvantaged will have no confidence in the legitimate rule of the empire or state in question and overturn it on the next occasion. This lack of legitimacy due to the subjection of the state bureaucracy to particularistic elites during Mogul rule made it quite easy for the British to conquer India (Landes 1998; Dunbar 1949). It is important to note that this paradoxical coexistence of contradictory notions, *strong, universalistic, accountable*, requires self-restraint and the coexistence and mutual correction of multiple and contrary values. It takes an attitude that somehow recognizes a higher authority beyond its own power, feels responsibility towards the people at the bottom of the hierarchy and does not overrule egalitarianism and equity by self-interest.

China may have been the first empire to develop strong state institutions. It did so by means of a homogeneous educational system for civil servants already by 200 C.E.. This system constituted a form of bureaucratic administration that was founded on impersonal, merit-based, recruitment. But China did not have a strong system of rule of law and neither did it have accountable or inclusive government. India, on the contrary, had law, but not accountable government and not a strong state. The Middle East had state and law but no accountability (Fukuyama 2011).

What made the difference in Europe? In the account of Rosenstock-Huessy it is a cascade of revolutions that each time intensified the results of the former. Each time the state became more powerful, each time the increasing development of a civil society more successfully pushed back the old tribal loyalties, each time a lower echelon in society gained power, and each time a larger territory became economically homogeneous. This emergent homogenization of the population together with universalistic rule and equal access was the basis for its economic development. Rule of law from the top and an open civil society from the bottom co-developed step-by-step and kept and still keep each other alive.

The concept of a civil society can be defined shortly as free association and regrouping of individuals and organizations by multiple and changing coalitions. In multiple forms of voluntary cooperation and initiatives social problems could be solved without interference from state authorities and tribal loyalties (Stackhouse 1984, Kroesen 2014): guilds, monastic orders, the founding of cities, etc. This cascade of revolutions can be subdivided in many phases. It starts with the papal revolution (more commonly known as the struggle of investiture between Pope and Emperor), and is followed by the city revolution,

the German Reformation, English parliamentarism, the French Revolution, Bolshevism and the two world wars can be considered as the final stage of this process (Rosenstock-Huessy 1931, Kroesen 2014).

For the purposes of this contribution only three stages in this long process are singled out: The typical form of Western feudalism, Western city formation and the British revolution. Western feudalism is chosen as an example because it offers an illustration of the impact of rule of law and *universalism*, i.e. equality before the law. The city movement is interesting as an illustration of the many initiatives from the bottom of society building up a *civil society* independent of clan and empire. The British revolution and its problems of unification of a larger territory offer an illustration of the *value set* involved, in this case trust and loyalty. Moreover, these three examples reflect the three research hypotheses of this contribution, the reciprocal constitution of a *universalistic state*, *civil society* and a *pluralism* of values.

#### **4.1 Western feudalism and the rule of law**

Feudalism in the West is not the same as in the East. In traditional feudalism the power base of the nobility resided in the kin group of family and clan. Tribes and clans, however, in general do not strive for hierarchy in the first place, but for an equilibrium between different clans and age groups. Thus this tribal nobility had to wheel and deal with the kin group to appease all stakeholders. On the other hand this tribal form of feudalism was not regulated by law. In Europe the Frankish kings introduced a different system. They bypassed the traditional tribal nobility of the chiefs and appointed their military leaders as vassals over the tribes (Rosenstock-Huessy 1927, Berman 1983). In a certain sense this relationship was more top-down, because these military leaders functioned independent from tribal councils and clannish patrimonialism. On the other hand it was governed and protected by law. It was a judicial contract implying a decentralization of power to the enfeoffed local military leader. He was in no way an agent of his lord, but rather a lord in his own right (Cramer-Naumann 1996, Rosenstock-Huessy 1927, 1957). These lords received protection from their overlords and in return provided armed military personnel ('knights') to their armies. The institution became hereditary and in course of time these leaders also acquired political rights to raise an army, to tax residents and to administer justice. They gradually became a new nobility themselves.

This system of relative independence was shaped after the example of the Roman Catholic church. Priests and bishops at the local level also knew this independence within the church hierarchy (Gauchet 1985). In the same vein monastic corporations, completely independent from the church hierarchy, constituted as many entrepreneurial initiatives,

providing in their own needs. They even produced the word for the modern enterprises: corporations. This independence was even stronger before the struggle between Pope and Emperor about their priority in appointing bishops. The development of law became a means to appease and regulate this controversy. Rule of law meant that once the terms of peace were agreed upon, both parties had to comply. Nobody was considered to be above the law, because above the law, that was the realm of God himself. The emergence of the rule of law and by law is highly indebted to this juridical solution of the struggle between Pope and Emperor. Attorneys and jurists from both sides constantly struggled where to draw the line between their respective spheres of influence. But the rule of law that already before that time been promoted by the church and imposed on tribal chiefs, kings and empires in return for the support by the church of their central rule also over other tribes (Berman 1983, Rosenstock-Huessy 1989). In the same vein feudal power relationships came to be governed by law to such an extent that even the rights of the serfs in the manors were protected, although often merely on paper (Berman 1983). Outright slavery was prohibited because it was forbidden in the Scriptures. But the church accepted serfdom (free, but attached to a particular piece of land, but also regulated by law) as a compromise. Under the rule of law slowly the different tribes all over Europe could become more homogeneous and in course of time even the serfs could claim their rights. The unified body of law from above gradually created trust from below by treating the different clans and tribes on an equal footing. It brought more trade, less robbery, and more effective production. The three year agricultural cycle for instance requires and also supports peaceful coexistence of the clans. Western Europe became so prosperous that it also became attractive for the Vikings and the Hungarian tribes to invade its territories and rob its riches (Holland 2008).

The example of feudalism shows that rule of law from the top and homogenization of society at the bottom went hand-in-hand. On the level of values medieval feudalism already reflects the typically Western phenomenon of the mutual interpenetration of opposites values. It created a trade-off between power distance and dialogue on equal footing, between group belongingness and individualism, already in this early age. It is this interpenetration of different values and their alternation which has been typical for European pluralism and unity through the ages (Rosenstock-Huessy 1931).

It is interesting to note that the later European colonialists in India and Africa did not have quite an adequate understanding of the tribal power structure and assumed much more hierarchical power relationships than actually were present. Many misunderstandings arose when the Europeans even tried to install chiefs in tribes which didn't know of such an institution (Ayithey 2006). In fact, the Europeans introduced more hierarchy by turning the Chiefs into the exclusive representatives of their communities (Easterly 2006, Ayithey 2006). From that moment the Chiefs could bypass the elders and the age groups. The

administrative hierarchy of the British in India worked in much the same way (Jamil 2007). This meant a fundamental change in the traditional tribal procedures.

## **4.2 Cities and civility**

The term “civility”, “civiltà”, originally referred to the civil attitude towards nonfamily citizens in the Italian city states. These cities were established as initiatives from the bottom up. Usually, everywhere in the world, cities emerged as military and administrative hubs, later developing into commercial centers as well. They didn't have a tradition of independence and self-government. Individualization and loosening of kinship relationships could not take place in such an environment. In Europe cities emerged as independent bodies politic originally consisting of “sworn communities” of freemen and former serfs. The movement started in northern Italy, where, according to the agreement between Pope and Emperor of 1122 it was not anymore allowed for the Emperor to move in with his army. It was at its peak in the 12<sup>th</sup> and 13<sup>th</sup> century (Braudel 2002), when it was copied throughout Europe. In the German heartlands of Europe the nobility and the bishops, supported by the Emperor, resisted it, in France the King formed a coalition with the cities against the nobility. Where the power of the Emperor was weak, in far-off Flanders and mountainous Switzerland the movement also flourished (Berman 1983, Rosenstock-Huessy 1938, Sassen 2006). These cities adopted a body of law, written by the clergy (the papal party), or they copied them from other cities. The formation of cities constitutes an important revolutionary layer in the history of Europe. In the account of Rosenstock-Huessy it constitutes the second phase of the papal or Italian Revolution. The first phase consists of the struggle between Pope and Emperor, a struggle that was primarily about the final authority of installing and deposing bishops, ending in the application of the principle of the rule of law, a change from the top down. The second phase is the city movement, a change from the bottom up. It did not only produce a new type of political institutions but also a new type of man and accordingly new values. In Italy, for instance, also the farmers outside the gates received citizen rights. They as well became civilians and civil behavior, civility, was generally promoted by the mendicant orders that were more or less acting as social workers in these cities. These cities and the different families within them were constantly quarreling and struggling with each other for power, but by the mendicant orders and under the moral authority of the Pope they were gradually appeased, being treated like quarreling children of one big family under the reign of the holy mother church. This still is often in line with the impression the Italians make on the world outside. Civil behavior among these citydwellers strongly pushed back clannish behavior and opened a new field for economic cooperation and competition. It contributed enormously to

the flourishing of the economy, because it enlarged the resources for labor and education. It laid the basis for the later flourishing of those cities during the Renaissance.

This movement created the soil on which the trade of Venice could flourish as well as the alliance of Hanseatic cities in northern Europe, particularly in Flanders and the Netherlands. Already in the Middle Ages guild papers (Spengler 1923) were used between different banks all over Europe. The framework of universalistic institutions and rule of law enhanced open cooperation at the bottom of society and vice versa. It works both ways, because without such open cooperation and the building of trust and confidence across different tribes and clans the universalistic institutional framework itself would have been subverted time and again.

An important ingredient of this institutional framework is the protection of property by law. Historians doing research on the functioning of an open-market for land ownership concluded that in China this market was more open than in Europe, especially France (Pomeranz 2000). This seems to confirm that China was already ahead in that time. The nobility of fiefs, however, as well as the cities, could appeal to a body of law in order to protect its property rights. Thus the law could become an obstacle for an open market. In that case the open market is at the cost of the rule of law and the protection of property (Ferguson 2011). Considering the fact that in all societies there were continuous struggles about land and land ownership, commonly to the detriment of the small farmers, one might have reason to opt for the European solution.

#### **4.3 The Commons in Great Britain**

The constitution of a strong, accountable and universalistic state undoubtedly also takes trust and loyalty, especially if the state should also be strong. That is not self-evident for people coming from a background of regional and clannish divisions. There was no feeling of national identity in France before the French Revolution, neither in the Netherlands under the German Empire, neither in the counties of England before the Commons (the lower nobility) took over the state power. During a revolutionary upheaval in the first half of the 17<sup>th</sup> century they took the risk. They joined forces and stuck together over against the ruling powers and that shared experience created bonds of trust. Trust among themselves, but now trust needed also to be established between them and the centralized state. As an illustration of this value dimension of the relation between state and civil society, the aristocratic rule of the gentry in different parts of Europe is taken as an example. The example is particularly instructive, because it shows how difficult and even dangerous it was really to create accountable, but also powerful governance, in this case in the form of English Parliamentarism.

Around 1600 the gentry, the lower nobility, all over Europe was revolutionized by the increasingly authoritarian and oppressive rule of the high nobility, which had risen to power during the German Reformation. The lower nobility, the gentry, succeeded in its revolution only in Holland and England, not in Hungary and Poland, neither in France. Why? There are several reasons. In 1535 Henry VIII had transferred the property of the monasteries to the commoners, i.e. the English gentry, in order to appease them after he took over the authority of the Catholic Church in England. Since then this class gradually grew into a more responsible social role (whoever has the power also has the responsibility) in relation to education, poor relief and hospitals. In the past these responsibilities had belonged to the church. The Protestant Reformation was not only an emancipating movement by raising literacy, but even more by putting emphasis on the values of individual conscientiousness (the German Reformation, Luther) and public responsibility (Calvinistic Reformation, Holland and Britain) (Taylor 2007). Thereby Protestantism gave the final push to the emergence of an open civil society, i.e. free association of individuals apart from state authority and kin loyalty. This movement was strong in Hungary and Poland as much as in England and France. In France the movement was suppressed by Louis XIV who took the aristocracy to Versailles, entertaining and depoliticizing them over there. In Hungary the movement couldn't avoid to compromise with the Austrian Empire, in Poland it didn't succeed because of internal divisions.

It is interesting to understand these internal divisions. It was not only a Polish problem. The lower nobility is not much inclined to confer the powers and financial means for the defense of the country to the central state, the monarchy. In Poland the gentry, represented in parliament, refused to support the King with sufficient financial means to conduct war against the external powers (Russia and Austria) threatening its independence. In their opinion this would have too much reinforced the centralizing authority of the state which they tried to resist, exactly because they wanted to make it more accountable. In Holland this dilemma was present as well and as a consequence the Prince of Orange was constantly in lack of financial means in waging war against the Spaniards (Romein 1972). The victory in the 80 year war in a sense was a narrow escape, because in the end the water (the Dutch deliberately flooded their country) came to the rescue. In Dutch politics there has been a long tradition of wavering between centralization of government (the Prince or stadholder) and decentralization in the form of the States General (Parliament). The provinces feared the power of the central state. The only country where this dilemma was not present is England, because it was surrounded with water. No strong land army was needed to defend the country. It was no problem for landowning commoners to support the King in creating a strong fleet to fight external powers, because a fleet cannot be used to oppress or expropriate the gentry on land. Otherwise the centralization of power might have

been a problem in Great Britain as well. Things might have been different if the centralized state would have disposed of a strong land army.

## **5. Interpenetration of opposing forms of governance**

The universalistic revolution of the papacy, subjecting both the papacy and the Emperor to the rule of law, and the anti-clannish city movement of Italy already put Europe on a track that differed from the rest of the world. They laid the basis for the later system of universalistic rule of law and an open civil society as mutually supporting each other and keeping each other in check. This development was reinforced by the subsequent national revolutions that shaped Europe. These are respectively the Protestantism of the German princes, the Parliamentarism of the Commons in Great Britain, the Democratic Revolution of France and the proletarian revolution of Russia (Rosenstock-Huessy 1931). These revolutions did not only create new national identities in the revolutionary heartlands, but they had an impact on all of Europe and even beyond. They all claimed to be of universal significance. They all contributed to the further development of the body of law that already was created in the Middle Ages (Berman 1983). In this way they also contributed to the emergence of an increasingly large repertoire of social forms of civil society cooperation and concomitant values. This created the enabling environment for economic and entrepreneurial growth, by increasingly putting an end to particularistic and privileged treatment of minorities.

In this sequence of six revolutions ever larger territories became unified politically and economically. In each revolution a lower echelon of society got in power (respectively Pope, clergy, high nobility, low nobility, citizens, proletarians) and each time a more powerful central state came into being, governed by an elaborate set of unified law and yet accountable to an ever larger group of citizens. In particular the four national revolutions seem to repeat the cycle of rule already discovered by Polybius in antiquity: from monarchy (the German princes) to aristocracy (the Commons in Great Britain), to democracy (France) and finally dictatorship (Russia).

According to Rosenstock-Huessy good governance should strike a balance between these four forces of political organization, which in antiquity could only alternate because of their antagonism (Rosenstock-Huessy 1938). In the Christian era they have become mutually interpenetrable, he claims, because from then on no form of self-absolutisation is tolerated anymore. These forms of government can now support each other and alternate. Respect for power can alternate with criticism from the bottom up, loyalty to the group can alternate with an individual stance over against the group. The European pluralism of values implies this unity of contradictory institutions (Rosenstock-Huessy 1931) and this timely

alternation of values (Kroesen 2014). Monarchic rule is an indispensable requirement of good governance, in that it fulfills the requirement of continuity in governance, which is indispensable for a powerful state. In the institution of the vice presidency in the United States a monarchic element is safeguarded even within the framework of a modern democracy. Aristocracy is an eternal requirement as well, because somehow a professional and well informed political elite is indispensable. That democracy is a constant requirement needs no explanation: without accountability to the people no good governance is possible. Even dictatorship is an indispensable element of good governance, for instance in the form of general conscription for the army or in the form of strict regulations in times of economic crisis. In antiquity these four forms of governance were mutually exclusive. In the course of Western history they have become part of a patchwork of mutually correcting institutions and values. They illustrate the distinguishing character of Europe as consisting in the combination of unity and pluralism (Rosenstock-Huessy 1931).

Precisely this power to alternate between different forms of governance within one and the same political system and the concomitant values is the strength and flexibility of Western pluralism. Due to this interpenetration of different forms and values the national states could become strong, accountable and universalistic. This in turn created an enabling environment for economic development and a host of entrepreneurial initiatives emerged wherever a unified state created larger territorial unities.

## **6. State and civil society in Africa**

In pre-colonial as well as in colonial times in Africa a civil society was only present in a quite rudimentary (or embryonic) way. Either tribal loyalties or subjection to the monarchic rule of a king kept the people in check. There was very little room for free movement across the borders of ethnic collectives and very little room for individuals to create multiple alliances or memberships. After the decolonization the liberation movements, meaning the ethnic groups or coalitions of ethnic groups that took over the state apparatus, were eager to consolidate their power (Moyo 2009, Ayittey 2006) entitled by tribal origin or ethnic affiliation (Nwankwo and Richards 2001). Practically this meant that once more the state bureaucracy was used to keep the rest of the population in check. As a consequence, in many African countries, a stifling state bureaucracy prevented any meaningful entrepreneurial or civil society initiatives, and consequently economic growth to emerge from the bottom up. Companies that could operate successfully were either state-owned or privileged companies aligned with the governing elite.

This also provides some background to the different phases development aid went through. Immediately after the decolonization the emphasis was on investment and

technology (phase 1). When the developing countries did not catch up due to nepotism and corruption the reaction of international donors was to opt for community projects at the grassroots level, bypassing the government (phase 2). But “corruption” is only the external or visible side of the family and clan loyalties and concomitant patrimonial systems. If the moral community, or in other words if trust and loyalty do not extend beyond the family, a job in the state apparatus can only be perceived as a means to serve the family. In effect, what happened in Africa (and along somewhat different lines also in India) is something that often happened in history: the superstructure of the state (in the old days the empire) came to be hijacked by one ethnic group or a coalition of ethnic groups in order to suppress and control the others. Such constellations always have been obstacles for any meaningful economic growth. In the 80s they could not finance themselves anymore and were forced by the IMF and World Bank to adopt so-called “structural adjustment” programs, which made their economies financially sound, but were devastating for the society, due to the budget cuts on health, education and welfare (phase 3). IMF and World Bank were thoroughly criticized for this outcome both by African and Western commentators. In reaction in the 90s it was the World Bank that started the discourse of “good governance” and “civil society”, thereby indicating that the political institutions of the African countries were in disorder (Lewis 2002) (phase 4). The focus of their criticism was primarily on non-inclusive political institutions, the small but powerful oligarchies in the developing countries or even outright dictatorship (Kasfir 1998). It was hoped that civil society like in Western nations – as it was thought – could become a countervailing force against state absolutism. In this hope, however, they forgot to what extent state and society are imbricated in each other (Berglund 2009). If the government bureaucracy is in the hands of but one ethnic group, it is impossible to expect an open society consisting of free association of individuals as a countervailing force in the rest of society (Tangri 1998). State and society both need to change in one and the same process, comparable to the developments in Western Europe as sketched above. Actually there was very little of a real civil society in Africa. It primarily consisted of the churches and the NGO movement and it relied heavily on external financial support. It has often been stated that so much funding in course of time either from government to government or from donors to NGOs didn't bring much economic development (Moyo 2009, Collier 2007). Maybe it shouldn't be underestimated to what extent all this money nevertheless contributed to the emergence of a homegrown civil society. If it didn't bring development it did have an effect in laying the foundations for future development.

Presently Africa is at the interface of cultures (Jackson 2011, Tshikuku 2001, Ayittey 2006), that is, in a sense caught up between tradition and modernity, both institutionally and in terms of values: the old social and moral system of the tribes does not fulfill its cohesive function anymore. The tribes have been mixed and they live in larger political unities. But,

generally speaking, a system of rule of law creating equal access and the concomitant open society of shifting memberships and multiple coalitions does not really exist either. Present-day African history can be considered as a slow movement in that direction.

A small comparison with India may help putting this development in perspective. India differs from Africa in that it knows a long history of imperial power. Many tribes, starting with the invasion of the Aryans, in India's history settled down as a caste (Basham 1967) like on the other hand many tribes in Africa show the features of a caste as well due to their specialization in one profession, e.g. traders. India's history is full of competition between its castes, many of which in their self-understanding and mythology are superior to the others and vice versa. The collectivism (and often internal hierarchy) of different castes was incorporated in the hierarchy of the different empires that followed up each other and competed with each other throughout India's history. In Africa one may speak of a horizontal compartmentalization of society, the different tribal groups in competition and conflict with each other; in India of vertical compartmentalization, i.e. the stratification and labor division of the castes. In India the concept of rule of law and along with that equal access to the state bureaucracy, as well as an open civil society in which individuals and groups can constantly realign themselves in different coalitions, is as new as it is in Africa. It is the great achievement of India's parliamentary system that the different castes now open up and start to talk to each other and that a civil society, fragmenting the castes and slowly diminishing their importance, is growing.

Nevertheless, the Indian national identity is not the identity of a people or a nation in which the individuals constantly shift their memberships. It is composed of more static group identities, castes and regions, that recognize a national identity on top of their traditional collectivist identities (Kaviraj 2002). Even in our time, Indian politicians are still heavily dependent on personalistic patron-client ties for their election, which is based on the leader's ability to advance the interests of the group (Gupta 2007). The same is the case in many African nation states (Kefale & Aredo 2009). The (ethnic or religious) group traditionally always had priority over the individual. The problem is not new. In the same vein in the Arab world the rule of the Umayyads and the Abbasids and others always has consisted of the rule of one clan or tribe over the others (Lapidus 2002) and the rebellion of more Orthodox 'heretic' minorities against these often corrupt central rulers with the aim to restore the original Islam has been marked by the same clannishness throughout history (Watt 2006). Even in Western nation states time and again such particularistic behavior pops up, be it by old boys networks, or political elites. "So the struggle to replace "tribal" politics with a more impersonal form of political relationships continues in the 21st century" (Fukuyama 2011, 79).

## 7. The way forward

The way forward is not as easy as some advocates of civil society sometimes imagine. Often there is a call for promoting an independent civil society as a countervailing force over against a too bureaucratic and particularistic state (Eberly 2008, Kasfir 1998). However, because state and society are imbricated in each other, it is impossible to have a universalistic state without an open civil society and vice versa. After all both institutions are composed of the same people. The mindset and the values adhered to by so many people can only be changed gradually. State and society co-evolute step-by-step and progress can only be established in a mutually reinforcing process on three levels: 1. The level of governance, particularly a universalistic state, creating equal access and an equal level playing field in which a civil society can grow; 2. The level of civil society, i.e. open interaction in competition and cooperation of many diverse partners, either market based or civilian in origin, through many bottom-up initiatives; 3. The level of internalized values and attitudes (such as the capacity for egalitarian reciprocal coordination of affairs, individual judgment, pluralism of approaches, openness for loyalties beyond the in-group etc.). This third level of internalized values is often left out in political theories of civil society, but it is indispensable. A change of values cannot merely be effectuated by means of institutional change, contrary to what for instance Acemoglu and Robinson (2013) tend to argue. Values are at the inner core of our identities and they are deeply rooted. A change in mindset takes time and can often not come about without a time of crisis (Tshikuku 2001). For instance, loosening the ties of individuals from their sense of loyalty to the group is not that easy. Creating cooperation across tribal boundaries for the same reason is also difficult. It goes against the deep-seated beliefs, emotions and convictions. And although institutions cannot effectuate the change as such, their support is also required. Without for instance a social security system (which in turn needs a transparent, inclusive and universalistic state in order to function) it is difficult to give up on family solidarity and to invest in an enterprise instead of helping a sick grandmother. If need comes, one cannot survive oneself without such group solidarity, and nevertheless the same solidarity is a continuous obstacle for the growth of civil society values, entrepreneurship and reinvestment of profits.

There is a discussion about the question, whether tribal organizations as such can be considered to be part of civil society. Couldn't we have a civil society as well consisting of competing and cooperating ethnic groups (Kefale & Aredo, Kaviraj 2002)? Without resolving this question we can at least say that it makes quite a difference whether such ethnic organizations represent closed worlds of noncooperation and distrust (compartmentalization) or on the contrary coordinate their efforts with other organizations, constituting an infinite universe of changing coalitions (Kasfir 1998).

From Western history the lesson can be drawn that civil society emerged as a conscious effort in crossing the borders between different ethnic groups, mixing them up and creating “civility”, which entails a mindset and a set of values of trust and cooperation between citizens, under the umbrella of the rule of law and of equal access to the state bureaucracy. In European history during the city movement this process, by the granting of civil rights indiscriminately to the citydwellers as well as the farmers in the surrounding lands, also opened a larger economic space for cooperation. This allowed for a larger scale of production, more transactions and more exchange and trade. The traditional bonds between individuals were loosened, not to turn them into abstracts lonely atoms, but by teaching them teamwork and teamspirit, in order to function like (shifting) open coalitions of the different instead of closed collectives of the same. This has become an enabling (moral and institutional) environment for bottom-up entrepreneurship and economic development.

It is urgent for African countries to develop into that direction also because an increase in economic growth is only possible if new entrepreneurial opportunities are taken. Innovative entrepreneurship is most desirable for economic growth (Naudé 2012). Entrepreneurs in Africa generally show too much copying behavior and consequently too much serve the same market. The economy in Africa cannot sufficiently grow without innovation and diversification. To reach that goal individual creativity and initiative, and the cooperation of many different actors is required, ranging from shared investment towards complicated chain management. The traditionalism of African societies and the compartmentalization of in-groups is a strong barrier for such innovation. For that reason an open form of citizenship is required and should be fostered by cultivating a form of citizenship in which anonymous trust is the default situation instead of the selective trust (Kroesen & Ndegwah 2013). It is a real challenge to do so while maintaining bonds of solidarity and respect for tradition. The question how to foster a civil society and keep the respect for the values of family solidarity is not yet resolved. If it can be resolved in Africa the solution may become a new paradigm for the rest of the world.

Often civil society is distinguished on the one side from the state and on the other side from the market. But if we understand civil society, like here, from a long historical perspective it makes more sense to include the market (shifting coalitions, cooperation and competition etc.) in civil society and to distinguish civil society on the one side from the state and on the other side from patrimonial and clannish systems (Stackhouse 1984). According to this line of thought in actual fact during the 90s China and India allowed for more civil society by liberalizing the economy (the market) and removing a lot of stifling government bureaucracy. Also African states moved a long way in this direction, making the economic system less extractive. This project should be taken further by introducing a more inclusive and universalistic political system as well (Acemoglu and Robinson 2013). Development is

not only an act of freedom of the individual (Sen 1999). It also installs new social relations by creating loyalties towards hitherto unknown parties, it creates a public spirit of mutual trust across the borders of existing collectives (Wiarda 2003). It changes the value system.

Entrepreneurship is an important part of the solution (Samli 2009). Many initiatives from the bottom up from daring individuals need to push things forward. Many such entrepreneurial people changed their value system, introducing a different management style for the betterment of society. Together such initiatives may create a more open civil society between groups and individuals by gradually changing their environment as well. Doing so they may push for the establishment of, but also receive reinforcement from a more universalistic state, introducing transparency, law enforcement, technology policy (in interaction with the stakeholders in the market and civil society). In such an environment in turn the circle is made full round so that a change (1) of personal values, (2) more civil society interaction and (3) state building becomes a mutually and iteratively reinforcing process.

In this process Africa will never just copy the social inventions of especially northern Europe in establishing a civil society. Whenever a social institution has been invented for the first time it is applied much more radically (and one-sidedly) than when it is copied by other nations or ethnic groups. Even in Italy or Spain more family life and clannishness remained intact than in northern Europe, the heartland of civil society (Rosenstock-Huessy 1993). On the other side, however, in present day Europe and northern America civil society seems to be withering (Bauman 2011, Hardt 1995) as a result of too much individualism without any group cohesion at all and the lowering of social responsibility. The possibility should not be excluded that social responsibility may even be revived in the Western world by a new and creative African blending of group solidarity and civil society, ethnic identity and free association of individuals – if Africa would turn in that direction and sets the example.

## **8. Conclusion**

This contribution focuses on the question how an enabling environment for entrepreneurial activities and economic growth is constituted. This question led to an exploration of the emergence of an open civil society in Western history. In this exploration two features stand out, both from a historical and contemporary perspective. In the first place, universalistic state institutions can only be built up and maintained on the basis of an open and inclusive civil society, characterized by changing coalitions. Secondly, the reverse is also true, an open and inclusive civil society can only be maintained within the framework of rule of law, that is, universalistic state institutions creating equal access and opportunities indiscriminately for different groups. In Western history a universalistic state and an open

civil society evolved step-by-step in a mutually reinforcing movement. This interaction also changed the value system and created coordinating values between ordinary people to deal with problems without state interference or without relying on family loyalties. In addition, an open civil society of changing coalitions, consisting of cooperation as well as competition, also is a basic requirement for economic development. It is the basic enabling environment for entrepreneurial activities, innovation and economic growth.

In the struggle for a strong state in combination with rule of law and accountable governance three fronts at the same time have to be dealt with. From one side the re-tribalisation of the state and of civil society is constantly threatening, even in the West (Bauman, 1993). From the other side state absolutism, i.e. a strong state without accountability also is a constant threat. Thinking of the present state of the Western democracies we may add a third one: the danger of a *civil society* which is so much fragmented, individualized and fluid, that as a consequence both *rule of law* and a *strong state* are endangered (Bauman, 2011, Hardt 1995). It is the equilibrium between these three forces that needs to be found anew in every time in order to prevent them from degenerating into patrimonial tribalism, state absolutism, and a fragmented civil society. Instead of being mutually exclusive the forces of ethnicity, state and civil society can also be turned into a fruitful combination of group belongingness, rule of law and civil cooperation.

In such an enabling environment entrepreneurship can flourish and in turn it establishes many bottom-up initiatives that keep this environment alive. The bottom-up initiatives of entrepreneurship push for a regime change in terms of a more open civil society and universalistic governance. Entrepreneurial values and value related capacities (1) (Kroesen, et. al. 2015), an open civil society with changing coalitions (2), and universalistic governance creating equal access (3), keep each other alive.

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