

# Liberalism, Neoliberalism and Corruption: a Critical Genealogy

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KIRILL KOVALENKO, OCT 1 2014

For the many naturally obey fear, not shame; they avoid what is base because of the penalties, not because it is disgraceful. For since they live by their feelings, they pursue their proper pleasures and the sources of them, and avoid the opposed pains, and have not even a notion of what is fine and [hence] truly pleasant.

-Aristotle, *The Nicomachean Ethics*, §9

Attempting to determine a relationship between *any* independent variable and the phenomenon termed “corruption” is difficult, given the nebulousness of the concepts and the difficulties in establishing causation as opposed to correlation (Ali & Isse 2003). When dealing with the concept of “liberalism”, covering the spectrum from political to economic freedoms, it becomes an even more delicate endeavour since “Liberalism is about as slippery as a political term can be” (Crouch 2011) and “liberty” is more often than not a rhetorical device. However, since it is the dominant political and economic framework of contemporary society, a critical overview of how it can be understood in relation to corruption is illuminating. For the purposes of this essay, “corruption” will be defined as a problematic conflict-of-interest between the individual’s obligation to themselves, the state and the market. These overlapping fields, however, will be examined closely in light of liberal thought and tradition.

Acknowledging the problems of establishing causation within empirical studies of corruption, this essay will eschew the quantitative method and take an approach founded in Critical Theory by employing a genealogical dissection of neoliberalism to determine what light, on a conceptual level, can be shed on the understanding of corruption.

Firstly, the history of classical liberal thought and the way it underpins its contemporary successor will be traced, its aims and fundamental principles isolated and the relationship between economic freedom, personal freedom and the state analysed. Concepts vital to liberal thought such as “natural freedom” and “contract theory” will be covered to lay bare the assumptions and presuppositions of liberal thought followed through thinkers such as Locke, Hobbes and Rousseau.

Secondly, the moral status of wealth, freedom and corruption will be covered and the asymmetrical hierarchy that exists among these ideas especially in the influential shift from political freedom to economic freedom that is represented by Adam Smith. Mill’s concept of utilitarianism will be juxtaposed against Smith’s theories of marketization to show how neoliberalism, for better or worse, carries weight as an ethical theory. The links between Protestantism and liberalism will also be sketched to show that a distorting factor underpinning Western conceptions of freedom is the positive moral status accorded to wealth. Being run alongside all this is what relevance these insights have for the study of corruption within the neoliberal framework.

To understand the fundamental concepts of liberalism, it is necessary to start with John Locke and the views posited

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in *Two Treatises of Civil Government*. Contributing to the argument concerning the state of mankind when stripped away of social and political institutions, Locke states that the natural condition, or “state of nature” of man is a:

State of perfect freedom to order their actions, and dispose of their possessions and persons as they think fit, within the bounds of the law of Nature, without asking leave or depending upon the will of any other man. (Locke 1698)

It is worth juxtaposing Locke with his intellectual predecessor and state-of-nature theorist, Thomas Hobbes, who held a famously dim view of mankind sans the state. A central internal tension within liberal thought can be traced to these two theorists. While Locke offers a benign view of freedom which, underpinned by obligation to God, places humanity within certain conditions by which property rights and cooperation are rational and objective, existing before and beyond any form of social contract. Hobbes, on the other hand states that mankind requires the social construction of covenant, contract and power to shield themselves from the inherent danger of the base ontological condition of liberty, stating: “Covenants, without the sword, are but words” (Hobbes 1996, p. 85). Anthony Kenny highlights the importance of the distinction, in the fact that under Locke’s meaning of natural liberty, the sovereign is bound by a law which places a distinct limit on how much they can extract from their subjects against their will, while Hobbes does not define such a provision (Kenny 2007, p. 719).

As such, the idea of human liberty is already problematized from its earliest proponents, with the development of two separate classes of liberty, one benign and the other not. When the state of government emerges to bind the common interests of man, the obligation one has to its institutions are different whether one subscribes to one view of liberty or the other. According to the Hobbesian view, the public sphere is an unnatural creation wherein individual freedoms are *reduced* for the sake of security and, as such, a contract exists between an individual and an institution, rather than merely between a community of individuals, as Locke would posit. When, as is in liberal thought, the separation between state and individual is quite fluid, the tension between the public/private can be better understood as the individual’s obligation towards the “contract” that underpins the fundamental conceptual bind between self-interest and public interest.

Another level of nuance is added to this tradition by Jean-Jacques Rousseau, who develops a synthesis between the Lockean and Hobbesian structures of state development. He refines Locke’s notion of “natural liberty” into a concept of the “general will”, which forms the mass of individuals into a “moral and collective body” where “each giving himself to all, gives himself to nobody” (Rousseau 1998, p. 15). This, like Hobbes, places emphasis on the “contract” as the guarantor and embodiment of human liberty. This has several implications, most importantly it implies that when a citizen acts against the state they are acting, in effect, against their own interests whether they realise it or not (Kenny 2007, p. 723). Whereas, to abuse the Hobbesian “contract” by acting against the public good is to essentially a restoration of natural freedom through the forfeit of what amounts to a pact of mutual security. However, within a Rousseauian system, to choose the private over the public is seen as irrational and generally a restriction of freedom and an act against the good, even despite Rousseau’s much brighter conception of the state of nature (Rousseau 1998, p. 17).

Generally, if a corrupt action, in relation to the state, is to be necessarily defined as “the abuse of public authority or trust for private benefit” (IMF 2012) then an analysis of the classical roots of liberal thought shows that the manner in which this public/private distinction is conceptualised is not static and straightforward, but rather subjective and historically contingent, especially when the question of liberty is brought to bear upon economics and ethics which the essay will turn to now.

Buchan and Hill offer an illuminating account of the changing discourse of corruption as modern institutions of liberalism developed. They state that conventional, imperial notions of corruption, as defined by Montesquieu, focused on cycles of collective moral failure and degeneracy, connected to the greatness and decline of states; while a more advanced understanding concerns the aforementioned public/private overlap (Buchan & Hill 2007). They state that these “boundaries” of appropriate government developed alongside the growth of commerce. Likewise, Foucault, in his lectures collected in *The Birth of Biopolitics* sees this development of politics in the eighteenth century as the birth of “frugal government”, wherein fundamental constitutional questions gave way to questions of practical government scope and intervention. He sees this as also linked to the development of “the market” as we

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understand it today, which simply did not exist in medieval society (Foucault 2008, p. 30). Thus, questions of individual liberty become associated with the issues of economic freedom, which remain insoluble components in neoliberalism.

The thinker most notably associated with classical economic liberalism is, of course, Adam Smith. For the purposes of this critique, it suffices to say that Smith's vital contribution was the collation of Lockean property, labour and non-harm liberal principles into the mechanisms of transactions and the market. His understanding of the concept of natural liberty in relation to labour is described as:

The private interests and passions of individuals naturally dispose them to turn their stock towards the employments which... are most advantageous and agreeable to the interest of the whole society. (Buchan & Hill 2007)

This notion of "division of labour" plays into his idea that, at the most fundamental level of society and culture, freedom is most pointedly enacted through mechanisms of barter:

Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society. (Smith 1976, p. 37)

This is important due to the fact that the breakdown of freedom to the level of freedom of market transaction is a primary axiom of neoliberalism. Through Smith, the discourse of liberalism shifts to cover the "problem space" between state and market rather than between state and individual (Peck 2008).

This heralds a shift in the dynamics of understanding corruption on more of a market basis, wherein public corruption is seen as anything which restricts the operation of the free market and therefore infringes on the private rights of individuals. Monopolies and state control are seen as damaging and corrupt institutions; the elimination of such institutions is part of the road to establishing self-determining, autonomous individuals (Buchan & Hill 2007). In this light, payment of bribes to a state official, although it may constitute an "externality" (Crouch 2011), by the logic of the market may be seen as a logical and desirable outcome in order to promote the natural flow of commerce, bypass damaging monopolism and "restore the natural order". As such, man's economic freedom could come to be manifested in the *right* to pay a bribe, which would be seen as an enactment of his natural liberty in the face of the true corruption, which is the trans-market authority of the state.

When thinking about corruption in this way, it is worth breaking down the ethical aspect of how the infringement of the private interest upon the public obligation is necessarily something which is morally wrong. As we have seen, within classical liberal thought the private/public distinction is not necessarily straightforward. Conventional liberal discourse on the proper ethical aims of government generally stems from the thought of another important liberal thinker: John Stuart Mill and his ideas on Utilitarianism. This "theory of utility", in the words of Mill, "holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness" (Mill 1993, p. 7) and, as is evident in his *Remarks on Bentham's Philosophy* (p. 429) he considers it more than just Bentham's technical "phraseology", but a genuine ethical system of governance that can be integrated with humanity's natural freedom and the limits of the state that he deliberates on in *On Liberty* (Mill 1993, p. 69).

It is clear that the majority of contemporary framing of the problem of corruption is done through a Utilitarian approach. The issues that are most notably brought up such as "misallocation of resources", "poor governance", "distortion of public policy" which ultimately tie in to questions of development, living standards and prosperity, implying that the outcome of fighting corruption would be more and better distributed wealth and, as such, the greatest amount of happiness for the greatest amount of people (IMF 2012) (TIA 2012).

There are many valid criticisms of Utilitarianism, the one most relevant to this critique is the notion that Mill had not given sufficient thought to how distributive justice could be upheld (Kenny 2007, p. 928). In neoliberal literature, problems of distributive justice are negotiated through the Smithean idea that self-interest, driven by a desire for happiness, is best channelled through free market mechanisms to produce a system of wealth creation that will more organically satisfy the needs of the population. This policy direction in terms of corruption is elaborated as a set of

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axioms:

H1: Market-oriented, neoliberal economic policies help reduce political corruption.

H1a: Openness to foreign trade and investment promotes lower levels of political corruption.

H1b: Lower and more market-friendly regulations inhibit political corruption.

H1c: Smaller public sectors lead to less corruption than larger ones.

(Gerring & Thacker 2005)

Wealth (and the freedom to acquire wealth) is implicitly granted a moral status, since it is the vehicle by which the ethical ends of Utilitarianism are achieved. Thus, neoliberalism's approach to social justice is a cherry-picked assortment of classical liberal axioms: the marketized state of natural freedom wherein an ethical end is the unhindered flow of wealth which will permit the self-realization of needs. In effect, with this amalgam of Utilitarianism and Smithean economics, what is morally problematic about corruption is the fact that it does not permit the function of the economy as well as a perfectly free market would. Hypothetically, within this discourse of development and self-determining happiness, corrupt practice within state institutions would not be morally condemnable if it promoted greater flows of commerce and allowed people a greater chance of exercising their market freedom.

What has been pursued in this essay is the history of classical liberal thought which remains as an undercurrent of modern neoliberal anticorruption policy. In closing, it is worth briefly covering some further contemporary criticisms of these assumptions. Bertrand Russell intimately connects the philosophy of Locke to the emancipation of free trade with the rise of Protestantism and Puritanism, which overturned the pre-existing Church "natural law" against usury (Russell 1945, p. 623). Max Weber develops an extensive sociological analysis of the linkage between these two concepts. The vital point of his work that bears relevance to this critique is that it views Puritanism and its derivative market values, not as a fundamental ontology or human nature, but a product of developing historical and social forces (Weber 2002).

Russell speculates that fanciful notions of natural freedom and personal interest are a coupling of Protestant individualism alongside longstanding human traditions which recognise a historic Eden or "golden age" at the very beginnings of society. One of the great critics of this natural-state tradition is Karl Polanyi, whose work complements Weber's in providing an account of the rise of "economic man" that is outside the conventional Protestant paradigm and generally avoids making ontological presuppositions of freedom. In *The Great Transformation* he questions Smith's assumption that individual self-interest underlies all of society and thereby serves as a basis for understanding individual liberty:

The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only in so far as they serve this end. (Polanyi 1957)

When one replaces the *homo-economicus* of neoliberalism with Polanyi's *homo-juridicus*, for whom freedom and exchange are a highly complex, inherent structure of social institutions, customs and laws; the sense in which economic corruption and social problems can be solved *merely* by expanding freedom to pursue interest (viz. the market) would appear to be misguided.

Yet, by the trajectory of neoliberal ontology, *Homo-economicus*, becomes "not an ideal, but a reality; human nature" (Read 2009). Foucault emphasises this by posing it as a problem of power, stating that neoliberalism: "is not just a matter of governing states or economies, but is intimately tied to the government of the individual, to a particular

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manner of living" (Read 2009, p. 27). Critical analyses of neoliberalism also state that, while it is to some extent built upon the classical ideas of freedom and economics that this essay has covered, it has to some extent "rebuilt them from scratch" to accommodate its own agendas (Peck 2008). This notion that neoliberalism is somehow more malign than its classical counterpart is seen in the emphasis of the ethos of "zero-sum competition" which was alien to the "bond of union and friendship" which Smith suggested (Pettman 2010, p. 93). In this light, these notions of extreme liberalism (libertarianism) suggest that there is not only an unnatural disconnect between the individual and the state, but between individuals themselves. Foucault states that the *homo-economicus* of neoliberalism de-emphasizes the market of mutual exchange in favour of recreating the individual as the "entrepreneur of himself", wherein one's goal is to provide as much of an "investment" into one's "human capital" capacity as possible, which aims towards one single goal, the production of "self-satisfaction" (Foucault 2008, p. 226). As such, we can see how neoliberalism comes to bastardise conventional Utilitarianism to become isolated from the traditional liberal social and political "constraints" (Trigilia 2002, p. 19) in order to deal with purely an individualistic calculus of pleasure. In this respect, the concept of state corruption can be seen as one of two things, as an "investment" on the part of the consumer, no different to any other market element, or a "commodification" of public goods or services on behalf of the supplier, who is merely maximising his self-interest and endowment, in line with the dynamics of the self-centred market.

As such, to conclude, this essay has attempted to, very briefly, trace a conceptual genealogy of classical liberal thought to displace the presuppositions and assumptions which underlie neoliberalism. This has been tied in to neoliberal approaches to corruption and the problems associated with an uncritical use of concepts like "freedom" and "the market" and the corruption of the terms of liberalism themselves in order to produce an understanding of the market as stripped of its traditional social, political and cultural connotation. To reiterate what was stated in the introduction, this essay has purposely avoided a quantitative empirical analysis, primarily because of the glut of empirical studies within corruption studies as well as the problems of establishing causation, especially within transitional economies. Critical Theory as well as Foucauldian discourse analysis continue to offer useful conceptual critiques that should not be discounted.

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