This essay aims at linking more tightly the theoretical concepts (differentiation, social and system integration, inclusion/exclusion) underlying the overall organization of this volume, with the more practical themes of unemployment and the crisis of the welfare state experienced by late-modern societies today. Since in both the classical and modern sociological literature the concept of differentiation is closely related to that of modernity, I begin with a brief discussion of the latter.

1. DIFFERENTIATION AND THE CONCEPT OF MODERNITY

Modernity, as most key notions in the social sciences, is a polysemic concept, the meaning of which varies with the theoretical traditions or debates in which it is located (Mouzelis 1996). In the present case, modernity will be defined as the type of social organization that became strongly and widely institutionalized after the English and French Revolutions. From a social-integration point of view (that is, from the point of view of the agents involved), it is characterized by an unprecedented level of social mobilization and the inclusion of the population in the ‘centre’; and from the point of view of system integration (from the point of view of institutional analysis), by an equally unprecedented level of institutional differentiation. This type of actors’ mobilization and institutional differentiation led to the destruction of segmental localism (i.e. of the less differentiated, all-inclusive traditional community), and to the creation of broader, highly differentiated economic, political, social and cultural arenas. Within these new broad spaces, individuated subjects are constituted/regulated/empowered by such institutional complexes as the nation-state in the political sphere, national markets and/or planning agencies in the economic, national systems of welfare and

1. The distinction between social and system integration in this analysis follows Lockwood’s initial formulation, rather than Habermas’s or Giddens’ somewhat misleading reformulations (Mouzelis 1997).
population surveillance/management in the social, and mass literacy and nationalist ideologies in the cultural spheres.

Of course, large-scale mobilization/inclusion and extensive institutional differentiation are also to be found in complex pre-industrial social formations (Eisenstadt 1963). In modernity, however, such processes took unique dimensions. So for instance the nation-state, as the modern collective actor *par excellence*, managed, by means of powerful technologies of domination and communication, to penetrate the societal periphery and to draw people into the centre in a way that was unthinkable in pre-industrial times. In other words, and using Michael Mann's useful terminology, the *infrastructural* power and reach of the nation-state is so superior to that of all pre-industrial states that it constitutes a phenomenon *sui generis*.

A similar argument can be put forward with regard to the process of structural differentiation in modernity. In complex pre-modern societies and civilizations, differentiation along religious, political and economic lines was important but limited to the 'top' of a social formation. The bulk of the population continued to live in highly self-contained, segmentally organized communities, which were very little affected by what was going on at the centre.

2. TALCOTT PARSONS AND MODERNITY

By making the concept of structural-functional differentiation the pivot of his neo-evolutionary theory of change, Parsons has done more than any other theorist to provide a theoretically sophisticated conceptual framework for the study of this fundamental process (Parsons 1977a and b). The manner, however, in which he has theorized it creates a set of serious problems. Following Habermas (1987), I believe that it is absolutely necessary not merely to deconstruct but also to reconstruct Parsonian neo-evolutionism – retaining, in new form, such fundamental notions as the differentiation of a societal system into four subsystems (adaptation/economic, goal achievement/political, integration/social, latency/cultural – AGIL for short); as well as combining Parsonian neo-evolutionist insights with those derived from a more Marxist-influenced historical sociology (like that of Bendix, Moore and Mann).

According to Parsons, in modernity each of the four subsystems, precisely because of high differentiation, portrays its own specific values/norms and has its own logic and dynamic. If, therefore, in the adaptation subsystem (A) it is the logic

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2. As Marx and many others have pointed out, in the oriental-despotic type of society, social differentiation and an advanced division of labour were limited to the centre-top; the base/periphery consisted of highly self-contained, segmentally organized communities (Marx 1964).

3. For an attempt to do so see Mouzelis 1995: 69–100.