

Individualists rely primarily on market exchanges. Each market transaction begins anew. Where individualists cannot write enforceable contracts, individuals see no favourable trade-off for sacrificing something today in the expectation of a payoff in the future. In contrast, communitarians would supplement market transactions with non-market exchanges based on longer-term economic and non-economic relationships. Communitarians use the institutions of the network in the game of maximizing their wealth. They usually find it worthwhile to cooperate with other players because the game is repeated over time. Networks of small numbers of players develop to enable communitarians to find out information about the other players' past performance. The individualists turn the game upside down. For them, cooperation is difficult to sustain when the game (transactions) is not repeated, when information on the other players is lacking and when there are large numbers of players.³²

● Market and network time-horizons and spillovers

Economy-wide spillovers are important in both static thinking and the longer-time horizon framework. If market prices and sales fail to incorporate these spillovers, the individualists' view can turn out to be narrower than the community-wide perspective.³³

In short, to individualists the market mechanism is the most attractive forum to fulfil their short and long-term objectives. Since markets may either settle at suboptimal terms (i.e., prices) or fail to emerge altogether (especially where substantial spillover effects exist), market-based options are reduced and individualists are likely to miss out on a number of welfare enhancing transactions. Where markets fail, communitarians rely on relationships. Even in the presence of spillovers, communitarian transactions can take place, such that social welfare can be higher than under individualism.

³²Douglas C. North, *op.cit.*, 1991, p. 97.

³³We are comparing the scope of individualist thinking with a communitarian perspective in the private sector that incorporates society or economy-wide spillovers or externalities. We submit that communitarians can undertake this incorporation more comprehensively and economically than individualists. This hypothesis, however, is not the same as seeking to supplant market outcomes with government intervention. The usual policy debate on this latter issue turns on whether bureaucrats can outperform markets. We strongly agree with neoclassical theorists that, in general, market outcomes are to be preferred over government intervention. But that is another debate.