

Neoliberalism, Politics and Institutional Corruption: Against the ‘Institutional Malaise’ Hypothesis

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What is behind the major ongoing wave of scandals and wrongdoing in British society? One public institution after another has been brought low as dishonesty, corruption, scandal and ethical and criminal misdemeanours have been exposed in the police, media, both Houses of Parliament, the banks and many other institutions. This chapter examines some of the answers given to that question, and focuses in particular on those given in a recent book by prominent British political scientists David Richards, Martin Smith and Colin Hay.¹

My argument here is that many of the indications of scandal and corruption in the British landscape are the result of an institutionalised corruption in British public life which has arisen not by accident, as a consequence of technological developments, or unrealistic expectations amongst the public or the ‘hyper-adversarialism’ of the news media.² Nor is it the result of the well-known secrecy and unaccountability of the state. Instead it is to a significant extent the product of the neoliberal revolution. Of course, neoliberalism’s advocates did not foresee all of the consequences, but it is also plain that much of what happened was done deliberately with eminently predictable consequences.

The term ‘neoliberalism’ is used here to refer to the ‘doctrine that market exchange is an ethic in itself, capable of acting as a guide for all human action’.³ It is important to stress that it is a doctrine and not a type of society. Neoliberalism affects societies unevenly and sometimes unpredictably. Often neoliberal reforms do not result in the claimed cuts to public spending or improvements in the ‘efficiency’ of public services. The gap between the claims of the doctrine and the results is perhaps produced in part because mistakes were made or the theory was inadequate, but most importantly it is because the doctrine is a means of pursuing – we might say masking – certain interests. It is, in other words, ideological.

The key result of the pursuit of neoliberal ideology in practice has been a society mired in institutional corruption, affecting both the public and private sectors. But institutional corruption did not just affect the private sector in the same way as public institutions, since it is itself one of the key vectors of this disorder. Institutional corruption should be distinguished from petty corruption such as the payment of bribes for political or other favours (see the Introduction to this book).

Although the explicit discussion of institutional corruption is an advance on those accounts that see corruption as individual failings, it can be problematic in that if there is a tendency to assume that institutions become corrupt as opposed to being corrupt from the beginning. In fact corruption is often embodied in the very purpose of the institution. This can be said to be the case where regulatory agencies are constrained against acting in the public interest and required to act in the market interest (see the Introduction and Chapters 12 and 13).

Public choice theory – which proposes that classical economic rationales of rational choice and self-interest can be used to determine the outcomes of politics and policy – is a key set of ideas that have given shape to the neoliberal project. In at least some versions of public choice theory the whole idea of public service is itself corrupt. A public sector that aims to serve the general interest and not the private interests of individuals is a problem for neoliberal theory. James Buchanan, one of the key theorists of public choice economics, has talked specifically about this:

There’s certainly no measurable concept that’s meaningful that could be called the public interest, because how do you weigh different interest of different groups and what they can get out of it? The public interest as a politician thinks it does not mean it exists. It’s what he thinks is good for the country. And if he’d come out say that that’s one thing, but behind this hypocrisy of calling something the public interest as if it exists.⁴

Because of this radical inability to think about collective interests, says Buchanan:

We're safer if we have politicians who are a bit self-interested and greedy than if we have these zealots. The greatest danger of course is the zealot who thinks that he knows best or she knows best for the rest of us. As opposed to being for sale, so to speak.⁵

According to this theory of public choice, bureaucrats are inevitably self-interested, but if they adhere to an ideology of 'public service' they are not self-interested enough. As a result, the market in 'politics as exchange' can only work if everyone can be bought and sold without the ideological 'fanaticism' of 'public service' getting in the way. In other words public choice theory attempts to destroy all conceptions of the public or general interest, and the central strategy is to introduce mechanisms promoting institutional corruption. In some cases, in the United States, including in the Department of Labor and the Securities and Exchange Commission, those ideas were used to deliberately employ incompetent public servants in order to bring discredit on governmental institutions and undermine public interest regulation.⁶

Understanding corruption as pathology?

The predominant way in which corruption is treated in mainstream literature contains nothing on the specific approach of public choice theory and neoliberal practice to corruption. Instead corruption is generally seen as a kind of pathology. To take a recent example by the prominent British political scientists Richards, Smith and Hay, the major question about the malaise in public life is whether there is any 'connection' between the various crises that they catalogue.⁷ They rightly reject the thesis that there is greater risk consciousness in the contemporary period – as in the thesis of the 'risk society'⁸ – and also the idea that this is a problem caused by the public through its stupidity or ignorance or – alternatively – its inflated expectations:

That what we in fact see are not rising expectations for institutions to deliver (as the risk theorists suggest) but a continued defensiveness on the part of institutions threatened not by 'risk' but by more informed citizens and the demand for greater information... increased information makes it more difficult for organisations to control their policy domains.⁹

In their conclusion they alight on their explanation for the successions of scandals in public life:

A continual repetition of institutional failure or underperformance to the extent that it has undermined the faith of the citizen in those institutions.... The dilemma for our rulers is that ... closed decision making ... is losing legitimacy.¹⁰

There is little explanation for institutional failure or the quaintly technocratic term 'underperformance'. Either underperformance has increased, which would need explanation, or it has been relatively constant and only recently become visible in the scandals of recent years. The authors appear to opt for the latter, ascribing the change to 'the collapse in deference, the quantum change in available information and with it the demystification of how institutions have operated'.¹¹

These changes have combined with the key factor – the 'main argument' – which 'focuses on ... a set of deeply embedded, pathological failings within the UK political settlement'. This sounds like an attempt to understand the institutional basis of the malaise we face. What are these failings? The authors claim that:

the fault lies in the sustaining of the British political tradition (BPT) and with it the stoking up of a series of pathologies that have led to the present crisis.

But which pathologies? Crucial, they say, 'is the notion that the political class should operate within a self-regulating arena to protect against outside, potentially undemocratic, influence'.¹² This resulted in a closed and secretive system of government suffering from 'elitism, a lack of transparency and accountability and an aloof detachment' from the governed.¹³ This way of doing things has a long history. They say that the 'crisis' of the UK state 'first became visible in the 1960s',¹⁴ but that it can be 'traced back to the 19th Century'. This explanation for our contemporary malaise is almost entirely wrong. In key respects just the opposite has happened.

It can certainly be acknowledged that the kind of club government and knee-jerk secrecy exhibited by the UK state has an established history, but to suggest that this system of government has

remained largely unchanged for 150 years and that it is the main reason for today's crises is a remarkable misdiagnosis, for the following reasons.

Their account is ahistorical. It neglects the changes to the system that came with universal suffrage and then with the social democracy of the period 1945–78, and then the changes post 1979. It can be argued that the elite fought the introduction of democracy tooth and nail, and were largely successful in retaining an elitist system in the postwar period, but it could and should be recognised that certain things changed after 1945. The authors themselves quote data to the effect that the level of inequality in British society was not constant, nor was the direction of travel all one way, as might be expected from their static analysis. It declined markedly between 1945 and 1978, before widening again to outstrip the levels of 1945 by 2007.¹⁵ Although they give these figures and quote one or two other sources they give no account of how these changes might relate to changes in governance structures or practice.

This critique of the 'BPT' fails to recognise that it is one of the things that the neoliberals fought so hard to change, at least when it interfered with 'market' mechanisms. This was, let us remember, the theme of Margaret Thatcher's favourite television drama *Yes, Minister*. As Sir Anthony Jay, one of the creators put it:

we show that almost everything that the government has to decide is a conflict between two lots of private interest, that of the politicians and that of the civil service Public choice economics, which explains why all this was going on was at the root of almost every episode.¹⁶

More concretely, public choice economics also animated the market reforms to the British civil service and public institutions, giving us the internal market in the NHS and foundation hospitals, the Research Excellence Framework (REF) and student fees in higher education, and the deregulation and 'light touch' pro-market regulatory agencies of many other areas of public life, including of course the financial sector.

The most important problem with accounts like this is that they locate the explanation for institutional corruption entirely at the level of the state and political elite. No account is given of the relation between the political elite and wider forces – most obviously capital and labour. Indeed, there is no developed understanding of the changing role of business in the period after 1979. Left out of account is almost all of the evidence of the change in the political system that has occurred over the last 30 years. Neoliberalism is not part of the explanation – the term does not appear in the index of the book by Richard and his colleagues – and they pay scant attention to corruption (five index entries – only one of which is in the five chapters co-authored by the editors), preferring the term 'crisis' (nowhere clearly enough defined or used – 21 references). The problem with failing to understand the changing role of business in the neoliberal reforms of the past 30 years is that – as in public choice theory itself – the problem of corruption is located in the state itself.

The visible hand of the market ...

There has always been corruption in government, public institutions and indeed business in the United Kingdom.¹⁷ Now the type, extent and effects of corruption appear to have intensified markedly. For some commentators, such as the sociologist Anthony Giddens, this is only a question of visibility. As he remarked back in 2001:

I doubt that corruption is more common in democratic countries than it used to be – rather, in an information society it is more visible than it used to be. The emergence of a global information society is a powerful democratising force.¹⁸

However, we can point to the following elements of the changes of the period. The first was the transfer of wealth (and thus power – over at least investment decisions) to the rich via privatisation. There was a consequent reduction in the power of the electorate to decide (via 'liberal' democracy) which party should take such decisions. The private finance initiative (PFI) and public-private partnerships (PPP) were essentially a continuation of this, as they locked government into decisions under immense financial and corporate pressure (see Chapter 9).

Accompanying this was the assault on intermediary institutions capable of defending or protecting public interests – most notably the destruction, at great financial and human cost, of the trades union movement, symbolised and instantiated by the defeat of the miners in 1984–5 (see Chapter 5).¹⁹ This was followed by the hollowing-out of the Labour Party, turning it into a vehicle for

corporate interests.²⁰ This was a long-term process which had roots well before the ‘reforms’ initiated by former leader of the Labour Party Neil Kinnock and then taken much further by one of his successors, Tony Blair.²¹

During the period of the Thatcher and Major governments there were major innovations in the marketisation of government itself.²² This is the most important direct consequence and facilitator of corruption. Neoliberal reforms can be seen as reforms to directly enable corruption and the pursuit of private as opposed to general interests. In other words corruption was deliberately introduced to serve particular (class) interests (see the Introduction to this book). But we should also recognise that it had particular consequences for some of the individuals involved, allowing them to make considerable personal fortunes as a result of their public service. In this, neoliberalism encouraged practices that resemble petty corruption, though it is distinguished by its systemic character and by the fact that the new way of doing things meant that the benefits secured were in the main legal and officially legitimate. Amongst the changes were internal reforms such as the introduction of performance-related pay, and the introduction of market mechanisms in the health service,²³ education²⁴ and other public services, including the BBC. These innovations in public policy were driven in a number of key cases by the appointment of neoliberal or public choice economists – most obviously the appointment of Alain Enthoven, the Stanford economist (and former employee of the Rand Corporation), who was brought to the United Kingdom in 1984 and was instrumental in the creation of the internal market in the NHS.

The process of opening the machinery of government to private interests required the influx of new ideas and practical ways of putting them into practice. As a result the neoliberal period saw the rise of a whole range of new policy intermediaries including management consultants, lobbyists, public relations advisers and think tanks. All work mainly for corporate interests, all have had material impacts on neoliberal reform, and all have as part of the same process expanded massively as a result. Lobbying and PR are omnipresent policy intermediaries.²⁵ The PR industry grew, initially on the back of privatisation contracts, by a factor of eleven in real terms.²⁶ Lobbying and PR firms and their principals (mostly corporate actors) aim to dominate civil society, science, the media, politics and policy.²⁷ There is a significant literature on how they have fared in relation to science²⁸ and other sectors. In the United Kingdom, the lobbying industry has – despite recurring controversy about its activities – been largely protected by government, which has refused to adequately require transparency from lobbyists and other influence peddlers.²⁹

Although the earliest neoliberal think tank – the Institute of Economic Affairs – was created in the 1950s, it was the early 1970s that saw the creation of the Adam Smith Institute and the Centre for Policy studies, important vehicles for the Thatcherite revolution. Since then think tanks have proliferated, and they are now central vehicles for enacting further neoliberal (or indeed neo-conservative³⁰) reform.³¹

Governance reforms have resulted in a significant influx of private sector philosophy, money and indeed personnel into government service. The ‘revolving door’ is the phrase used to describe this process – encompassing several new risks to democracy (see Chapter 10). Taken together with the growing – and partly consequent – professionalisation of politicians, and the advent of market-friendly management and organisation in the public sector, this suggests marked changes in the way in which UK governance functions. As with lobbying, the revolving door as an issue is not properly regulated in the United Kingdom. The Commons Select Committee report on the issue in 2012 recommended abolishing the advisory committee in charge of offering non-binding advice on particular appointments, although the government rejected the move.³²

The financial crisis brought the inadequate – institutionally corrupt – regulation of the banking industry to public attention. Research using a sample of the 116 banks and other financial corporations in the *Fortune* Global 500 found that on average, the higher a company’s ranking within the *Fortune* 500, the more revolving-door connections it had.³³ Neoliberal reform has involved not simply transferring wealth and property from the public sector to the private, but also transferring decision making from public to private hands. In other words the scope for business ‘governance’ markedly increases under neoliberalism, narrowing the scope for public sector decision making.

Neoliberalism fosters an ongoing process of transformation which disembeds policy networks from politics and reconfigures them – creating new relations between the state, the public and private interests. Power to take decisions is transferred to the market and secured from any interference from the citizenry via the democratic process. As the Austrian political economist Karl Polanyi put it, the rise of the market ‘means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system.’³⁴

The argument here, then, is that the rise of new forms of policy intermediary, lobbyist, consultant, think tanker, is neither unremarkable, nor a neutral process of modernisation, professionalisation or specialisation, but specifically the mechanism by which politics is reconfigured to serve the market.

Conclusion

There is something particularly secretive and closed about the UK system of governance, compared with other systems such as that of the United States, Canada and Australia. To understand this it is important to understand the sinews of secrecy and the elitist history of the British system of government – a system which made very significant efforts to protect elite power in the face of the democratic reforms which gave all adults the vote, a reform only finally won in 1927.³⁵ But if we want to understand how ‘institutional crisis’ has engulfed all major political institutions in the United Kingdom, we cannot ignore the empirical record of the changes in governance over the last 30 years as neoliberal assumptions and ideas were progressively unleashed by the Thatcher, Major, Blair and Brown administrations. If the empirical record of the period teaches us one thing it should be that it is no longer enough, if it ever was, to study the political system by examining only its contents (Parliament, government, the civil service and public institutions) and refusing to ask about their relations with business, the trades unions and civil society.

This is (obviously) not to determine from the outset that ‘fundamental forces’ in the economy determine what happens in the ‘superstructure’ of politics. But it would be equally wrong to decide by omission that wider – perhaps fundamental – interests have no role in our theoretical conception or empirical strategy. If our aim is to understand how it is that we got to the widespread malaise and institutional corruption of contemporary Britain, an examination of the aims, strategy and practice of governmental reform must be put into a wider sociological context than a narrow internalist focus on the political system. Politics is determined not simply by politicians and civil servants but also by broader social forces.

We live in an advanced ‘post democratic’³⁶ capitalist society in which corruption is endemic for perfectly understandable and not accidental reasons. The forces and people – most of whose names and addresses we either know or can find out – that brought us to this pass stand in need of forensic, focused and unrelenting analysis. David Richards writes that change can come from those in power – he calls for the political class to show ‘willingness’ to seek a ‘smarter democracy’ with ‘much greater deliberation and participation’.³⁷ It is not adequate to think that the problem is some kind of mystery brought on by random processes such as new technology, inflated expectations or specifically British traditions of more than a century’s duration. To hope piously for ‘smarter’ reforms is simply not enough.

The United Kingdom is institutionally corrupt, and that corruption was introduced with the aid of neoliberal theories of economics and politics, most notably public choice theory. It sees the main problem of politics as the pursuit or positive evaluation of the public interest in government. In order to undermine this it seeks to reform government by opening it up to the market in order that public officials might be more easily controlled via all sorts of monetary incentives. This is in itself a major reason for the endemic institutional corruption in public institutions in the United Kingdom. As a result, the United Kingdom stands in need of a very far-reaching democratic revolution. We can call on our leaders to reform the system all we want. If we want actual change, we will have to take matters into our own hands.

Notes

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