

# Corruption, Capitalism and Democracy

John Girling

Routledge Studies in Social  
and Political Thought



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## **Corruption, Capitalism and Democracy**

The scandal of corruption is boundless. As John Girling demonstrates in this new study, corruption does not disappear as countries develop and modernize. Instead, corruption takes on new forms. For corruption is symptomatic of a deeper problem: the collusive system in which politicians mediate the often contradictory claims of capitalism and democracy.

The author illustrates from case studies the three dimensions of the modern collusive-corrupt system: that is, functional (economic) corruption, dysfunctional (political) corruption, and corruption that is offset by normative strengths, as in civil society. He concludes with policy prescriptions that require, not more 'neo-liberalism' according to the values of the market, but more democracy.

*Corruption, Capitalism and Democracy* describes how such corruption is damaging to democracy and its institutions, but also how it is checked by the ideal of citizenship expressed in civil society. As such, it is an important and very relevant study of the problem of political corruption.

**John Girling** has been a Senior Research Fellow at the Australian National University. His work is unusually wide-ranging, from analysis of insurgency to interpretation of myths, and includes two acclaimed studies: *America and the Third World* and *Thailand: Society and Politics*. He now lives in Toulouse.

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# Corruption, Capitalism and Democracy

John Girling



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## Preface

Corruption is the illegitimate reminder of the values of the market place (everything can be bought and sold) that in the age of capitalism increasingly, even legitimately, permeate formerly autonomous political and social spheres.

Democracy is on the march throughout the world, so it seems. At the same time the scandal of corruption, in one country or another, is never far from the surface. These are not separate issues, but are intimately linked. The study of corruption provides valuable insights into the nature of democracy (as of other regimes, where corruption is rife) for these reasons:

- 1 Corruption is normatively defined; the abuse of a public position of trust for private gain. Corruption negates positive social purpose; that is, proper means to attain a valued end (the 'common good', the 'public interest').
- 2 Democratic theory is formed around this opposition. Belief in 'popular sovereignty' requires the shaping of society in accordance with the majority will. This is a large claim, upheld (rhetorically, at least) by politicians at every election.
- 3 Democratic theory, however, was put into practice (in the USA) simultaneously with the founding of classical economics (Adam Smith, 1776). The latter assumes an entirely different relationship between means and ends; the selfish interest of each, as a result of competition in a market economy, redounds to the advantage of all.
- 4 The scientific-industrial revolution, sharpening the theoretical distinction between politics and economics, widens the gap between democratic theory and capitalist practice. Democratically elected governments, deferring to powerful business interests in a way that contradicts electoral pledges, reveal the 'misfit' between political theory and economic practice.



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- 5 Such is the ambiguity inherent in the capitalism-democracy nexus. On the one hand, there is the correlation between economic freedom (market exchange) and political freedom (liberal democracy); on the other, there is the contrast between private appropriation (sanctioned by corporate power) and social goals ('the will of the people').
- 6 To accommodate both aspects (economic and political freedom; private and public power) 'normal' political behaviour requires 'collusion' between capitalism and democracy to make the system work. (Democratic theory, in its exclusive claim to sovereignty, 'does not work'). Corruption makes this point. It is the 'excessive' or shocking aspect of 'normal' practice: 'the unacceptable face of capitalism'.
- 7 Precisely because of its normative derivation, corruption is widely regarded as 'scandalous' (private gain at the expense of the public good). The symbolic effect of corruption, however, displaces public resentment from the 'collusive' political-economic system on to the misdeeds of individual 'wrongdoers'. Ritual sacrifice of the latter is required to purge public anger, thus allowing normal practice to continue.
- 8 When there is profound or prolonged crisis—economic, political or social—the usual displacement effect is overwhelmed. Corruption then symbolizes the degradation of the regime. In other words, corruption in a wealth-producing system is the froth on a dynamic economy. But in a wealth-consuming system, i.e. where there is conspicuous consumption by a selfish elite (as in the French Third Republic in the inter-war years, and the Philippines under Marcos), corruption signals the course of decline.
- 9 Corruption is the symptom, not the disease. The 'disease' is the predicament of our time: the frustrated popular yearning for 'the good society', to be achieved by democratic means, yet confronting an economic system that may well contribute materially but does not contribute morally (in the sense of valuing public participation and consent) to that desired social end: an economic system, moreover, that substantially escapes democratic control.

Political sovereignty (in a democracy) and economic sovereignty (consumer choice in a free market) are not equivalent terms. Despite being equal political units, the millionaire, at one end of the scale, brings immense economic power to the market, which dominates social existence, as Max Weber long ago pointed out; while the worker or small farmer, at the other end, has little or no effective demand whatsoever.

Paradoxically, where capitalism is most compatible with democracy—through its improvement of material living standards so that electoral choices are no longer constrained by poverty—it is

precisely in this way that capitalism (consumerism, commercialized values) penetrates non-economic spheres, contrary to liberal-democratic theorizing.

- 10 Nevertheless, the potential for corruption in the relation between capital and power can be overridden, provided that a strong normative commitment exists elsewhere in society. These are two important examples, from Japan and the USA. In post-World War II Japan, a strict sense of personal morality reinforced a corporatist culture; the aim of lifetime employment in major firms, company loyalty, and cooperation between employers and workforce rather than class antagonism. The USA in the nineteenth century (if to a lesser extent today) exhibited robust voluntary associations, which so impressed Tocqueville, as well as an optimistic faith in progress that countervailed the debilitating effect of corruption. The significance of such normative commitments for a healthy society is evident from Chapter 4 on the British 'exception' and in Chapter 5.

## **EVALUATING CORRUPTION IN MODERN AND MODERNIZING SOCIETIES**

By 'modernizing', I mean the general trend in society toward pluralistic politics and openness to outside ideas within the framework of expanding capitalism.

### **Evaluation**

Corruption is not just a deviant aspect of social behaviour, identified by the legal institution. Rather, corruption stems from the incompatibility in important respects of the economic and political systems. Thus, corruption is more than a 'criminal' problem, it is a social problem; the product of economic, political, and cultural forces—that is, the way in which corruption is perceived and acted upon by members of society.

Corruption as a social problem is evaluated in terms of structure, process and resultant. The capitalism-democracy-society nexus is the structural condition of corruption. The process of corruption follows three stages. First, the incompatible claims of economic and political systems; this 'structural' incompatibility is reflected in the crucial political distinction between public and private spheres, characteristic of 'modernity', but which is conflated in capitalist practice.

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Second, there is the need for collusion ('accommodation') between politicians and business people if they are to overcome this incompatibility in order to make the system work. Collusion for such a purpose is arguably in the public interest, but it also satisfies private interests. Corruption is the third stage, when private interests prevail.

Finally, there is the resultant. Corruption as structure and process is 'inevitable', but it is also variable:

- Under certain conditions, corruption may be functional, especially for economic development (e.g. by 'lubricating' an overly rigid political or bureaucratic regime).
- Under other conditions, and this is more often the case, corruption is dysfunctional (introducing an arbitrary element into economic policy-making, arousing popular resentment, discrediting democratic institutions, etc.).
- Under yet other conditions, the perverse effect of corruption may be offset by normative strengths elsewhere in society (private morality, interpersonal relations, cooperative associations).

Now, whether corruption in any given society is functional, dysfunctional, or offset by normative strengths, depends not just on the systemic pattern (incompatibility-collusion-corruption) but also on factors specific to the society in question; hence the importance of case studies.

### **THE CASE FOR CASE STUDIES**

First, it is important to bring out the need for case studies in understanding the pervasive—and protean—phenomenon of corruption; second, to explain the method of selection of these studies. (The overall approach combines normative definition and structural analysis).

#### **Case studies**

Consider the analogy with capitalism itself. On the one hand, there are 'general principles' of capitalism: private ownership of productive resources, profit motivation, large-scale organization, competitive market mechanism, and so on. On the other hand, there are particular forms of capitalism, varying significantly from individualistic, *laissez-faire* practices in the USA to group-oriented, state-interventionist policies in Japan, with 'social market' capitalism in Western Europe in between. Such differences, which are not trivial, but substantial, are best understood in terms of specific cultural and historical developments, which are peculiar to the USA, or to Japan, or to Western

Europe. In other words, capitalism as a social phenomenon (as distinct from an economic abstraction) cannot be understood apart from the particular context in which it operates. This applies even more so to corruption, as a derivative of capitalism, where practice matters more than principle.

### **Method of selection**

The case studies are chosen to illustrate:

- corruption (in important respects) as functional to development;
- corruption as dysfunctional;
- 'offsetting' normative strengths.

The studies are of Southeast Asia, France (Third Republic), and Victorian Britain, respectively.

### **SOUTHEAST ASIA**

#### **Area characteristics**

As case studies of modernizing societies, I have selected three countries in Southeast Asia, two of which have outstanding records of economic growth (Thailand and Indonesia), while that of the third (the Philippines) is distinctly uneven. But Indonesian experience also represents the reversal (from democratization to authoritarianism) of the modernizing trend toward more open, consensual politics that is apparent in Thailand and the Philippines. Indonesia accordingly exhibits the despotic tendency to 'power corruption' (in Acton's sense) as well as the capitalist tendency to 'political economy' corruption that is evident in all three countries. For, contrary to the assumption of Western 'modernization theory', the process of modernization in the Third World has not led to the elimination of corruption. (Modernization theory uncritically relates the spread of capitalism to democratization). Rather, corruption has taken on new forms, responding to the opportunities created by an expanding market and by electoral politics. Nevertheless, the emergence of 'civil society' provides the potential for normative counter-claims.

#### **Theme**

Corruption as functional to development—emergent capitalism, as in Southeast Asia, sweeps aside traditional ways and cultural norms, imposing its own rules. A case can be made that corruption, overcoming institutional rigidities, is functional to that process. Yet the relationship is not without

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ambiguities. In certain respects, corruption is dysfunctional; an arbitrary and 'excessive' element, corruption distorts the operation of the market and undermines rational economic choice. Moreover, the adverse social consequences of corruption have to be taken into account.

## **FRANCE**

### **Characteristics**

Nineteenth- and early twentieth-century France indicates the erosion of normative strengths (the 'Republican virtues') as a result of growing social tensions; the conflict with traditional (anti-Republican) values and institutions; the contrast between the dynamism of big capital and the static nature of the small town, provincial and peasant economy; and the terrible sacrifices of World War I, followed by the increasingly violent polarization of society. Corruption then came to symbolize the perversion of the public good by powerful private interests.

### **Theme**

Corruption as dysfunctional—collusion between business groups and political parties, as in the France of the Third Republic, appeared in the 'excessive' form of corruption, symbolizing a wider social malaise; that is, the fateful erosion of support for the democratic system, not only among conservative-traditionalists and on the far right, but also on the extreme left.

## **BRITAIN**

### **Characteristics**

An extravagantly corrupt political and administrative system, in the eighteenth century, was gradually transformed throughout the nineteenth—in line with the gradual process of democratization—into a model of integrity, demonstrating exceptional normative strengths: the fundamental importance of freedom, the rule of law, widespread tolerance of minorities (apart, significantly, from Ireland), public expression of high moral principles, uplift of the 'respectable' poor, and so on. Paradoxically, however, the continuing integrity of public life in Britain coincided, in the twentieth century, with

debilitating economic decline. (Conversely, in France, resurgent capitalism after World War II—despite the eruption of scandals—revitalized French society.)

### **Theme**

Normative strengths—Victorian Britain illustrates an unusual combination of largely non-economic values, which inspired the eradication of corruption from public life, but which also contributed to Britain’s economic malaise.

### **CONCLUSION**

The paradox of economic growth accompanied by significant political corruption—evident in nineteenth century America as in present-day France, Italy and Japan—cannot be understood in a purely institutional (one-dimensional) context. That corruption in a number of cases failed to pervert society—even if it perverted politicians—is attributable, rather, to normative strengths elsewhere; personal moral obligations and effective voluntary associations are examples. In the concluding chapter, then, I examine democracy, corruption, and capitalism in the three-dimensional context of economic growth, state and political power, and the emergence of civil society—for the latter creates new normative strengths to offset the ‘political economy’ tendency to corruption.

Note, however, that what appear as three separate dimensions— economic (Southeast Asia), political (Republican France), and socio-cultural (Victorian Britain) —also operate together within a country. Thus:

- dynamic capitalism, with corruption as its exuberant excess, and which also is a way of adapting the political system to the economic;
- establishment of democratic institutions and assertion of ‘Republican’ values—but which are undermined, especially at times of crisis, by corruption;
- effective social norms, which help to counter the perverse effects of corruption (for corruption itself is normatively defined).

Present-day France provides an example of all three characteristics; but so, if to a lesser extent, does contemporary Britain, under the influence of Thatcherite market forces—not to mention the USA or Japan.

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Corruption, in sum, derives from capitalist conditions, collusive politics, and normative (social) perceptions. Corruption cannot be evaluated in terms of one dimension (the economic, or the political, or the social) only. It requires a synthesis of all three dimensions.

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# 1 Introduction

## DEFINING CORRUPTION

‘Corruption’ represents the normative perception of capitalist ‘excess’: the culmination of the systemic process of collusion among economic and political elites that results—contrary to democratic theory—in the ‘re-confusion’ of public and private spheres. In the first part of this chapter, I explain the social implications of the normative definition; in the second part, I analyse the structural factors in the systemic process: incompatibility, collusion and corruption.

### **Corruption: structural condition, normatively defined**

Normative definition provides the starting-point from which to consider two major forms of corruption: corruption in relation to democratic theory and historic practice (‘power corruption’) and in relation to democratic practice in the age of capitalism (‘political-economy corruption’). The implications of normative definition point, first, to the modern distinction between ‘public’ and ‘private’, which is basic to legal-rational politics and administration; and second, to the debate over restricted (legalistic) definition or broad (social) definition of corruption.

The latter debate, in turn, is directed not only to the related issue of ‘procedural’ or ‘substantive’ definitions of democracy but also, and by extension, to the ‘exclusivist’ notion of democracy and capitalism in which each is considered to be a self-contained entity, as endorsed by mainstream political science. This is in contrast to the ‘inclusivist’, or political-economy, conception of interacting political and economic systems. Now, the choice between ‘narrow’ and ‘broad’ perspectives in all three cases—democracy, corruption and capitalism—is crucial to understanding their roles in the modern world.

## 2 Introduction

### Normative distinction

Historically, the notion of corruption goes back to Aristotle's distinction between political constitutions which are 'right' or 'just', because they are in the common interest, and those which are 'wrong' or 'perversions of the right forms', because they consider only the personal interest of rulers. ('Moved by the profits to be derived from office and the handling of public property, men want to hold office continuously.') For the true purpose of the political community, Aristotle points out, is that each member attain a share in the good life.<sup>1</sup>

The normative element in the notion of corruption remains crucial. It explains Lord Acton's well-known aphorism, 'Power tends to corrupt, and absolute power corrupts absolutely', which stems from his belief in 'conscious rectitude' as the abiding standard of judgement of all persons in authority.<sup>2</sup> Acton's rather simple assumption that democratic (and ethical) constraints on the power of rulers will reduce the tendency to corruption has of course only partially been borne out in practice. Nevertheless, the two essential conditions that he proposes— checks on power and high moral standards—had, and still have, a strong public appeal, both in the West and in the developing world.

The prevention of absolutism by a complex system of checks and balances, for instance, is characteristic of American democratic pluralism, under which executive power is offset, or even fragmented, by a separately elected legislature, the influence of voluntary associations, and the federal system. Even so, the corruption of American office-holders was a byword in the nineteenth-century heyday of voluntarism and *laissez-faire* (that is, the supposedly 'arm's length' relationship between wealth and power). As an American student of corruption points out, the urban political 'machine', in particular, has been part of an entire system of electoral and financial influence, in which legal patronage, pork-barrel legislation and lax regulation of city-based business interests are also important features.<sup>3</sup>

It is evident, then, that neither the existence of 'checks and balances' nor insistence on ethical performance necessarily leads to 'honest' government serving the 'common interest'. Yet the moral aspect is, as I have suggested, crucial to the explanation: corruption is defined normatively, as a 'deviation' from the public good. Now, the expansion of democracy, itself normatively defined—'government of the people, by the people, and for the people', in Lincoln's famous phrase—has enhanced that definition, by sharpening the distinction between 'public' and 'private'. For, in a democracy, politicians become 'people's representatives' and bureaucrats 'public servants' precisely because

these functions are deemed to be conducive to the common good.<sup>4</sup> Corruption—‘improper’ behaviour—denotes deformation of this norm. It is the abuse of public office, for private gain, that constitutes corruption.

Complementing the normative definition of corruption, a distinction can be drawn between the ‘morality of wealth’ (individual freedom and initiative) and what we have seen to be the ‘morality of power’ (responsibility for the common good). For the morality of wealth concerns the individual producer (the unproductive are discounted) and the individual consumer (freedom of choice). The morality of power, to the contrary, emphasizes the role of the state in achieving social goals. The ‘perversion of power’ is its negative side; the abuse of political power for private ends, or ‘power corruption’ in Acton’s terms. Similarly, the perversion of wealth is the abuse of economic power, which takes the form both of exploitation of the powerless (so-called ‘free labour’) and penetration of the (ostensibly independent) political system; that is, political-economy corruption.

Paradoxically, democratic theory and democratic institutions, which were expressly designed to counter power corruption, have for this very reason (the almost exclusive concentration on politics) fallen easy victims to political-economy corruption—precisely because of the practical need, theoretically disavowed, for an accommodation between political and economic systems.<sup>5</sup>

### **Democracy and corruption: substance and procedure**

Two major characteristics of political-economy corruption, emphasized by a French analyst in an illuminating study, are corporate funding of the political process,<sup>6</sup> and the penetration of market values into the social and political spheres.<sup>7</sup> The dramatic evidence of these two features, revealed in major scandals from Italy to Japan, points to the systemic character of corruption, rather than as being simply a matter of individual responsibility, assumed by the legalistic definition of corruption. The implications of these two different perspectives are of great significance. They can be set out broadly in this way:

- social character of corruption; capitalism-democracy interaction; importance of values;
- individualistic character of corruption; theoretical disregard for the interaction in practice of economics and politics; importance of procedures.

The systemic or dynamic conception of corruption is meaningful only in terms of the whole society; the individualistic or static conception only in terms of breach of legal procedures. The latter is inadequate,

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in my view, in understanding the interaction of democracy, capitalism and corruption in modern society. The difference between the two conceptions is therefore central to the discussion that follows. First, I consider the modern 're-confusion' of public and private, resulting from the growth of government and the ascendancy of capitalism; second, the distinction between substantive and procedural definitions of democracy; correspondingly, third, the normative and positivist definitions of corruption; fourth, the social context of capitalism, democracy and corruption, that is, the interaction of economics, politics and values (here, normative conceptions of society); finally, fifth, this social interaction points to, and returns to, the systemic rather than aberrant character of corruption.

First, the conditions of modern democracy have given rise, specifically, to corporate political funding and, generally, to the penetration of market values, because 'public' office has expanded greatly, in regard to the functions of politicians and the scope of government activity. The latter requires an elaborate centralized administration, financing important public works and welfare programmes; while the competitive growth of political parties involves increasingly costly electoral contests. At the same time, moreover, the opportunities for 'private' gain, legitimate or otherwise, have increased exponentially under modern capitalism.<sup>8</sup> It is the resulting 'overlap' of capitalism and democracy—the re-confusion of private and public—that creates the 'tendency' of unchecked power to corrupt.

Corruption reflects this clash of values. 'Public service' is the *raison d'être* of officials; to serve the common interest, as defined by the electoral majority and its political leadership. The *raison d'être* of the capitalist system, to the contrary, is private profit, derived from the operation of a competitive market. Market values guide behaviour. Thus, buying voters, legislators and state officials is 'good business' if it produces cost-effective results. Obviously such a procedure, from the normative standpoint of democracy (the sovereignty of the people) is corrupt; it is a deformation of the norm. Yet, in realistic terms, the economic system has an undeniable impact on the political, which in democratic theory it should not have; it should be the other way round. One way of bridging the gap between theory and practice is by establishing either legal or 'acceptable' (informal) channels of influence between wealth and power; corruption is another way.

Such a 're-confusion' of public and private, which undermines the very basis of modernity (the 'legal-rational' requirements of effective public administration) raises, in the second place, the crucial question of

value-oriented or procedural conceptions of democracy and, correspondingly, normative or positivist conceptions of corruption.

Now, the substantive (political ethics) and the procedural components of democracy cannot be dissociated, writes Yves Mény: 'Beyond the organizational shell, such [values] are the objectives—liberty, equality and justice, to cite only the most fundamental rights—and the concrete means to achieve them, which allow the democratic quality of the system to be judged.'<sup>9</sup>

Mény's assertion recalls the celebrated 'Declaration of the Rights of Man', drawn up during the French Revolution, stating that the 'goal of every political association' is to assure the 'natural rights' of man: life, liberty, security and property. It was precisely the emergence of political-economy corruption in the intervening two centuries—when the procedure if not the substance prevailed—that in turn brought about a reaffirmation of 'déontologie' (codes of ethical behaviour), as in the official French report on corruption of 1992. Significantly, the report's proposed reforms, notably openness and accountability of administrative and political decisions, would not be effective, as a commentator warned, unless 'elected representatives and officials respect the basic rules of democracy, in the name of which they are entrusted to act'.<sup>10</sup> Conversely, as Mény argues, the spread of corruption originated in the 'enfeeblement of public values' under the assault of 'neo-liberal' economic policies and the penetration of market values.<sup>11</sup>

The importance of values is evident even in the home of *laissez-faire*. For American reform movements, as one scholar emphasizes, have been continuously concerned 'with restoring the fairness of the basic rules of the political game'. He relates these rules to 'structural and procedural' democratization: 'At bottom, the effort was nothing less than to make the mechanics of politics and government embody the essence of democracy itself.'<sup>12</sup>

This ethical and political commitment is crucial to democracy. It was in this vein that the president of the National Assembly in France, Philippe Seguin, announced on 27 October 1994 the report of the Assembly's 'working group' on corruption. The report insisted that 'sovereign power belongs to the people, who exercise it through the intermediary of freely elected representatives'. Yet, it warned, there was a 'crisis of confidence' arising from the public's 'widespread suspicion' of political-economic activity by national and local representatives, which 'contributes to undermine the foundations of democracy'.

It is precisely from an ethical standpoint, to take a further example, that certain judges have been inspired to repudiate the pragmatic trend of accommodation to power—especially in Italy, but also in France, Spain

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and Japan—and thus bring to light the systemic corruption that has plagued those countries.

### **Reduction or interaction**

It is in this normative context, in the third place, that ‘corruption’ becomes meaningful. To repeat: corruption in the broad sense signifies the perversion of principles upon which a political system is founded. Corruption in the narrow (legalistic) sense, however, is reduced, as Mény puts it, to ‘a secret form of social exchange by which the political or administrative power-holders make a living, in one form or another, from the power or influence that they exercise by virtue of their mandate or function’.<sup>13</sup>

The ‘reductive’ character of such a conception (the shift from emphasis on social values to procedural or institutional forms), Mény asserts, is contestable in that it is concerned only with the most reprehensible, even pathological, attitudes—namely, criminal behaviour, punishable by penal codes. The procedural approach, in other words, fails to take account of the ‘systemic’ character of corruption. But Mény’s argument can be taken a step further. For the ‘criminalization’ of corruption—confining corrupt behaviour to tangible illegality—obscures, in the fourth place, the social context in which corruption takes place: that is, the sphere of interaction, or confrontation, of economic and political systems.

The confrontation of the two systems (and the victory of the economic) has been strikingly revealed in the confidential diary of a British Cabinet minister, R.H.S. Crossman, writing in the mid-1960s. The Wilson government, of which he was a prominent member, had come to power in the confident expectation of stimulating the economy through the active promotion of science and technology. But instead of the government mastering the economic system, it was the other way round; the economy, in crisis, brought about the abandonment of official policy and, eventually, the collapse of government. Crossman, for example, had urged a modest increase in the public housing programme, in accordance with the socialist principles on which the Labour Party had been elected. The Chancellor of the Exchequer replied ‘in a long, violent harangue’ that ‘we were going to crack up and crash unless the increase in public expenditure could be halted’, which was needed to ‘win the confidence of the bankers’. As Crossman confided to his diary: ‘One could see at Cabinet how, whether they belong to the Right or the Left of the Party, they can be terrorized, and how weak and pliable they are in the hands of the City and of the Bank of England.’<sup>14</sup>

Some three decades later, there is an equally candid assessment of the result of the confrontation of the two systems, from former President Mitterand (reported in *Le Figaro*, 29 August 1995):

I wished to modify society sufficiently...in order to transform the relations of wealth between the powerful and the less powerful.... But in a totally liberalized, open world, when one knows that frontiers are open and that your currency depends on decisions taken by the great owners of wealth, who seek to withdraw their money whenever there is the least threat to their interests, then economic power becomes very dangerous to political power. But one had to live with it.

It is to avoid acknowledging the ‘unthinkable’ implications of these intrusions of economic power into the polity that mainstream liberals and conservatives alike restrict themselves to the institutional definition of corruption.<sup>15</sup> Precisely for the same reason, mainstream opinion tends to emphasize the procedural components of democracy,<sup>16</sup> rather than the values that it is supposed to embody. It is no accident that the dominant ‘behavioral revolution’ in American social science, with its fixation on quantitative techniques, systematizing and codifying data for operational utility (according to its practitioners), reflects the same positivist stance. The ‘scapegoat’ notion of corruption that I have outlined in the Preface—corruption is due to the failings of individuals, not to the operation of the system—falls into exactly the same pattern of avoidance.

To recapitulate: the narrow, legalistic definition is not concerned with the social causes of corruption (the conditions that are conducive to corruption) or with the outcomes of corruption on society, but rather with the wrongdoings of a particular individual or individuals. The broader definition, to the contrary, centres on the implication for society of the collusive economic-political relations that are basic to the operation of government within the capitalist system. (Political parties seeking funds to finance ever more costly electoral campaigns are one example of such collusive practice, with its potential for corruption; and the influence of powerful economic lobbies on politicians is another.) It is far more than a legal issue: it is a social issue.

All the same, why does corruption occur on a massive scale in some countries and much less so in others? Again, the narrower approach does not provide an answer. For legal prohibitions of corruption exist both in countries where corruption is widespread and where it is much less significant. The question is why such prohibitions are effective in some cases and not in others: this question is posed by the broader, social approach



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rather than by the narrower, legal one. These two factors alone—first, electoral funding and lobbying, which are undeniably conducive to corruption; and second, the existence of large-scale corruption throughout the world—strongly support the case for a broad systemic, and not narrow legal, definition.

### **Limitations of ‘legalism’**

Supporters of modern legalistic definitions of corruption—and democracy—face in addition two serious problems. The first is the difficulty of coping with ‘sharp practices’ that have the same effect as legally defined corruption—such as using indirect ‘influence’ rather than outright bribery—but are not actually illegal. The second follows from the first. Corrupt behaviour, on the one hand, and lawful behaviour, on the other, are not so much polar opposites (as the narrow definition insists) but represent stages on a continuum.

Mény, for example, notes the ‘permeability’ of what another analyst considers to be two distinct categories of corruption: ‘barter corruption’, which denotes the direct exchange of political or administrative favours for a monetary or other form of reward; and ‘social exchange corruption’, which is indirect and imprecise, such as a donor’s ‘generous gesture’ made in the confident expectation that the ‘recipient will carry out an implicit bargain’.<sup>17</sup>

Actually, ‘traditional’ corruption, as Mény explains, increasingly takes on ‘regular’ forms of social exchange, thus relinquishing its former secrecy by becoming ‘part of the politico-administrative system’. Moreover, the ‘drift’ from licit to illicit is all the more insidious because of the difficulty in perceiving the trend of a movement carried out in gradual stages.<sup>18</sup>

It is this almost imperceptible drift from licit to illicit that points most strongly, in the fifth place, to the systemic, rather than aberrant (legal/illegal), character of corruption. For corruption derives, not simply from the evident misconduct of particular individuals, but rather from the far more basic ‘misfit’ between the political system (especially democracy) and the economic system (especially capitalism).

In principle, the two systems are mutually exclusive; each has absolute claims on society. In practice, of course, the majority ‘will’ confronts the power of economic interests. Now, in a democracy, it is the role of the politicians (elected by the majority) to mediate between the two: between business and citizens. But prudent politicians cannot afford seriously to

jeopardize business interests, because in the long term an effective economy is crucial to political survival.

It is for this reason that even politicians of integrity find themselves obliged to compromise between the interests of the public (the common good) and the interests of the economy (basically, private appropriation by the few). Consider the way (ruefully admitted by Crossman) in which 'progressive' governments in recent decades have abandoned the fundamental precepts of 'socialism' for the sake of business 'confidence' and international 'competitiveness'. As for those cases where political mediators are not persons of integrity, it can readily be seen how easily the habitual compromises of 'normal' practice drift into corruption.

To sum up: collusion (that is, the 'normal' accommodation between politics and economics) is a precondition of corruption. Yet because collusion is needed to make the system work it is considered to be in the 'public interest', according to the (unavowed) argument of ruling elites. Of course, collusion also satisfies private interests. Corruption takes the process a stage further, when private interests predominate: it is the socially unacceptable or 'excessive' exchange between wealth and power.

Accordingly, the importance of examining corruption is that it draws attention to the conditions that make it possible; that is, the collusive relations between capitalism and the political system—a relationship that is so strongly entrenched that it is often taken for granted. Nevertheless, the logic of accommodating politics, it should not be forgotten, is to serve the interests of capitalism (designated as 'economic development'). 'Thatcherism' realized this instinctively. That is why 'society'—a political expression—did not exist for her. Instead of society, there is only, or at least fundamentally, the relationship of producers and consumers, mediated by the market. Yet if democracy is to have any meaning for people it must lie in the reassertion of non-economic ideals and interests—even against those of the market. The reassertion, in other words, of democracy's authentic values: political freedom, popular consent, sovereignty. Conversely, as the Nolan Committee in Britain has recognized, it is the weakening of public values, partly as a result of neo-liberal attacks, that undermines the barriers to corruption.

Consider, in this regard, the 'commercialization of values' that results from such typical marketing operations as advertising and lobbying. These activities are actually all the more insidious as a threat to democracy because they are (mostly) legitimate. There are two rationales at work: democratic and economic. The democratic rationale purports that freedom of expression is a basic human right (advertising and lobbying are examples). The economic rationale argues that firms and individuals are not going to spend large sums of money on advertising or lobbying unless they think

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it will pay off: in the sale of a product to consumers, or to legislators, which the latter would not otherwise buy. Yet, while advertising is usually legitimate (except when statements about products are misleading or untrue), there is not the same presumption of innocence about lobbying. For advertising is open and therefore subject to public scrutiny, while lobbying tends to be secretive and hence more liable to abuse. Nevertheless, both activities, on a scale from legitimate to illegitimate, represent commercialization of values (that is their function). Moreover, both indicate, as with corruption, the process of change: from the traditional or 'developing' form, which is blatant and sporadic, to the modern, or 'developed' form, which is subtle and systematic.

### **Wealth, power, values**

It is appropriate, now, to consider Mény's four characteristics of corruption:<sup>19</sup>

- 1 The violation of rules and norms associated with what is perceived to be the general interest [or public ethics] in a political society at a given time;
- 2 in the course of a secret exchange among political, social and economic markets;
- 3 with the (anticipated) consequence of providing individuals or groups with resources of access and influence in the process of political and administrative decision-making that are superior to those available in the [normal] course of open dealings;
- 4 eventually resulting in tangible benefits, material or otherwise, for the party or parties involved in the transaction.

An effective definition of corruption must therefore be expanded to take in the threefold relationship between wealth, power and values (the concept of corruption derived from what is regarded as 'legitimate' or 'illegitimate' in society). Their interaction is expressed by three different patterns of behaviour: first, *laissez-faire*, or the institutional or informal separation of wealth and power; second, legal channels of economic influence on political power, including lobby groups, advertising, as well as open political contributions by corporations or individuals; finally, the illegal or 'uninstitutionalized' influence of wealth on power.

Corruption, narrowly defined, denotes illegal behaviour. Corruption, broadly defined, refers to what may be legal but is considered 'illegitimate' by large sections of the public; in normative terms, 'abuse' of positions of public 'trust' for private gain; in the Aristotelian sense, derogation from

the common good. Now, it is important to recognize that with the pervasive influence of democratic norms—‘government of the people...for the people’—public opinion tends to view corruption in the broad sense. Hence there is a further source of confusion, often leading to tension, between what is officially legal (such as the pragmatic political accommodation of economic interests) and what is still considered socially to be illegitimate.

Note, too, that the narrow (legalistic) definition does not take in the ‘grey areas’ between corruption and ‘collusion’. Collusion, as noted, is the accommodation reached between wealth and power as a way of overcoming the ‘misfit’ between economic practice and political theory.<sup>20</sup> Analysing the relationship between corruption and collusion thus provides a structural explanation. But the way in which the ‘structure’ is valued is no less important in assessing the impact of corruption on society and its consequences. There are three main types of evaluation:

- 1 Where corruption is actively condemned; the need to root out corruption as a social evil is strongly felt.
- 2 Where corruption is passively resented; corrupt practices are disliked, but people believe that ‘little or nothing can be done about it’.
- 3 Corruption is condoned, because ‘everybody does it’; here is a culture of corruption.

To elaborate on the third case; this is the most detrimental to democratic values, because corruption is no longer considered to be an ‘excessive’ part of economic-political interaction, but is regarded as ‘normal’ practice. A significant example, precisely because it is situated on the border line between what is institutionally permissible and what is ethically illegitimate, is the acceptance by a former French Prime Minister of a large interest-free loan at a time when he was still only a member of parliament. Later, as head of government, according to an investigative reporter, he had ‘made combatting corruption his prime concern’. But for all his protestations, the reporter comments, he ‘appears not to have understood that a man in public life must at times deny himself private favours, especially when they are offered by friends operating on the fringes of finance and politics’. The implications?

It will be said, and rightly too, that it has always been like this. But is that any reason for accepting it as a fact of life? Is it not this bored surrender by our leaders and elites that has led to alienating the public from political life...? [Underlying this attitude] there breeds, as the Commission on the Prevention of Corruption pointed out in its December 1992 report, ‘corruption practised on a much vaster

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scale taking more sophisticated routes which...devalues the relationship between the citizen and his elected representative, discourages and weakens the state employee and induces the individual susceptible to corruption to become corrupt'.<sup>21</sup>

To conclude: from perception to symbolism is a short step. This is where corruption, as in the first type of perception (corruption regarded as a social evil), is treated as a 'scandal'. Now, the sensational, 'scandalous' nature of corruption serves, at least in the short term, to displace popular feelings of anger or disgust from the collusive system itself (that is, politicians' accommodation of business interests) on to particular personalities, or scapegoats. Once the ritual sacrifice of the latter has been carried out, then customary practices can continue. It is only during acute and prolonged periods of structural crisis (as in France during the 1930s and in Germany, at that time, but with a very different outcome) that the existing system is considered to be 'rotten' beyond redemption. Corruption is the symptom—not the disease.

## **ANALYSING CORRUPTION**

Corruption is universal, at least in its broad, systemic definition; periods of integrity in public life are exceptional. But if a state of corruption is endemic, there are still important differences in the degree of corruption, as between one country and another, or at different times in the same country. Thus, the difficulty in producing a satisfactory theory of corruption is not so much in accounting for the phenomenon as such (with its 'locus' in political economy) but rather in specifying the conditions under which corruption either seriously affects the behaviour of elected or appointed officials (from empirical observation) or is only a minor factor in making or carrying out decisions.

To explain the difference between major and minor corruption requires a synthesis of 'general theory' and specific application (case study). The general theory is the incompatibility, in important respects, of economic and political systems, which is most acute in terms of the competing imperatives of capitalism and democracy. It is to overcome these conflictual tensions, 'to make the system work', that politicians and business people collude to mutual advantage. It is this practice of collusion that creates the potential for corruption. But large-scale corruption occurs when the counterweight of public morality is especially lacking—for some specific reason.

For the degree to which the potential of corruption is realized depends on the specific characteristics of particular countries or communities. Consider the cases of Italy and Japan, where relations between business groups and political parties have been unusually corrupt. In Italy, throughout the Cold War years, the political scene was dominated by the security rationale—to exclude the communists at all costs from gaining national power—resulting in a virtual monopoly of government by the Christian Democrats for more than four decades (latterly with the Socialists). It is hardly surprising that the opportunities of unchecked power over so long a period should have bred a culture of corruption. In postwar Japan, on the other hand, government, business and bureaucracy were united on the strategy of absolute priority to economic growth—again, a situation conducive to extensive political manipulation.

Two contributing factors, significantly, are the existence of weak and/or factionalized political parties, as in Japan (and also in France), and the absence or immaturity (in many countries) of a professional bureaucracy in Weberian terms (*esprit de corps*, high social esteem, sense of public good, and firm distinction between public and private realms). Conversely, disciplined political parties and professional bureaucracies, as in Scandinavia and in Britain and Germany (although performance in the latter two countries is slipping), do maintain standards of public life that help to contain the grosser forms of corruption. These are ‘normative strengths’ specific to particular countries. (See the ‘Policy prescriptions’ of the concluding chapter.)

Yet, as noted in the Preface, a ‘revisionist’ distinction—that is, considered from an ‘objective’ rather than normative standpoint—is often drawn between ‘functional’ and ‘dysfunctional’ corruption in terms of political or economic consequences. For example, in the event of market imperfection or political intervention, corruption may improve economic performance, on the one hand, and offset the ‘harmful’ effects of state controls, on the other. Conversely, those who emphasize ‘dysfunctionality’ point to the way in which corrupt behaviour (arbitrarily favouring one firm rather than another, for instance) distorts the operation of market forces.

The political and social impact of corruption—by normative standards—is no less deleterious, in the latter view. It damages the essential functions of a modern administration, namely, to operate according to principles of legality and rationality. Further, and even more significantly, persistent corruption tends to alienate the public. The profound social consequences of alienation (contributing evidently to the success of revolutionary movements from those of Tsarist Russia to Kuomintang China) provide a final, ‘symbolic’ dimension in the formation of a theory of corruption. For the exposure of major ‘affairs’ often creates a feeling of outrage among

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the public that those who have been entrusted with leadership positions for the sake of the common good should have betrayed their trust for private gain.

Accordingly, there are five major analytical dimensions:

- 1 The extent of corruption, broadly as well as narrowly defined.
- 2 The locus of corrupt behaviour, in regard either to the function of public office, or the exchange relationship between wealth and power, or the goal of 'public interest', or all three (as I have suggested).
- 3 Conversely, exceptional states of public integrity.
- 4 The political and economic consequences of corruption, whether functional or dysfunctional.
- 5 The social significance of corruption: the symbolic dimension.

Now, the extent of corruption is largely an empirical matter; that is, it depends on factors specific to a country. Discerning the locus of corruption, on the other hand, requires a combination of structural analysis (the systemic process of collusion, culminating in corruption) and normative perception. 'Exceptional' public integrity, in the third place, denotes normative strengths (notably including the role of civil society) that counter or 'offset' corruption. Nevertheless, the consequences of corruption, as emphasized above, may be either functional or dysfunctional to development. Finally, the symbolic dimension is crucial in the emotionally charged 'scandal' of corruption.

I discuss these five elements in turn, drawing in particular on recent cases of corruption as well as on a variety of descriptive and theoretical essays in a valuable compendium, *Political Corruption: A Handbook*.<sup>22</sup>

#### **The extent of corruption**

Corruption is endemic. Here are some examples, concerning 'advanced' and 'developing' countries alike, ranging from the suspect behaviour of new elites and modern electoral funding, on the one hand, to traditional 'parochial' corruption, on the other. To begin with the Third World':

Venezuela is experiencing a moral crisis which directly calls into question the role of the political class. The annual report...of the procurator-general is overwhelming. It denounces corruption, 'the most characteristic feature of society', the judiciary 'submitting to the pressure of the parties', and the 'lack of political will' to correct this situation. A series of scandals, reported by the press, gives weight to this report...: high-ranking military officers and civilians close

to those in power have been compromised in lucrative deals over arms contracts; judges, former ministers and establishment personalities are implicated in the drug trade and in connection with the Columbian cartels. The shock (of corruption) has been so great that the commander-in-chief of the armed forces, two weeks before retirement, coldly declared: 'better an honest dictatorship than a corrupt democracy'.<sup>23</sup>

Here in concrete form are the five analytical dimensions of corruption, as outlined above:

- pervasive abuse of public positions for private gain;
- locus of corruption: implication of officials; influence of economic interests on those in power; and perversion of the common good;
- conversely, the integrity of the procurator, aided by exposures in the press;
- in terms of 'functionality', corruption aids the economy by expanding the arms trade (and, no doubt, by buying the loyalty of corrupt officers and officials); but corruption is dysfunctional in terms of the 'shock' felt by some, and the anger and disillusionment felt by many 'poor people in a rich country';
- a symbolic, ominous conclusion: 'better an honest dictatorship than a corrupt democracy'.

This example of the social impact of corruption is particularly significant, because it appears to legitimize the use of force by the 'military ostensibly in order to suppress corruption. In such a case, force, rather than 'ineffective' persuasion, is considered virtuous.

Consider, by comparison, the situation of Islamic 'fundamentalism'. In the Shah's Iran, for example, extensive corruption combined with uneven economic development provoked a strong reaction among the poor and dispossessed. But popular discontent only became an overwhelming force when mobilized by the highly normative Islamic movement of Shi'ite radicals. Similar conditions, if at a less advanced stage, are evident in Egypt and especially in Algeria, where extreme Islamic militants, quasi-democratic groups and an outright authoritarian regime confront serious economic and social problems among large numbers of people living in villages and slums—people who can be mobilized in support of a normative and highly charged alternative system.



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But even wealthy European countries are not immune to normative protests of this kind. Foreshadowing the social convulsion that was to strike Italy, a historian and career diplomat, Sergio Romano, comments on proposals to modify the electoral system:

Even if the reduction of preferences [in elections] reduces the black market of favours, one cannot see Italy ceasing to be 'partitocratic' and cliental, so long as the parties continue to share among themselves banks, public enterprises and the bureaucracy.... The reduction of preferences will certainly not be enough to stop these parties exchanging money for power and power for money.<sup>24</sup>

A third example of political-economy corruption links Third World with advanced industrialized countries; the scandal of the Bank of Credit and Commerce International, whose 'culture', according to the Governor of the Bank of England in July 1991, was 'criminal'. The BCCI was indicted by a New York Grand Jury on charges of defrauding its numerous depositors (in Britain, the USA and many developing countries) of at least \$5 million—the largest bank fraud in world financial history, according to the Manhattan District Attorney, Robert Morgenthau. He added that the Bank had operated as a corrupt criminal enterprise for nineteen years: 'it knowingly allowed itself to launder illegal income of drug dealers and other criminals and it paid bribes and kickbacks to public officials'. The deputy director of the CIA confirmed that the Bank, since the early 1980s, 'was involved in illegal activities such as money laundering, narcotics and terrorism'. He added, for good measure, that his agency had also used the Bank as a means of transferring considerable funds—supposedly for the Afghan resistance against the Soviets—via Pakistan, and during the Iran-Contra affair.<sup>25</sup>

The Corruption *Handbook* provides further telling examples of major corruption in Japan and other advanced countries and throughout the Third World. (By major corruption I mean the involvement of senior officials and leading politicians and large sums of money). Consider the Lockheed bribery scandal in 1975, which brought about the imprisonment of former Japanese Prime Minister Tanaka, convicted for accepting bribes; implicated Prince Bernhard of the Netherlands, who was stripped of his official functions; and resulted in investigations in several other countries. All this was despite Lockheed's argument that the company had to do what its American and other competitors did—deliver bribes, payoffs and kickbacks—in order to get its share of the available business. Of course, the opportunities for corrupt business practices, on the one hand, and the inducements to greedy politicians and relatively low-paid officials, on

the other, must be seen in the context of the enormous foreign sales and investments at stake. (Note, however, that the Lockheed affair, although illegal, hardly impaired the economies of the countries concerned. Conversely, legal practices of multinational corporations, including use of tax havens and transfer pricing, regularly result in substantial losses to national revenues).<sup>26</sup>

Corporate financing of increasingly costly electoral campaigns in almost all democratic countries is another obvious source of economic influence on political processes. But it is one where the line between direct violation of the law and the 'indirect' expectation of favours in return for party funding is often difficult to draw. In this, it is typical of 'modern' corruption in contrast to more blatant 'primitive' forms.

Here, the analysis of three German scholars is significant. They explain that while the 'tradition of Prussian correctness and belief in legality' appeared to be effective in West Germany during the immediate postwar decades, by the 1980s scandals over party financing and over business failures implicating the political parties repeatedly occurred. Corporate financing of the established parties had in fact long been dependent on donations from foundations explicitly set up in order to evade the tax laws. The Flick Corporation scandal of 1982 showed how a widely condoned practice increased the temptation to acquire resources by illegal methods:

Cultivating the political scene, as Von Brauchitsch, Flick's former general manager put it, was designed to create a political environment conducive to business interests and business needs. Apart from lobbying for or against specific proposals (regarding, for example, tax reform or workers' codetermination), this would include a wide variety of direct or indirect interventions. These ranged from sponsoring the careers of handpicked political talents and promoting them to suitable positions, to manipulating the balance of inner-party forces by intervening in favor of those factions most staunchly committed to the ideals of free enterprise and the market economy...and to preparing the ground for the making and unmaking of party alliances and government coalitions.<sup>27</sup>

In the event, two former economics ministers accused of corruption were acquitted—they had favourably considered Flick's reinvestment of nearly DM2 million to be 'in the interest of the national economy', saving Flick a considerable amount in taxation—but they were fined for illegally channelling corporate donations. According to the chief judge, the prosecution had been justified in bringing corruption charges against the

defendants, but ‘poor memories on the part of witnesses’ had inhibited the assembly of evidence to prove the charges.<sup>28</sup>

This is a familiar story—from President Reagan’s convenient lapses of memory during the investigation of the Iran-Contra affair to Japanese politicians seeking to avoid the fallout from the ‘Recruit’ and other scandals, to be followed by the resignation (reminiscent of Italian politics) of the then Liberal-Democratic Party ‘kingmaker’, revealing collusion between business, the underworld and politicians.<sup>29</sup> Not to overlook, elsewhere, the Carrefour du Développement scandal in France;<sup>30</sup> and the falsification of ‘confessions’ by police in Britain; and so it goes.

‘Haziness’ of definition is no less characteristic of endemic corruption in many Third World countries, where ‘traditional’ standards of behaviour clash with imported Western norms. Jeremy Boissevain provides an illuminating example in ‘Patronage in Sicily’. Membership of the nuclear family, and its rights and obligations, establishes the individual’s basic moral code: ‘Other values and organizational principles are of secondary importance. If they interfere with his ability to carry out his obligation to his family, he combats them with intrigue, force and violence if necessary. In doing so, he is supported by public opinion, even though he may be acting contrary to the law.’ In Sicily it is illegal for a civil servant to let a public contract to a person who gives him a large commission or present. But seen from the point of view of his relatives, this act is not immoral. On the contrary, he fulfils his primary obligation to aid his own family and nearest kinsmen. Moreover, to the extent that Sicilians feel themselves to be isolated in a lawless and hostile world outside the family, the basic problem is how to protect themselves from enemies and how to influence remote and impersonal authorities in their favour. Most resolve these problems by seeking out strategically placed protectors and friends.<sup>31</sup>

To repeat: it is the introduction of universalistic democratic norms—popular sovereignty, the common good—superseding particularistic customary values, that creates the modern conception of corruption, seen as a deviation from such norms.

Yet the clash between patron-client relations (the more powerful patron supports or promotes clients in return for ‘services’ useful to the patron) and legal-rational standards of administration and political decision-making is far from being monopolized by Third World countries. (Note the Flick affair in Germany; and recall Nixon’s Watergate ‘Mafia’). Nevertheless, the way in which personal loyalties muddy the waters of legality is characteristic of ‘new nations’. Colin Leys, for example, contrasts the clear, if tenuous, perception of the public interest held by the British ruling class during the Victorian period and the sense of duty attached to the use of public office, with the situation in Africa, where ‘the idea...scarcely

applies. There is no previous experience, and so no prior ideology, of the rules of public offices and institutions in relation to the public interest.<sup>32</sup> Personal, kin and ethnic loyalties produce a further level of ‘confusion’ of values in addition to the systemic ‘misfit’ between economic and political power adduced above.

### **The locus of corruption**

If the wide spread of corruption is undeniable, the second area of investigation—the locus of corruption—remains a source of contention. Corruption, it is suggested, derives from either the disregard for the duties of public office; or the exchange relations between wealth and power; or in the context of the overriding concern of public interest.

#### *Disregard for the duties of public office*

Corruption, according to J.S.Nye, is a deviation from the ‘normal duties’ of a public role for private, pecuniary or status gains. Such violations of duties or rules include bribery (use of reward to pervert the judgement of a person in a position of trust), nepotism (appointment by ascription rather than by merit) and misappropriation of public resources for private use. Nye’s definition clearly distinguishes between public and private and thus conforms to the strict or narrow definition of corruption. It therefore poses few problems in deciding what is or is not corrupt behaviour. But the legalistic approach fails to account for important ‘grey areas’ of corruption, reflecting the way in which corruption is perceived and then condemned, or tolerated, by the elite or the general public (as emphasized by Heidenheimer); nor does it consider the ‘symbolic’ dimensions of corruption, expounded in Bruce Gronbeck’s ‘the rhetoric of political corruption’.<sup>33</sup>

#### *Exchange relations*

Market-centred definitions, or exchange relations, conform instead to the broader definition. Corrupt incentives are the nearly inevitable consequence of all government attempts to control market forces, Rose-Ackerman insists. Some level of corruption will be associated with every mix of market and democratic mechanisms.<sup>34</sup> ‘Corruption’, as Nathaniel Leff puts it, ‘is an extra-legal institution used by individuals or groups to gain influence over the actions of the bureaucracy.’ Enlarging on Leff’s definition (Leff,

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contrary to Rose-Ackerman, is more concerned to promote the functional case for corruption as an aid to economic development), Heidenheimer analyses corruption in terms of the 'relative prevalence' of political behaviour that is considered by Western standards to be corrupt; and then considers the severity or tolerance with which elite or mass opinions regard such corruption. This form of analysis is applied both to traditional communities, whether familist or patron-client, and to modern communities, either boss-follower based or civic-culture based; the latter tending to socialize citizens against temptations of material gains in ways that are organically related to basic definitions of corruption.<sup>35</sup>

The issue of perception is an important one. Thus, behaviour that is obviously corrupt ('black') by 'objective' legalistic definition becomes 'white', according to subjective elite or public perceptions, if such behaviour is either condoned or not treated seriously. Such an attitude implies that citizens or elites attach less value to maintenance of norms than to the costs of enforcing them. Conversely, Heidenheimer's assumption that 'strong community-regarding norms', characteristic of civic cultures, prevail in medium-sized towns in the USA and Britain, may well be correct. But it fails to come to grips with the far more significant phenomenon of the direct or indirect influence of corporate power on parliamentary or congressional politics (going well beyond the scope of boss-follower relations) as argued by Charles Lindblom, and for which the evidence is indeed overwhelming.<sup>36</sup>

### *Public interest*

The notion of 'public interest' is central to normative definitions of corruption. To Carl Friedrich, for example, corruption 'in this broad and imprecise sense' cannot by definition be functional. For corruption 'being in fact a decomposition of the body politic through moral decay' is a general category including all kinds of practices believed to be dysfunctional and hence morally corrupt. Thus, monetary rewards as well as indirect forms of influence are all 'coercive' instrumentalities corrupting public life; hence the moral depravity which power is believed to cause in men, expressed in Lord Acton's famous dictum.

Nevertheless, Friedrich seeks to escape from imprecision by arguing (dubiously, to my mind) that it is possible to state a 'law' or 'general regularity' that the degree of corruption varies inversely to the degree that power is consensual.<sup>37</sup> This is no doubt what Acton believed—that popular consent acts as a check on power, and abuses of power—but it hardly accords with the evidence: corruption was rife in the 'gilded age'

of US capitalism, for example, at a time when the USA was far more democratic than Britain. All the same, normative standards are a vital ingredient in elite and public perceptions of corruption, as I have argued, and hence provide the motivation for reform. The 'common good' thus remains a crucial factor; but it is so precisely because of the misfit between capitalism and democracy, ignored by writers like Friedrich.

Finally, there is the question whether corruption derives from market perversion of the public good served by 'accommodating' political rule, as I have indicated, or (as neo-liberals claim) because of 'harmful' state intervention in a self-regulating market economy. Now, free choice and perfect competition may well prove effective against corruption, as narrowly defined, but they would have little impact on the collusive economic-political system underpinning corruption, which is needed to make the system work. (Again, see 'Policy Prescriptions' in the concluding chapter.)

Nevertheless, the problem of state intervention in the economy is an important one. The role of the state is ambiguous (that is why I give priority to capitalist-driven corruption rather than to state-driven corruption). On the one hand, state intervention in order to provide protection to certain industries or services, or to support monopolies, or to control imports and exports, or generally to fund large public works contracts, all provide the potential for corruption or may have arisen as a result of corruption (as is evident from even a cursory examination of countries, whether 'developing' or advanced). On the other hand, the state may intervene in the economy to ensure more effective competition (consider US anti-trust legislation), or to insist on a minimum wage, or affirm the rights of trade unions, or provide welfare services, that is, intervening in support of the 'public good'. This kind of intervention enhances the normative strengths of the 'good society', and thus helps to restrain or to offset corruption. Now, whether the state intervenes or does not intervene is largely an empirical matter, depending on historical or cultural characteristics of particular countries.

### **The exceptional state of public integrity**

Consider the experience of communist revolutions. Successful communist movements—as in Tsarist Russia, Kuomintang China and South Vietnam—are characterized by puritanical and austere leadership, partly no doubt in revulsion from the blatant corruption of their antagonists, but also from the belief that once feudalism or capitalism is overthrown corruption will also come to an end. But whenever communist movements have gained control, and monopolized political, economic and cultural (ideological)

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power, corruption emerges in three stages. First, in Acton's sense, as a result of the corruption inherent in unchecked power. Later, when the abuses of power have aroused resistance or when 'command' economies have faltered or failed, corruption appears in the interstices of an over-rigid system: the informal or illegal 'fixing' of deals to circumvent bureaucratic obstruction and delays are a typical example. Finally, corruption becomes a way of life in the transitional period (moving from East to West) when two systems uneasily coexist or collide and old collectivist norms have lost their hold. Under conditions of an 'opening' to the West, especially in regard to the economy, the opportunities available to those in authority coincide with inducement to make money fast: inducements that are all the more powerful because of the previous years or decades of thwarted, pent-up demand.

The integrity of public life, as in the case of the early communist cadres (and still in anti-communist Singapore, for that matter) is thus an exceptional state of affairs, the product of unusual conditions. (Every corrupt country is alike, to adapt Tolstoy, but uncorrupt countries are honest in different ways.) In other words, highly specific factors are required to explain the integrity of public life in particular countries at particular times; while corruption (to a greater or lesser extent) is the customary state of affairs. This is so because corruption operates in the interstices of the misfit between economic and political power, whether in capitalist countries or communist countries. Only when communist power was 'absolute', as in the early stages of rule, did economic and political power coincide, and there was no place for corruption (terror and force worked instead).

But in the transitional phase between communism and capitalism, and in a market economy, corruption is one form of the operation of supply and effective demand; a form considered 'excessive' or 'deviant' from a normative standpoint. (A thwarted economic interest provides the demand for government services; a bribable official or politician supplies the licences, exemptions or contracts.) Corruption or extortion is the 'unacceptable face of capitalism' as embarrassed conservatives admit, thus acknowledging that capitalism is the substance behind the 'form'. Corruption is capitalism in excess: an exaggerated form of normal practice. It is one way, as I have argued, of bridging the gap between democratic theory and economic reality.

How, then, does the thesis of corruption as an aspect of 'normality' explain the evident distinction, repeatedly referred to, between nineteenth-century Britain and the USA? Clearly there were factors specific to Britain—the imperial role, the 'gentlemanly' disregard for business, the high status of the civil service, free trade policy—that helped maintain an 'arm's length' relationship in Britain between political and economic power, thus

preventing that overlap or misfit from which corruption emerges. The ideal of *laissez-faire* was no less prevalent in the USA, but the practice of the post-Civil War period—the gilded age—was the other way round: not that the state intervened in the economy (except to provide land and services to business) but that the economy intervened in politics. Key figures in state and federal legislatures were cajoled, influenced or bribed into supporting the financial-industrial complex.<sup>38</sup>

There is also a sociological rather than historical explanation of the difference between Britain and the USA in the nineteenth century—a difference, which not incidentally, is currently disappearing as the ‘extreme’ practices of each begin to merge in the middle.<sup>39</sup> Eva Etzioni-Halevy argues that the difference can best be explained through the relationships between the political elite and the bureaucratic elite, and the elite political culture that governs them. Where the elite political culture enables the party political elite to be intermeshed with the appointed bureaucratic elite, or to dominate it (as in the American spoils system) then the exchange of tangible benefits for political support flourishes and at times greatly biases the democratic process. Conversely, where the ‘rules of the game’ have resulted in the separation of the bureaucratic elite from the political elite and in the independent power of the bureaucracy (as in Victorian Britain) this type of political corruption has declined and proper democratic procedures have come into force.<sup>40</sup>

Etzioni-Halevy’s thesis that political corruption flourishes when the bureaucracy is strongly infiltrated by political appointments and by political considerations is convincing. But its narrower focus—on political-bureaucratic relations—misses the more significant relationship, in my view, between business power and politics. Moreover, the politicization of the bureaucracy as an inducement to corruption does not fit the case of Singapore: a relatively uncorrupt country with a highly politicized bureaucracy. My own thesis—that corruption reflects the misfit between capitalism and democracy, but it is ‘only’ the illegal or unacceptable aspect—seems to be more realistic, even though it raises problems (as it should) for democratic theorists.

### **Corruption: functional or dysfunctional?**

Corruption can be understood as a functional, if not generally acceptable, way of overcoming the systemic misfit. In late nineteenth- and early twentieth-century USA, for example, as James Q. Wilson points out, big cities were making major capital improvements, and the value of the contracts and franchises was huge. ‘Local government was formally weak—it had



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been made so deliberately, in order to ensure that it would be “democratic”—and thus it was possible (indeed, almost necessary) for a boss or machine to control it in order to exchange privileges for boodle.’ (But while city politics, under more professional management and greater press scrutiny, have since largely been cleaned up, Wilson argues, the states in the USA, disbursing enormous sums, have rarely been subjected to these kinds of reforms.)<sup>41</sup>

Public expenditures benefiting private contractors provide obvious opportunities for corrupt deals (detailed throughout the literature). This is the supply side of the equation. The demand side is equally functional in bridging the gap between democratic theory and politico-economic practice. Thus, the politics of American city ‘machines’, James Scott argues, can best be characterized by the nature of the cement that binds leaders and followers. The corruption fostered by city machines was not random greed, he goes on, but was finely organized to maximize electoral support. Leaders required votes; voters— especially the mass of new immigrants, disoriented and helpless— needed jobs, advice and welfare:

It is no coincidence, then, that machines flourished during the period of most rapid urban growth in the United States, when the sense of community was especially weak, and when social fragmentation made particularist (patron-client) ties virtually the only feasible means of cooperation. The machine bound its clientele to it by virtue of the employment, legal services, economic relief and other services.

For the lower strata, in return for their votes, the machines in effect provided primitive welfare functions, personalized help and political socialization.<sup>42</sup>

Corruption, then, is functional—it makes an ill-adapted system ‘work’ —in at least three ways:

- 1 Where it overcomes the rigidities of an overregulated economy (communist command economies are an extreme example; but ‘socialist’ planning and controls, as well as policies of economic nationalism, also hinder entrepreneurship).
- 2 More specifically, where it allows ethnic or other minority business communities (such as the overseas Chinese or Indians, or Marwaris or Parsees within India) to bypass politically imposed obstacles.
- 3 Where it provides ‘welfare services’ to clients subject to an inadequate or oppressive political regime.

Joseph Nye has drawn up, in this regard, a useful cost-benefit analysis of corruption. On the positive side, if corruption helps promote economic development, which in turn preserves regime legitimacy, it is by definition beneficial for political development. He suggests three major benefits, on the above lines: as a source of capital formation, where private capital and public taxation is scanty; to cut red tape; and to provide incentives to entrepreneurs where regimes are biased against the private sector. But Nye also acknowledges the downside. Corruption may take the form of capital outflow (ending up in unproductive Swiss bank accounts); it distorts investment decisions by channelling funds into certain sectors, such as construction, where corrupt fees can be hidden; it wastes skills, including those who are employed to check corruption; finally, by 'destroying the legitimacy of political structures in the eyes of those who have power to do something, corruption can contribute to instability and possible national disintegration'.<sup>43</sup>

On the dysfunctional side, Gunnar Myrdal comes down heavily against 'opportunistic rationalizations' of the alleged unimportance or alleged usefulness of corruption, at least in a South Asian context: 'We believe that these unproved assumptions are totally wrong, and that corrupt practices are highly detrimental... [to] modernization ideals.' Corruption in general, from Myrdal's experience, counteracts the striving for rational consolidation, decreases respect for and allegiance to the government, and endangers political stability. Moreover, corruption helps preserve the 'soft state' with its low degree of social discipline; where 'corruption is widespread, inertia and inefficiency, as well as irrationality, impede the process of decision-making'.<sup>44</sup>

Yet Myrdal's moralistic approach, though it is not without justification, fails to take into account the very substantial economic achievements of such corruption-prone countries as Indonesia and South Korea (not to speak of Japan). Indeed, realization of economic growth may well create what one area specialist calls 'performance legitimacy'. He refers to 'strategic groups', such as civil servants, the rising middle class, urban dwellers in general and rural owner-cultivators, who accept or approve of a regime whose policies improve their standard of living, even if they have not consented (in a democratic sense) to the establishment of that regime.<sup>45</sup>

Myrdal's strictures have more validity in regard to the political and social, rather than economic, consequences of corruption. Blatantly corrupt practices, 'unjustly' benefiting a few individuals in a context of scarcity, tend to alienate the general public and to demoralize those who are honestly trying to perform their duties.<sup>46</sup> But the consequences of alienation vary greatly, from country to country, and within countries. In France, for example: 'According to polls, most French people think that their politicians are liars.' But because of their feelings of powerlessness, people broadly

accept behaviour which is seen as illegitimate, but inevitable. (For a rather different conclusion, see my 'Epilogue' to Chapter 3 on France.) As for Indonesia (again): 'Corruption may tend to destroy some of a new nation's greatest potential assets, the enthusiasm, idealism and sympathy of its youth and students.' (This finding complements, rather than contradicts, Liddle's interpretation.) As for the USA, nearly two-thirds of respondents in an academic survey see corruption as an 'extremely serious' problem.<sup>47</sup>

### **The symbolic dimension**

Corruption is important, not just for what it is—in rational, cost-benefit terms—but because of what people think it is. Popular perceptions and reactions need to be taken into account (which is why purely legalistic definitions and explanations are inadequate). Underlying these perceptions are the values people believe society is intended to fulfil. Thus, 'scandals' when corruption is exposed reflect the outraged feelings of citizens that social norms have been disregarded and that perpetrators of abuse have so often got away with it—but not this time. Corruption is then invested with symbolic significance.

These symbols, as Gronbeck points out, represent the fundamental tenets of a society or culture, those sacred beliefs and conceptualizations which define 'humanness' in a particular collectivity—and which are threatened by 'evil' men and 'black' acts. It is only in these symbolic environments, he adds, that we properly can employ such labels as 'outrage', 'indignation', 'horror', 'duty', and the like.<sup>48</sup>

Conversely, as I have argued, it is in a symbolic environment that the perverse effects of corruption may also be offset by normative strengths elsewhere in society. Such an evaluation of corruption requires it to be located in its social context—and not just as a matter of individual deviations from legally codified behaviour. In this context, the emergence of civil society in modernizing countries—and its influence in advanced countries—provides the potential for normative claims to counter the spread of corruption. (See, especially, the 'Policy Prescriptions' in the concluding chapter.)

To sum up:

- 1 The economic-political nexus is central to the 'location' of corruption, its functionality or otherwise in a given society, and its social and symbolic consequences.
- 2 The clash of values—political and economic—creates the concept of corruption, as a deviation from the 'ideal' society.

- 3 While corruption is economically driven—the ‘excess’ of supply or demand overflowing accepted channels of influence or collusion—it is defined by normative politics and by the standards of civil society.
- 4 The state of corruption, accordingly, has little to do either with economic dynamism (such as the gilded age of American capitalism or postwar Japan) or with economic stagnation (such as the relatively uncorrupt Britain of the later Victorians).
- 5 Conversely, lack of corruption correlates strongly with the autonomy of the political system; that is, its capacity to express political values. Yet this capacity is in turn—in time—affected by the underlying strength or weakness of the economy.
- 6 Finally, even pervasive political corruption may be offset by high normative standards of private or public behaviour.

## **DEVELOPING DEMOCRACY**

The relationship between economic development, its potential for corruption, and the emergence of democracy is more ambiguous than ‘pro-democracy’ enthusiasts allow for. Thus, the authors of an important comparative study of democracy in developing countries point out that it was ‘undertaken at a time of tremendous democratic ferment’ during the last decade, when ‘most Latin American military dictatorships collapsed or withdrew’, and progress became apparent in East Asia; even among the states in Africa, which have ‘found it difficult to establish new nationhood and democratic regimes, there have also been signs of democratic emergence or renewal’. This is because the great competing ideologies of the twentieth century, they explain, have largely been discredited:

Fascism was destroyed as a vital force in World War II. The appeals of Marxism-Leninism have declined with the harsh repressiveness, glaring economic failures, and loss of revolutionary idealism of the existing communist regimes. More limited quasi-socialist or mass-mobilizational models... have also lost their aura. Military regimes almost universally lack ideological justification... [With] the important but still indeterminate exception of the Islamic fundamental state... democracy is the only model of government with any broad ideological legitimacy and appeal in the world today.<sup>49</sup>

Besides the lack of ideological alternatives, I suggest a more positive condition for the establishment of democracy: the emergence of ‘civil society’, comprising middle-class ‘free professions’, working-class organizations, political parties, civic and religious groupings; that is,

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the 'new social forces' in developing countries that interpose themselves between the existing apparatus of state power and the economic system. It is these new forces in society that demand a voice in the formation of public policy affecting their livelihood, and express the ideals that society should stand for.<sup>50</sup>

Civil society is the product of economic development (but striving always for autonomy). Thus, the more complex and differentiated the economic structure, the greater the demand for engineers, architects, accountants, corporate lawyers, at one end of the scale, and for skilled workers and technicians, at the other end. Now, the production of skilled workers requires a reasonably efficient primary and even secondary educational system, which in turn requires more (and more qualified) teachers, just as the production of engineers and technocrats requires an expansion of universities and technical colleges and an increase in academic staff. All of these stimulate the demand for the products of the media and other services. Thus, with economic growth there is a corresponding growth in the 'intermediate' forces of civil society—professionals, organizers, and intellectuals—who form a new layer of society, in effect prising society apart from the direct weight of a powerful urban (or landed) elite on a powerless rural and marginal urban population.<sup>51</sup>

The 'logic' of progress from development to democracy that inspires civil society thus derives from the inadequacy of a purely political concept of democracy (where political equality conceals economic inequality) and from the inadequacy of a purely economic concept of development (where material satisfaction, provided by an authoritarian regime, for example, fails to overcome the effect of political deprivation). Logically, political democracy combined with the appropriate socio-economic conditions that 'enable' democratic principles to be achieved, is the outcome. But the 'logical' tendency towards democracy cannot be analysed or experienced along a single dimension, whether political, or economic, or cultural, or external. All four dimensions are involved.<sup>52</sup>

In Latin America, for example, military-dominated regimes that had come to power in circumstances of economic crisis (the exhaustion of import-substitution policies, for the most part) also fell as a result of economic, and sometimes political, crisis. Such regimes were unable to cope with a combination of huge debts, rising unemployment, urban rioting and crime, as well as costly and inefficient public projects. What was crucial in the transfer of power to civilian governments, however, was that the military had a 'reliable' alternative leadership, drawn from existing civil society, to fall back on. Accordingly, there was a redistribution of political power in Latin America, as also in East Asia (South Korea) and Southeast Asia (the Philippines and Thailand). But there was no similar

redistribution of wealth—rather the reverse, the expansion and concentration of economic power.

Under these dual (political economy) conditions, the emergence or revival of democracy results in the formation of a ‘political class’. It is composed of the leading and usually conservative elements of civil society, which (whatever the party system) tend to dominate the political process. However beneficial the establishment of democracy in terms of political and civil liberties, which is very great indeed, it is important to recognize its economic limitations. Foremost among these is the inability of democratically elected governments, for the most part, to implement popular political platforms that are seen to threaten powerful business interests. (The same phenomenon is evident even in industrially advanced democracies such as Britain, France and Australia, where socialist policies have been jettisoned for fear of upsetting business ‘confidence’, nationally and internationally, that would plunge their countries into crisis.)

The alarming potential for social disorder when wealth is not equitably distributed—and political mechanisms prove to be incapable of doing so, except to a minor degree in the form of social welfare—is the downside of democracy, the so-called ‘democratic deficit’.<sup>53</sup>

## THEORY AND PRACTICE

‘Why study corruption?’, ask the editors of the journal *Corruption and Reform*. The importance of such a study can be readily understood from the questions they pose. Do the rules made by those in power, they ask, resemble or differ from social norms originating in culture, custom or everyday life? Who benefits and who loses from rule-breaking? What are its more general effects upon state or society? Rules [and norms], on which the study of corruption focuses, are crucial, they argue, because they govern access to, and use of, state roles, resources and power. Even where corruption is more the exception than the rule, it can still call into question basic linkages between state and society.<sup>54</sup>

Such major themes can be restated in terms explained in this chapter: political-economy corruption is the excess of supply and demand, in one sense bridging the gap between economy and polity, in another sense indicating the ‘deficit’ in democracy. But how can such themes be most effectively presented and understood? The editors quoted above (and I agree) advocate research that is ‘cumulative, comparative, and accessible’. Cumulative research means building upon widely recognized concepts towards higher levels of generalization and theory. (See, in this regard, the concluding chapter of my study.) Comparison requires testing concepts

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and ideas against evidence drawn from diverse cases selected for their theoretical interest. (Consider the case studies of Southeast Asia, France and Britain, which have been specifically selected for their theoretical—and practical—interest.) Comparative studies, the editors insist, are of particular importance, since corruption—and reforms—derive much of their meaning from many different cultural and legal settings.<sup>55</sup>

Precisely; it is for this reason that my own study is informed by a political-economy perspective. Rather than considering corruption in readily generalizable, and statistically quantifiable, terms, as is consistent with the narrow legalistic definition, the societal or interpretive approach requires a synthesis of theory and practice that is most appropriately produced in studies of particular societies. To quote once more the editors of *Corruption and Reform*: ‘Corruption is such a diverse phenomenon, occurring in so many different forms in so many diverse settings, that it is extremely unlikely that all its manifestations have some irreducible set of shared consequences’—as implied by abstract formulations, or models. The need, to the contrary, is first to specify ‘basic categories of corruption’—as proposed in the analytical section of this Introduction—defined by the characteristics of the process, and then to examine the ways they work in a variety of different settings.<sup>56</sup>

Such ‘basic categories’ of corruption have already been formulated in this work. To recall my argument; corruption is not just a ‘deviant’ element in society, identified by the legal institution. Rather, corruption stems from the incompatibility, in important respects, of economic and political systems; this is most evident in the case of the mutually exclusive claims of capitalism and democracy. (The collusion of economic and political elites, with its potential for corruption, is an attempt to overcome the ‘misfit’.) Corruption, when it erupts in ‘scandal’, is more than a matter of individual ‘fault’ (a criminal problem); it is a social fault.

But the general pattern may vary greatly, from country to country, depending on specific characteristics. As noted above, under certain conditions, corruption may be functional, notably in promoting economic development against political or bureaucratic obstacles. Under other conditions, corruption is dysfunctional (distorting rational economic procedures or even provoking popular unrest). Under yet other conditions, the perverse effect of corruption may be offset by normative strengths elsewhere in society (such as traditional sources of morality, or from the emergence of civil society).

An adequate evaluation of corruption therefore requires a synthesis of systemic pattern and specific features. For example, in Southeast Asia, forms of corruption specific to the emerging (if erratic) democratic process in Thailand are in marked contrast to the corruption of an authoritarian

political system, such as Soeharto's Indonesia and the Philippines under Marcos. Nevertheless, a market economy is developing in Indonesia—producing in some technocratic sectors a commitment to integrity, as a matter of economic efficiency—and there are similar attempts in the presently 'democratizing' Philippines.

Nevertheless, corruption may also be considered to be functional in Indonesia; for wealthy but unpopular ethnic Chinese conglomerates not only exist but even thrive on the sufferance (in return for payoffs) of authoritarian military leaders. In Thailand, too, corruption greased the machinery of an overly rigid bureaucracy to the considerable benefit of economic growth. On the other hand, normative strengths elsewhere in Thai society—the pervasive effect of Buddhist tolerance and the importance attached to making merit, for example—offset to some extent the demoralizing impact of corruption. Only when corruption ran rampant, as in the Philippines under Marcos, did the economy and society suffer without redress.

The second area study is that of democracy and corruption in the France of the Third Republic (at a similar stage of economic development, in many ways, to present-day Southeast Asia; politically, moreover, the French democratic republic also emerged from an authoritarian system). Yet, despite considerable economic achievements, corruption was politically destabilizing—as it still is today. The third case is a study in contrast, providing an explanation for the 'exceptional' integrity of public life in Victorian Britain. The conclusion poses two questions about the changing world of political economy: What kind of democracy? What are the implications of corruption?

## NOTES

- 1 Ernest Barker (trans.), *The Politics of Aristotle* (Oxford: Clarendon Press, 1948) p. 130.
- 2 Letter to Bishop Creighton: J.N.Figgis and R.V.Lawrence (eds) *Acton: Historical Essays and Studies* (London: Macmillan, 1907) Appendix, p. 504. An important biography is by Gertrude Himmelfarb, *Lord Acton: A Study in Conscience and Politics* (London: Routledge & Kegan Paul, 1952), especially on freedom, pp. 132–3 and organic cooperation between society and state, pp. 73–74, 83–84.
- 3 James C.Scott, *Comparative Political Corruption* (Englewood Cliffs, NJ: Prentice Hall, 1972) p. 6.
- 4 According to Max Weber's well-known account of 'Bureaucracy', it 'segregates official activity as something distinct from the sphere of private life. Public monies and equipment are divorced from the private property of the official'. Weber emphasizes the 'impersonal and functional purposes' of modern



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bureaucracy, with jurisdictions ordered by rules, and with hierarchical principles of authority. 'Modern bureaucracy', he writes in 'Politics as a vocation', has 'developed a high sense of status honor; without this sense the danger of an awful corruption and a vulgar Philistinism threatens fatally': cited by H.H. Gerth and C. Wright Mills (trans and eds) *From Max Weber* (London: Routledge & Kegan Paul, 1948) pp. 88, 196–99.

- 5 Such an accommodation is accepted in an official Australian report, *Australia's Business Challenge: South-East Asia in the 1990s*, which states that nowhere is the distinction between public and private more blurred than in the business activities of those who are related closely to political leadership. Donations to specific causes, personal friendships, returned favours, gifts, and monetary and non-monetary contributions are a necessary part of doing business in the region: 'An important difference between Australia and the [Asian] region derives from the fact that the notion of a conflict of interest for holders of public office is not traditional in Asia': cited by Lindsay Murdoch, *Sydney Morning Herald*, 2 December 1992. One should not, however, assume that Australian politicians are immune from such 'Third World' temptations. The Royal Commission investigating what became known as 'W.A. [West Australia] Inc.', recommended the creation of an anti-corruption authority and urged sweeping changes to the way government is conducted, so as to avoid a repetition of the disastrous government-business dealings that occurred in the 1980s: *Weekend Australian*, 14–15 November 1992. French reformers, among others, also complain of the lack of a sense of 'conflict of interest' in public life. Indeed, paying bribes to secure contracts in a third country is considered, both in France and in Germany, to be a legitimate business expense for tax deductions: *Los Angeles Times* reprinted *Sydney Morning Herald*, 8 March 1996.
- 6 In the USA, for example, the two presidential candidates in 1988 were estimated to have spent nearly \$70 million each. Victorious candidates for the US Senate spent on average more than \$3 million (more than double the 1978 figure). Total electoral expenses in 1990—for mid-term elections—amounted to \$777 million, while the expenses in 1992 topped \$1,000 million: reported by Martin Walker, *Guardian Weekly*, 16 May 1992. The president of the public interest body, Common Cause, contends that 'Congress is being corrupted' by contributions that 'buy influence and undermine meaningful elections': 'The Price of Power': *Time*, 31 October 1988. 'Real political reform', President Clinton confirmed in his 17 February 1993 address to Congress, required a 'campaign finance reform' bill as well as measures to deal with the 'undue influence of special interests' (lobby reform).
- 7 Yves Mény, *La Corruption de la République* (Paris: Fayard, 1992) p. 253. (This passage and others are my translations, unless otherwise specified.)
- 8 Note James Scott's distinction between 'parochial corruption' (patronage, clientalism, etc.) and 'market corruption'. The latter basically relates to modernity, resulting from the transformation of social exchange into economic exchange: cited by J.-F. Médard, 'Political corruption in Africa', *Corruption and Reform*, 1 (1) 1986.
- 9 Mény, *La Corruption*, p. 10.
- 10 Thierry Bréhier, 'Déontologie', *Le Monde*, 9 July 1992.

- 11 Mény, *La Corruption*, p. 218. Note, for example, the experience of South Korea, where the newly inaugurated President Kim Young Sam intended to stamp out corruption. But according to a Korean law professor, Shin Hae Nam: 'Ironically, corruption grew as people became more affluent, and it was probably because of people's new thinking that put material values ahead of moral values': quoted in *Straits Times*, 12 March 1993. Two and a half years later came the televised confession of President Kim's predecessor, General Roh Tae Woo, that he had appropriated \$240 million out of a 'war chest' of \$650 million provided by the largest conglomerates. (For example, \$31 million was given by the Daewoo group in exchange for a contract to build a naval base.) The former president was then arrested. Although providing illegal favours is common practice, it is the sheer scale of operations and the importance of those implicated that has shaken Korean opinion. Thus, even the redoubtable opposition leader, Kim Dae Jung, admitted that he had received \$2 millions in election funds from President Roh and that other politicians had probably benefited: Philippe Pons, 'South Koreans question their model of development', *Le Monde*, 2 November 1995; *ibid.* 17, 18 November 1995. In further testimony, a key witness reported that former President Chun had handed over nearly \$200 million to President Roh for the 1987 elections. This case shows how deeply rooted corruption and political-business collusion has been', the prosecution insisted: *New Straits Times*, 30 April 1996.
- 12 Byron E. Shafer, "'Reform" in the American experience', *Corruption and Reform*, 6 (1), 1991, pp. 5, 9. Yet he states that the primary target for reformers was the political party—as the institution connecting citizens with government—and only secondarily the 'major organized interests', especially big business. He admits that there have been only 'halting' efforts to democratize economic life.
- 13 Mény, *La Corruption*, pp. 10–11.
- 14 Anthony Howard (intro. and ed.), *The Crossman Diaries*, (London: Methuen Paperbacks, 1981) pp. 76, 78.
- 15 As Mény points out: There is a great risk of passing for an outmoded moralist, a pedantic inquisitor, or an idealistic dreamer if one does not accept the restrictive definition of corruption that suits the political class so well.'; p. 15.
- 16 The procedural definition of democracy is endorsed by the influential political scientist, Samuel P. Huntington, in *The Third Wave* (Norman, Okla.: University of Oklahoma Press, 1991). As he sums up his findings: 'Elections are the essence of democracy'; the procedural definition 'is now almost universally accepted by scholars working on this subject': 'Democracy: its evolution and implementation', paper for conference on 'Asian and American Perspectives on Capitalism and Democracy' (Singapore, 28–30 January 1993) p. 2.
- 17 Referring to J.-G. Padioleau, *L'Etat au concret* (Paris: PUF, 1982). In Mény's words: 'Nothing hidden or secret, at least on the surface, but a whole game of connivance, of the unsaid, and of implicit codes that regulate the ballet of exchanges that formally respects the rules'; *La Corruption*, p. 234.
- 18 *Ibid.* p. 237; see also pp. 132, 137, 260–61.
- 19 Following Padioleau, *ibid.* p. 232. Mény suggests 'public ethics' rather than the more subjectively oriented 'general interest'.

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- 20 See especially Charles E. Lindblom, *Politics and Markets: The World's Political-Economic Systems* (New York: Basic Books, 1977) on the activities of corporate executives in a market society, which are a real exercise of public functions. Government officials, he goes on, understand the need for government and business to collaborate, and that government must often defer to business. He concludes that controllers of large corporations have become 'disproportionately powerful' in a society like the USA, which fits oddly with democratic theory. 'Indeed, it does not fit': pp. 171–76, 356. This is the context in which 'corruption, like violence, must be understood as a regular, repetitive, integral part of the operation of most political systems', rather than as a deviant pathology: Scott, *Comparative Political Corruption*, Preface, also pp. 22–24, 33, 35. Political decisions based on majority preferences may be undermined by wide use of the illegal market as an allocative method. Can democratic government withstand the pressure of market forces? Can organizational incentives substitute for personal honesty in maintaining hierarchical control? The problem of large organizations in public and private sectors is particularly serious: Susan Rose-Ackerman, *Corruption: A Study in Political Economy* (New York: Academic Press, 1978) pp. 1–4; and conclusions, pp. 200, 212, 214, 219–20. Michael Walzer's *Spheres of Justice: A Defense of Pluralism and Equality* (New York: Basic Books, 1983) is also an important reference: see my concluding chapter.
- 21 Edwy Plenel, 'The prime minister's "loan"', *Le Monde*, reprinted *Guardian Weekly*, 14 February 1993. The Prime Minister in question, Pierre Bérégovoy, committed suicide in the wake of the disastrous defeat of the Socialist Party in the 1993 general elections. Jean-Marie Colombani commented on the 'bitter lesson' for those who 'still see in 'socialism' the promise of equality, fraternity and social expectations'. Far from being an individual tragedy, Bérégovoy's gesture is a warning to the community of the decline of theories and practices: 'The tragedy of power', *Le Monde*, trans. *Guardian Weekly*, 9 May 1993.
- 22 Edited by Arnold J. Heidenheimer, Michael Johnston and Victor T. LeVine (New Brunswick and London: Transaction Books, 1989, 1990).
- 23 Marcel Niedergang, 'Venezuela: rich country, poor people', *Le Monde*, 13 July 1991. The then President of Venezuela was himself arraigned in May 1993 on charges of diverting funds, found guilty and imprisoned. Even more scandalous was the crisis in Brazil, where the President (Collor) who had come to power on a platform of stamping out corruption was himself indicted by a parliamentary commission for secretly 'recycling' tens of millions of dollars; he resigned in December 1992 to avoid being tried on corruption charges. Such are examples of what one analyst (S. Andreski) calls 'kleptocracy' or 'uninhibited plundering at the top': Robin Theobald, *Corruption, Development and Underdevelopment* (London: Macmillan, 1990) pp. 77–78. Meanwhile in Brazil (before the inauguration of President Cardoso) an official report claimed that government corruption cost the country about 40 per cent of the national investment budget (officials were overpricing public works contracts and stealing the difference): Tunku Varadarajan, *The Times*, 28 December 1994. As for Venezuela, a recent analyst reports pessimistically that over the last six years the country has experienced crises of all kinds: desperate poverty, 'ferociously repressed

hunger revolt, military attempts at coups d'état, destitution of the head of state': Ignacio Ramonet, 'Venezuela moving towards social war?': *Le Monde Diplomatique*, July 1995.

- 24 Quoted by Patrice Claude, 'The referendum': *Le Monde*, 9–10 July 1991. The elections of April 1992 were a major setback for the traditional parties. Then came the business-political bribery scandal exposed in Milan. An observer correctly noted: The picture which is emerging is that of systematic corruption at the local, regional and national levels, whereby a high percentage of all public works contracts over the past decade were handed out on the basis of rigged deals, with 5 per cent commissions going into the pockets of the main political parties': Robert Graham, *Financial Times*, 29 October 1992. By mid-1993, more than one hundred parliamentarians, five former prime ministers, and many business leaders were being investigated or had been jailed on corruption charges. For an excellent study of the system, see F.D.Marengo, *Rules of the Italian Political Game* (Aldershot: Gower, 1981). See also David Hine, *Governing Italy* (Oxford: Oxford University Press, 1993) who depicts a 'cataclysm of bribery, corruption and systematic intrigue unparalleled in a modern liberal democracy'. In a wave of popular revulsion, Italian voters in 1994 swept away the Christian Democrats and Socialists (partners in the system) and voted overwhelmingly for an untried movement led by the media magnate Silvio Berlusconi. The latter, in turn, was being investigated on corruption charges (for trial in early 1996) implicating his television chains. The culminating process is the trial, from October 1995, of Giulio Andreotti, the most influential political leader for the past twenty-five years, seven times head of government, on charges of collaborating with the Mafia.
- 25 Neil Bennett, 'BCCI fraud chief blamed by Governor', *The Times*, 24 July 1991; and Neil Bennett and Susan Ellicot, 'U.S. jury lays first charge against BCCI': *ibid.* 30 July 1991; *Financial Times*, 3–4 August 1991. The British investigation a year later (Bingham report) was highly critical of the Bank of England for allowing fraud on an immense scale to continue for almost twenty years: *Guardian Weekly*, 1 November 1992. In September 1993, the former treasurer of BCCI pleaded guilty to false accounting involving \$745 million. Most of the Bank's former directors fled to Pakistan, home of its founder: *Straits Times*, 29 September 1993. The Bank's founder and its former chief executive were sentenced to jail (in their absence) in June 1994; the founder died in Pakistan in 1995.
- 26 Victor T. LeVine, 'Transnational aspects of political corruption', *Corruption*, pp. 686–87, 692, 695. On the Tanaka affair, see also Terry MacDougall, 'The Lockheed scandal and politics in Japan', in Andrei S. Markovits and Mark Silverstein (eds) *The Politics of Scandal: Power and Process in Liberal Democracies* (New York: Holmes and Meier, 1988) pp. 198–210. 'Trade mispricing' is the 'most widely used but deeply concealed means of generating flight capital', reports Raymond D. Baker; capital flight is one of the most destructive economic conditions, damaging especially low and middle income countries: 'In the process, it distorts free trade, negates foreign aid, worsens inflation, diminishes tax revenues, undermines structural adjustment, delays and imperils democracy.': *Washington Post*, reprinted *Guardian Weekly*, 18 June 1995.

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- 27 Erhart Blankenburg, Reiner Staudhammer and Heinz Steinert, 'Political scandals and corruption issues in West Germany', *Corruption*, p. 923; also pp. 913–16.
- 28 *Ibid.* p. 926. See also Aline Kuntz, 'From Spiegel to Flick: the maturation of the West German Parteienstaat', in *Politics of Scandal*, who points out that the Flick affair was only the focal point of a much wider matter involving tax evasion and political corruption. One German newspaper estimated that throughout the 1980s Flick had made over \$12 million in payments to an astoundingly long list of public officials. Kuntz argues that the Spiegel and Flick scandals illuminate the costs of the 'Parteienstaat', or fusion of party and state. Despite the language of the 'Basic Law' (Constitution), which charges parties with 'forming the will of the people', and thus appearing to emphasize a representative function, subsequent legal interpretation underscored the parties' role as instruments of governance. Consequently, the task of defending society's interests rests with those outside the locus of power: pp. 153–54, 157, 161. (See also my concluding chapter.)
- 29 See Philippe Pons, 'Political-stock exchange connivance in Tokyo', *Le Monde*, 24 July 1991. The political 'godfather', Shin Kanemaru, resigned in October 1992 after being convicted of violating the law on financing political parties. (He was fined a token sum.) Takeshita, another important faction leader of the Liberal Democrats, was also implicated in political dealings with an underworld organization. Questioned in the Diet in February 1993, he and his party's former secretary-general (Ozawa) denied any involvement. The latter said he 'knew nothing' of alleged links with organized crime; Kanemaru, too, said he had 'no idea' what had happened: *Straits Times*, 23 February 1993. Nevertheless, Kanemaru was arrested in March 1993 over alleged evasion of tax payments on billions of unaccounted yen. In June 1993, the Miyazawa government lost a vital vote of no confidence for failing, despite pledges, to carry out thoroughgoing political reforms. 'We've lost public trust in politics because of scandals', belatedly admitted the party secretary-general, 'and we've been hurt by the improper behaviour of the finance and construction ministers'; what they have done is not illegal, he added, but 'you could say it stinks': report from Tokyo, *Straits Times*, 5 July 1993. Incoming Prime Minister Hosokawa, leading the first non-LDP government in nearly four decades (ironically, himself to be brought down on charges of corruption), insisted in August 1993 on carrying out political reforms in order to end the 'collusion among politicians, bureaucrats, and industrialists, the politics of special interest legislators and other practices that have been hotbeds of political corruption'. Hosokawa's major achievement was to get the assembly to pass a reform package in January 1994, substituting a mixed system of single-seat constituencies and proportional representation for the existing multi-seat wards. It was in these wards that competition among LDP factions, in particular, involved massive electoral expenditure provided by 'support associations' (*koenkai*) and by big business—in return for payoffs. The reformers were later replaced by an opportunist coalition of Socialists and LDP members.
- 30 Jeanne Becquart-Leclercq, 'Paradoxes of political corruption: a French view', *Corruption*, pp. 198–200.

- 31 Boissevain, *ibid.* pp. 309–14.
- 32 Leys, 'What is the problem about corruption?', *ibid.* pp. 60–62; there are numerous other examples cited in *Corruption*, such as Joseph Nye, p. 964; the editors, pp. 305–6; Samuel Huntington, pp. 378–79; Santhanam Committee report (India), quoted by Gunnar Myrdal, p. 418. See also discussion in Theobald, *Corruption, Development and Underdevelopment*, on conflict-ridden politics, the overdeveloped state, and the bourgeoisie using political power to acquire wealth, pp. 80–95. More recent evidence on the state of India, a country long held up as a model of democracy, is the July 1992 Bombay stock exchange scandal implicating three government ministers. They were said to have exploited their access to information to play the stock market—an affair that is 'dirty indeed, even by the standards of a country beset by corruption at every level of government': Christopher Thomas, *The Times*, 1 August 1992. Three years later, what is reportedly the 'largest political scandal for more than a decade', erupted with police charges against leading politicians. They were accused of receiving bribes from a businessman involved in illegal currency transactions: Suzanne Goldenberg, *Guardian Weekly*, 28 January 1996. The scandal contributed greatly to the defeat of Congress in the 1996 elections. Meanwhile India's great rival, Pakistan, has been described as a nation, whose 'political and social fabric is so rent by crime and a staggering level of corruption': Edward A. Gargan, *International Herald Tribune*, 4 August 1992. A recent analyst depicts: 'A growing corruption, increasing disgust by the middle class for the financial games of politicians who are scarcely inclined to carry out their electoral promises: there is a generalized loss of confidence among Pakistanis in their own institutions. Never [since 1971] ... has the country seemed so weak, so chaotic and so disoriented': Bruno Philip, 'The tearing apart of Pakistan': *Le Monde*, 6 September 1995.
- 33 *Corruption*: see David H. Bayley, 'The effects of corruption in a developing nation'; Gunnar Myrdal, 'Corruption as a hindrance to modernization in South Asia'; J.S. Nye, 'Corruption and Political development: a cost-benefit analysis'; Arnold J. Heidenheimer, 'Perspectives in the perception of corruption'; Bruce Gronbeck, 'The rhetoric of political corruption'. See also Theobald, *Corruption, Development and Underdevelopment*, ch. 5, 'Is corruption a problem?', especially pp. 131–32; as he writes, the appropriation of office that is part of normal patrimonialism too often becomes outright abuse, because of the weakness of institutional restraints.
- 34 Susan Rose-Ackerman, *Corruption: A Study in Political Economy*, pp. 9, 190, 200, 207, 216.
- 35 Nathaniel Lef, 'Economic development through bureaucratic corruption', *Corruption*, pp. 389–404; Heidenheimer, 'Perspectives', pp. 149–64.
- 36 Lindblom, *Politics and Markets*, pp. 193–97, 213, 231; and see n. 38.
- 37 'Corruption concepts in historical perspective', *Corruption*, pp. 15–16.
- 38 Harold U. Faulkner, *American Economic History* (New York: Harper, 1960), pp. 481, 483–85; see also Thomas G. Cochran and William Miller, *The Age of Enterprise: a Social History of Industrial America* (New York: Macmillan, 1947) pp. 69–70, 75, 77–83, 131–34; and for the present period, Grant McConnell, *Private Power and American Democracy* (New York: Knopf, 1966) pp. 162–63, 188, 247, 254, 287–88; Kay Lehman Schlozman and John T. Tierney, *Organized Interests and American Democracy* (New York: Harper & Row, 1986) pp. 24–25, 41, 68, 205, 353–54, 399–400, 403.

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- 39 James Q. Wilson speaks of the 'dramatic improvement' in the standards and honesty of public service in American municipal government in the post-World War II period: 'Corruption: the shame of the states', *Corruption*, pp. 593–94. In Britain, on the other hand, Lloyd George's notorious sale of honours clearly marked a degradation of standards compared with the Victorian era—a decline that continues with the 'sleaze' affairs afflicting the Major government.
- 40 'Exchanging material benefits for political support: a comparative analysis', *ibid.* pp. 288–89.
- 41 Wilson, 'Shame', *ibid.* pp. 594–96.
- 42 'Corruption, machine politics and political change', *ibid.* pp. 276–77, 283–84; also quoting W.D. Burnham, 'Party systems and the political process'.
- 43 'Cost-Benefit Analysis', *ibid.* pp. 963–83. See also 'integrative' and 'disintegrative' corruption: Michael Johnston, 'The political consequences of corruption: a reassessment', *ibid.* pp. 990–91, 996–1003.
- 44 'Corruption: its causes and effects', *ibid.* pp. 953–59.
- 45 G. William Liddle, 'Soeharto's Indonesia: personal rule and political institutions', *Pacific Affairs*, 58 (1), Spring 1985, pp. 77–85. And see discussion in John Girling, 'Development and democracy', *Pacific Review*, 1 (4), 1988, pp. 332–39.
- 46 See David Bayley, 'Effects of corruption', *Corruption*, pp. 942–43; Bayley also considers 'beneficial' aspects.
- 47 Becquart-Leclercq, 'Paradoxes', *ibid.* p. 200; M. Smith, 'Corruption, tradition and change in Indonesia', *ibid.* p. 436; Michael Johnston, 'Right and wrong in American politics: popular conceptions of corruption', *ibid.* p. 748; and see also Laurent Zecchini on the 'two contradictory influences' in the USA: the force of morality, which pushes the desire for transparency almost to an obsession; and the 'almost inextricable mixture of money, politics and the judicial system, which makes clientalism one of the most deep-rooted traditions in American history': *Le Monde*, 13 October 1994.
- 48 Gronbeck, 'Rhetoric', also citing works by Morris Janowitz and H.D. Duncan: *Corruption*, pp. 175–76; see also Lawrence W. Sherman, 'The mobilization of scandal', *ibid.* pp. 887–88.
- 49 Larry Diamond, Juan J. Linz, Seymour Martin Lipset (eds) *Democracy in Developing Countries: Latin America* (Boulder, Colo.: Lynne Rienner, 1989) Preface. There are companion volumes on Africa and Asia. The editors note (p. xix) that communist countries were excluded from the survey because 'there is little prospect among them of a transition to democracy, but only of liberalization of communist rule': the hazard of prediction.
- 50 Girling, 'Development and democracy'.
- 51 *Ibid.* p. 332.
- 52 *Ibid.* p. 339. See also Michael Mann, *The Sources of Social Power* (Cambridge: Cambridge University Press, 1986); and Carol C. Gould, *Rethinking Democracy* (Cambridge University Press, 1988).
- 53 The former German President, Richard von Weizsäcker, has observed (in interviews with reporters): 'Everywhere in the democracies there is growing discontent and impatience among citizens who confront the evident disarray of traditional leading strata that are incapable of mastering present-day problems': Gunter Hoffmann and Werner A. Perger, 'M. von Weizsäcker or the Minister of Speech', *Le Monde*, 14 July 1992. Pierre Bérégovoy, the

then French Prime Minister, also urged a 'civic renewal' because of the 'risk that democracies run: that of the disappearance of the very idea of general interest' under the 'weight of corporatism and egoism', which more and more threaten the social balance; *Le Monde*, 12–13 July 1992. Similarly, the present French President, Jacques Chirac, during his successful 1995 campaign, condemned the 'social fracture' resulting from the democratic deficit.

- 54 'Corruption and reform: an editorial essay', *Corruption and Reform*, 1(1), 1986, pp. 5–6.  
 55 *Ibid.* p. 4.  
 56 *Ibid.* p. 9.

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## **2 Functional corruption**

A developmental role?

### **CASE STUDY: SOUTHEAST ASIA**

Although the potential for corruption is inherent in the capitalist-democracy nexus, yet the role and form of corruption in any given society may vary greatly. Thus, structural conditions (the economic-political nexus) and systemic process (from collusion to corruption) do not produce a uniform result. Instead, corruption may be functional, dysfunctional or offset by normative strengths (or be any combination of these), depending upon factors specific to a particular society. My aim in this chapter is to produce a synthesis of structure and specificity in order to evaluate corruption.

In terms of structure and specificity, two of the three countries studied, in one combination, provide a model of economic performance; in another combination, of democratizing trends; all within a Third World context. That context is represented by the three countries together; demonstrating sustained as well as uneven (and negative) economic growth; democratizing and authoritarian regimes; and the interaction of traditional and modernizing elites.

### **Power and wealth**

Besides Thailand and Indonesia, the economies of two other Southeast Asian countries—Singapore and Malaysia—are among the fastest growing in the world. Politically, almost all the countries of Southeast Asia have experienced forms of democratic rule, alternating with authoritarianism, the latter often for prolonged periods: decades of military domination in Thailand, up to the 1970s, and after; more than a quarter of a century in Indonesia, under President Soeharto; and nearly fifteen years of the Marcos dictatorship in the Philippines. Such periods of authoritarianism are a precondition of ‘power corruption’, as in Acton’s famous formula. As for

the incentives and opportunities for 'political-economy corruption', inherent in the misfit between political theory and economic practice, these exist under both democratic and authoritarian regimes. Nevertheless—and this is characteristic of the modern age—the dynamic of capitalism tends in particular to undermine the emerging democratic process, and corruption is a form of that dynamic.

Southeast Asia can be seen as a model of sustained economic growth (despite the recent 'negative' example of the Philippines). But it is also a model of the emergence of civil society, as a product of economic development, moving toward autonomy; for civil society provides the basis for a more representative political system intended to replace the authoritarian (military or bureaucratic) regimes of the past (as in Thailand) or present (Indonesia). Nevertheless, while in the more open contemporary societies of Southeast Asia, power corruption is on the decline, political-economy corruption, conversely, is on the increase. Corruption, in other words, takes on new forms in response to changing social conditions. Only the emergence of civil society, as a result of economic development, provides the potential for normative counteraction.

Yet, as previously emphasized, the relationship between wealth and power varies considerably from country to country. I shall illustrate the relationship in this chapter by selecting two of the economic success stories, Thailand and Indonesia, and one that shows a recent upturn after a decade or more of decline, the Philippines.

In Thailand power and production have been separated for most of this century; the Thai (including Sino-Thai) bureaucratic elite is the inheritor of royal authority, whereas ethnic Chinese, divorced from landownership and public office, dominate business. But even in times of strong mutual distrust, various forms of accommodation have been reached, usually on a personal (patron-client) basis. High-ranking military officers, senior officials and leading politicians are linked with owners of large family business concerns; the former receive directorships and other material inducements in return for legislative or administrative favours to their business partners, who operate within a general system of protection against nationalistic or class struggle.

In Indonesia the division between 'alien' wealth and 'indigenous' power is both more acute than in Thailand and more complex. Religious differences between strict and nominal Muslims—the latter are still, perhaps, a majority of Indonesians—and between Muslims and the Chinese business class aggravate ethnic as well as political suspicions (often amounting to hostility): for the Chinese were regarded by the indigenous population as alien 'middlemen', who had benefited materially from Dutch colonial rule. This middleman role, or 'pariah capitalism', continues

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in independent Indonesia. On a personal basis, as in Thailand, the new rulers prospered in association with particular Chinese business firms; but there could be no institutional linkage, because of popular envy or resentment of Chinese, who served as scapegoats for the misdeeds of the elite. (Some 80 per cent of companies currently listed on the Jakarta stock exchange are Chinese-owned; Indonesians of Chinese descent make up 247 of the top 300 taxpayers).<sup>1</sup>

In Catholic Philippines, as in Buddhist Thailand, religion does not pose a problem for the Chinese: in both countries most Chinese have long been assimilated—through education in local schools, intermarriage, and adoption of prevailing values and customary occupations. However, landed wealth, by contrast with Thailand, still plays a major role in the Philippines. For Spanish colonial rule encouraged the formation of an indigenous or mixed landowning class, with strong regional interests, which became power bases for the elite. Under American rule, and as an independent country, wealth and power continued to be concentrated in the same hands. Democratic political institutions, fostered by the Americans, provided a mechanism to accumulate more wealth under a two-party system, somewhat similar to the ‘ins’ and ‘outs’ of the aristocratic parliamentary system in eighteenth-century Britain. One set of regional magnates (‘Nacionalistas’) alternated in power with another set (‘Liberals’). Acute personal and family rivalries among the elite, resulting in the formation of the two parties, could be equated in the Western or Westernized mind with the competitive democratic spirit of political pluralism. In practice, the party which was successful in elections exploited government for all it was worth, in time alienating the public. The stage was then set for the other party, at the next elections, to take its turn in office.

The forms of accommodation between wealth and power, in Thailand and Indonesia, as well as their fusion in the Philippines, are shaped by political circumstance and socio-economic conditions. In each case, opportunities and incentives for corruption exist through the ‘politicking’ of quasi-democratic parties, on the one hand, and the power of civilian or military authoritarian regimes, on the other. Elite structures of power face little challenge from the poor, unorganized majorities in the countryside and towns, who are repressed if they attempt to act. The absence of effective opposition provides the opportunity for elites to enrich themselves with impunity (‘power-corruption’). But to maintain elite domination funds are needed, both for personal enrichment of leaders and for patronage purposes, to build up a ‘loyal’ following, as well as to buy off or coopt (potential) opposition. Maintenance of power provides the incentive to acquire money unconstitutionally, by influence or intimidation, from sources of wealth (‘political-economy corruption’).

Where ownership of wealth and control of power are divided, relations between the two are both competitive and collusive. In the competitive mode, national power-holders may seek to improve their bargaining position with 'alien' businessmen by the threat of 'economic nationalism' (state intervention to displace middlemen in favour of indigenous traders and manufacturers) or by encouraging populist resentment of economic exploitation. Nevertheless, collusion or 'accommodation' usually prevails because of the mutual advantage of partnership. Both sides have too much to lose from outright competition; such acute rivalry, paralysing power structure and economic system alike, only opens the way for middle- or lower-class challenges to the existing elites.

Whether the relationship between wealth and power is one of rivalry or collusion, the situation is far from static: rivalry merely speeds the pace of social change. Even the normal situation of collusion fosters economic growth: as important financial, manufacturing and commercial interests develop their networks of influence and control, so the demand for professionally trained executives and ancillary staff (doctors, lawyers, accountants), as well as for foremen and skilled workers, correspondingly increases. New universities are needed, or old ones expanded, to tap 'human resources' throughout the country. New achievement and consumer ambitions are created, displacing traditional values—the status of superiors, the deference of subordinates. 'Civil society'—comprising professionals, educationists, media staff, political parties, civic or religious organizations, trade unions and perhaps peasant movements—emerges as an intermediate element between state and economy, breaking down the old elite-mass configuration. As economic development proceeds, so the previous bilateral relations between elite structures of power and wealth are transformed into a complex triangular relationship, with the intrusion of civil society.

Despite the common pattern of socio-economic development, a brief preview of events reveals striking differences among the three countries.<sup>2</sup>

The crucial transition in Indonesia—occurring in a violent and convulsive fashion—was from the 'pluralistic' political system of the early Sukarno years to barely disguised military domination under Soeharto. Even in the early 1960s, despite Sukarno's replacement of parliamentary by 'guided' democracy, the President maintained a balance between religious groups, the communist-led mass political party, and its workers' and peasants' movements, and the military. Yet the economic crisis of the late Sukarno period, exacerbated by confrontation of Malaysia, stimulated greater activism by the Communist Party, which intensely alarmed the army. Sukarno's

balancing act failed to prevent a collision between the two major opposing sides, resulting in the massacre of several hundred thousand (largely unresisting) communists and their followers. General Soeharto's destruction of the only substantial organized opposition force—apart from orthodox and 'reformist' Muslims, who are obliged to act discreetly and indirectly to avoid repression—has eliminated any counter-weight to military-administrative domination. Significant changes in the last two decades, however, include the military-technocratic implementation of 'rational' economic policies, supported substantially by Western and Japanese aid and investment. Soeharto's New Order has also benefited, until recently, from immensely profitable oil price increases as well as from often surreptitious partnerships with 'pariah' Chinese capital. These economic developments have advantaged strategic sectors of the population, notably urban inhabitants and landowning peasants. A second, but more gradual, change is the move toward institutionalization of what is still, in many ways, patrimonial rule.

The Philippines, too, underwent a similar, but far less traumatic, change from a quasi-democratic system to an authoritarian one, and (unlike Indonesia so far) back again to democracy. Yet the institutional forms of democracy operating after independence (in 1946) obscured the reality of a highly unequal society, in which the great majority of the population consisted of barely economic smallholders, a mass of poor tenant farmers and sharecroppers, and labourers on large estates; while on the other hand, a small landed (and commercial) elite exploited the opportunities of public office for private gain—but in a system of alternating rule, which provided the semblance of democracy. It was precisely the corruption and exploitation inherent in the system that enabled President Marcos easily to dispose of his rivals, along with representative institutions, when he imposed martial law in the early 1970s. Marcos sought to establish a viable 'new society' based on the elimination of rival oligarchs, the reinforcement of bureaucratic and especially military power, the emergence of a materially satisfied middle class, the encouragement of foreign investment and technocratic policies, and a measure of land reform to create a contented middle peasantry. Personal rule, in the absence of countervailing forces, however, degenerated after early economic successes into 'crony capitalism'. This was followed by economic crisis (negative growth and immense foreign debts) and political and social crisis (increasing exploitation in the countryside, victimization of opponents, and—the turning point—the assassination of Marcos' main rival Benigno Aquino, in

1983). The emerging 'civil society' in the Philippines, conscious of the more open political system of the 1950s and 1960s, demonstrated its new-found influence in protest movements led by businesspeople and professionals. The climate of opposition intensified during the 1986 electoral crisis, which sparked off the spontaneous enthusiasm of 'people power', resulting in the fall of Marcos and the return to political democracy— but also the persistence of gross economic inequality—under Presidents Aquino and Ramos.

Thailand represents a reverse trend in the region (apart from the more problematic situation in the Philippines) by virtue of the shift there from authoritarianism to a more open society. Thailand seemed to provide a classic correspondence between development and democracy. Both the political and the economic stages are particularly well marked. The economic turning point was the decision by the then military leader (Marshal Sarit), with World Bank and Thai technocratic advice, to reverse the role of the state from one of support for economic nationalism and public corporations—in effect both harassing and competing with the private sector—to one of providing essential infrastructural services for the benefit of private enterprise. (It is no coincidence that Sarit, who had profitable links with large banks and big business, had in 1957 seized power from his military and police rivals, who were associated largely with state corporations.) The economic boom of the 1960s, swelling the demand for trained executives and professionals, however, brought about a massive expansion of universities, and thus of the student population. By 1973 it was the students who spearheaded the 'constitutional' demands of civil society against the obscurantist regime headed by Sarit's military successors. Although the democratic period was brutally cut short by a military coup in 1976, the by then less confident and more factionalized army leaders could not go back to the old days of the 'bureaucratic polity'. By 1980, Thailand had progressed to the stage of a 'bureaucratic-parliamentary compromise', in which business leaders played a prominent part.

It is evident, from this brief analysis, that the political and the economic situations of the three countries differ substantially. Currently in Thailand the sharp setback to military pretensions, following the massacre of peaceful protesters in May 1992, led to a return to parliamentary government. But the future is unclear. In Indonesia, despite internal differences, the military remains in control (since 1965). Democratic instability persists in the Philippines. The results of economic development are equally diverse: thus, by the mid-1990s, Thailand had an average



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per capita income approaching \$2,000, while the Philippines (formerly ahead of Thailand) and Indonesia (with a population three times as large) had about half that amount.<sup>3</sup>

### **THE PHILIPPINES: ACQUISITIVE ELITES**

The prevalence of corruption in the Philippines in the context of severe inequality (and a relatively poor economic performance) presents serious social problems. Undoubtedly the culmination of power corruption and political-economy corruption occurred in the Marcos era. But even with the re-emergence of democracy in the later 1980s, corruption and extortion have not ceased.

#### **Pre-Marcos ‘democracy’**

All the indicators of social inequality with a high concentration of wealth and power (effectively preventing redress) existed in the so-called democratic era preceding Marcos’s martial law regime. Yet the illusions of the time are evident in the view commonly held in the 1950s that ‘Philippine democracy emerges clearly as a rare example of successful adaptation to an Asian environment of imported Western institutions’.<sup>4</sup>

Such an attitude is typical of the then influential and currently revived ‘Modernization theory’, which a closer perusal of Landé’s work should have dispelled. The single most distinctive feature of Philippine politics’, Landé writes, ‘is that the two major parties are quite identical...in respect to the social, occupational, and regional sources of their support as well as to their policies.’ While both parties recruit their provincial leaders from persons of ‘considerable wealth’, they both depend at the polls on the votes of the ‘little people’. How this is achieved is the subject of his study.<sup>5</sup>

Note, however, that Landé’s analysis is ambivalent. ‘The two rival parties in each province are structured by vertical chains of dyadic patron-client relationships extending from great and wealthy political leaders in each province down to lesser gentry politicians in the towns, down further to petty leaders in each village.’ The landed gentry, with large personal followings of tenants and other ‘dependents’, dominate local and provincial politics. Although ‘all social strata’ are contained in the two parties either as leaders or as supporters, it is a ‘two-class system’ based on wealth and rooted in the unequal division of land; indeed the mass of ‘little people’ are in a chronic state of insecurity

and need. Farm tenants especially, as in the main island of (central and southern) Luzon, are 'in a more or less permanent state of poverty, indebtedness, insecurity, and political rebellion'. Yet Landé, who nevertheless saw the resemblance to eighteenth-century British politics, could still affirm: 'Both in law and in reality, it must be stressed, the Philippines is a constitutional democracy.'<sup>6</sup>

To a professional economist, writing during the same period, the record was less appealing. According to Frank Golay: 'Income and wealth are highly concentrated, political power is highly correlated with wealth, and welfare goals are assigned low priority.' While the 'submerged mass of Filipinos...are subject to increasing insecurity and dislocation', under the existing system 'the "national interest" tends to coincide with the interests of the politically dominant agricultural aristocracy'.<sup>7</sup> Golay referred to the long history of agricultural dissidence, notably the Huk rebellion in the 1940s and 1950s, which came close to success, and which was followed a generation later by the formation of the New People's Army.<sup>8</sup>

Although economic development is creating a new entrepreneurial class, competing with the old agricultural elite, there is a 'strong predilection', as Golay wrote, to seek economic advantage through political institutions and processes.<sup>9</sup> Hence the importance of the 'identical' political parties, which take turns to exploit public office for private gain—the broad definition of political economy corruption. As a result of elite manipulation of the political system, social inequality had been aggravated: the wealthiest 0.05 per cent of landowners possessed about 15 per cent of farm land in the pre-Marcos democratic period; at the pinnacle were fourteen families each holding more than 10,000 acres. At the other end of the scale, more than half the farm families (an increasing proportion) were tenants. As for business, while the income of workers declined over the period, profits increased dramatically; in the early 1970s 5 per cent of shareholders controlled 60 per cent of increasingly profitable assets.<sup>10</sup>

Successful candidates for the House of Representatives in 1969 were among the country's richest 0.5 per cent. 'Wealth was clearly a great advantage in nomination and election; it was also accumulated by those who were electorally successful.'<sup>11</sup> It was a self-perpetuating system: during the period from 1946 to 1963, one in ten of all Cabinet members had been Senators prior to their appointment to Cabinet; more than one-quarter had previously been in the House of Representatives; and 40 per cent had been 'bureaucrats', probably political appointees rather than career officials.<sup>12</sup>

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There was a real advantage in using public funds for political (and personal) purposes. Once in power, the politician provided benefits to all who flocked to him after his successful election, he disbursed favours from government resources, provided jobs in government departments and agencies and in public works projects; all these were part of the 'capital' the politician could draw on in pursuit of prestige, power and interest.<sup>13</sup> In return for electoral contributions from top export-import firms, manufacturers and landed interests ('tobacco bloc', 'sugar bloc' and so on) the politicians promoted favourable protective legislation, provided liberal loans from government banks and financial institutions, awarded government contracts and facilitated appointments to key public offices and corporations.<sup>14</sup>

Finally, as a recent analyst concludes, despite the benefits of freedom, educational improvements and social peace, the democratic era was one of domination by a traditional landed elite, with an 'inefficient but politically assertive' sector of highly protected industrialists playing a secondary role, backed up by a patronage-oriented (rather than merit-oriented) civil service. Such a political system 'proved incapable of instituting effective land reform or other measures to ameliorate social inequality. An American-style court system was too complex to deal with crime and corruption, and its lawyers were too expensive to provide justice to the poor. Democratic party patronage enhanced corruption.... The Philippine growth record began to slip from being one of Asia's best to being one of Asia's worst.'<sup>15</sup>

### **Marital law and 'crony capitalism'**

By proclaiming martial law in 1972 Marcos (one of the 'new' oligarchs) was able to intimidate and expropriate his many rivals (among the 'old' oligarchs) of a discredited and demoralized, but supposedly democratic, political party regime. Marcos announced a 'New Society', which would purge the corruption of the old; with invigorated armed forces, the new regime would eradicate the growing threat of communism; with the aid of the technocrats, economic growth would surge, backed by massive foreign investment, encouraged by enforced low wages and prohibition of strikes in essential industries; finally, a thoroughgoing land reform would remedy the plight of the impoverished rural majority. In all cases the opposite occurred. The corruption of Marcos, his wife Imelda, their families and their 'crony capitalists' passed all bounds. Communism under new leadership (the New People's Army—NPA), reacting to the abuses of the system, extended its hold in the rural areas. An initial outburst of

growth soon faltered and, suffering from heavy foreign debts and continuing industrial inefficiency, the economy plunged. Land reform was inaugurated with enthusiasm; but by limiting land transfer to rice and maize farmers (as well as excluding landless labourers), the regime ensured that 60 per cent of tenant farmers would never obtain land-ownership.<sup>16</sup>

'If a new government gains authority and dominance through force', conceded the Supreme Court judges in 1973, 'it can be effectively challenged only by a stronger force; no judicial dictum can prevail.'<sup>17</sup> In the absence of the rule of law, power corruption prevailed. Violence was its counterpart.

Aside from Benigno Aquino, other elected officials and journalists known to be outspoken critics of the regime, were murdered by persons unknown.' Suspicion rested on officially authorized or protected death squads—as well as, in other cases, on communist assassination teams.<sup>18</sup>

Some 70,000 Filipinos were imprisoned in the first five years of martial law. Amnesty International reported that many detainees alleged to be 'subversives' were actually union organizers, participants in the movement to boycott Marcos-proposed referenda or members of Catholic social action groups. Mistreatment of prisoners, including routine torture during interrogations, became part of the system of justice under martial law.<sup>19</sup>

Free from independent scrutiny or political challenge, Marcos's 'patrimonial style of governance increasingly recognized no boundary between the public purse and that of the First Family', as Wurfel reports. The myth proclaimed by Marcos that corruption was simply the creature of the pre-1972 Congress was dispelled. Graft became so extensive as to undermine the normal functioning of government. At the highest level, the Marcos and Romualdez (Imelda's) families, relatives and close friends were exacting ever greater shares from government contracts, foreign investment permits and licensing arrangements. They bought up capital-starved companies and, often through dummies, vast land holdings. Corrupt deals of more than one million pesos had appeared outrageous in the past; but under martial law, scandals that did not profit the ruling groups by ten or twenty times that amount were hardly noticed.<sup>20</sup>

Among the crony capitalists benefiting from such large-scale extortions, two achieved particular notoriety. Eduardo Ccjuangco, cousin but opponent of Corazon Aquino, dominated the Coconut Planters' Federation in association with Juan Ponce-Enrile, Marcos's Minister of National Defence. The government-imposed coconut levy, exacted from the mass of poor cultivators, and intended to improve production, went instead to Ccjuangco and his associates. (The levy, which is estimated to have brought in more than one million pesos a year, was deemed to be 'private' and thus not subject to government audit.) Cojuangco, Wurfel notes, is often described as the most ruthless of Marcos's cronies, but also the most astute politically

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and financially.<sup>21</sup> (Cojuangco fled from the Philippines in 1986, with the collapse of the Marcos regime, but returned three years later to rebuild his business empire.)<sup>22</sup>

The other well-known monopolist, Roberto Benedicto, was a former president of the Philippine National Bank, and college fraternity brother of Marcos. During the Marcos era, a subsidiary of the National Bank was given the monopoly of sugar trading, while Benedicto was appointed to regulate the trade as chairman of the Philippine Sugar Commission. It was later calculated by economists that sugar cultivators lost eleven to fourteen million pesos as a result of government intervention on behalf of the sugar monopoly. Both these men were members of the Central Committee of Marcos's ruling 'New Society Movement'.<sup>23</sup>

### **After Marcos**

In 1986, the defection of important elements of the military (including Enrile), the opposition of non-crony business, belated pressure from the USA and the extraordinary demonstration of 'people power' in support of Corazon Aquino finally put an end to the Marcos empire of power and greed. Backing the new President were enthusiastic reformers as well as representatives of the traditional elite displaced by Marcos.<sup>24</sup>

The February 1986 uprising was 'not a revolution, but a restoration', according to a critical but fair-minded observer. 'No other Philippine President had been brought to power by such overwhelming popular support. But despite the unprecedented nature of her rise to power, Aquino resurrected the old politics of patronage and corruption, governing through the rhetoric of nationalism and reform but without the substance.' Nearly 85 per cent of members of the House of Representatives came from the traditional political clans that have ruled the country for generations; and as many as one-third of them from families that had collaborated with Marcos.<sup>25</sup>

The credibility of Aquino's genuine achievements—the re-establishment of democratic institutions, an American-style legislature independent of the executive, a functioning judiciary and a free press— was jeopardized by the failure of the President to give a lead and by the refusal of Congress to respond to pressing problems of landlessness, mass poverty, unemployment and environmental degradation. Land reform was blocked by the legislature, effectively exempting 70 per cent of all agricultural land from redistribution and providing landowners with loopholes to escape the law altogether. The agency charged with carrying out land reform

was itself shaken by corruption scandals, changing its director five times in five years.<sup>26</sup>

Although initially campaigning for human rights (in response to the abuses of the past) and seeking to negotiate a peace settlement with the New People's Army, under pressure from the military (supported by US agencies) Aquino reverted to 'all-out war' against the insurgents; she openly supported anti-communist 'vigilantes', who are often no more than private militias of large landowners (as in the past). Although weakened by the capture of many of its leaders, the NPA retaliated by escalating its assassination attempts.<sup>27</sup>

Business leaders and the urban middle class were soon disillusioned by Aquino's indecisiveness and drift. Interest payments on the \$29 billion debt inherited from Marcos were a heavy charge on the national budget. After three years of rapid economic growth, the rate in 1991 declined to a level barely above the high population growth (2.6 per cent a year) and fell well below it in 1992. Two-thirds of Filipino households now live below the minimum food threshold. In the absence of social welfare, they trade political loyalties (in the old style) for the promise of jobs, dole payments and other favours. Traditional electoral politics thrive under these conditions; public office provides renewed access to state resources, for private accumulation and patronage. Corruption becomes all the more serious with such poverty and inequality. According to a recent World Bank estimate, corruption cost the government the equivalent of nearly one-third of the national budget.<sup>28</sup>

Although Aquino's successor, President Ramos, gained power with the support of the business class, and was able to reschedule the massive foreign debt, nevertheless outstanding problems of tax evasion and shortfalls (tax revenue in proportion to GNP is only half that of Malaysia, for example), and the near breakdown in law and order (abetted by corruption in the judiciary and the police force) persist.<sup>29</sup> A World Bank report in October 1992 criticized the 'inadequate reform effort' of the past decade, singling out in particular the impact of political tension and the high level of rural and urban violence, which discourage foreign and domestic investment. The report also deplored the lack of effective policies to deal with monopolies, to overcome conditions of poverty and to improve the low rate of savings and investment.<sup>30</sup>

The pressing need for higher export performance, greater investor confidence and for political stability underlie Ramos's current emphasis on 'discipline and respect for law and order'. Indeed, economic growth has steadily improved, under Ramos, to more than 5 per cent in 1995, and foreign investment has markedly increased. But the attempt to

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‘restore public confidence in government institutions’, as one commentator observed, is ‘undermined by charges of widespread corruption and officials’ involvement in crime’.<sup>31</sup>

### INDONESIAN DUALITIES

#### From party politics to ‘Guided Democracy’

The political economy of the 1950s democratic period in Indonesia can be considered equivalent to that in pre-Marcos Philippines—apart from such significant differences as the multi-party system (reflecting the greater diversity of interests and values), the ‘nation-building’ role of the military, the importance of the mass-based Communist Party (one of the largest in the world) and the Sukarnoist hostility to Western ‘neo-colonialism’ and its ‘puppets’.

The ‘progressive malaise’ of Sukarno’s Indonesia after the abandonment of the parliamentary system has been accurately diagnosed by the cultural anthropologist Clifford Geertz. The ‘ideological muddle’ of Sukarno’s ‘Guided Democracy’ (1959–65) reflected the interplay of incompatible forces: the emergence of a technically trained intelligentsia looking to the West; the traditionally minded literati, heirs to the rich culture of Javanese courts; a landless rural mass expanding in lockstep with an underemployed urban proletariat; and religious puritans vying with leftwing secularists. But the new system failed to develop deep roots.<sup>32</sup>

The outcome, as other specialists confirm, was a ‘proliferation of frequently contradictory regulations, resulting in ineffective and inefficient administration, with administrative discretion often exercised arbitrarily, nepotistically, and for personal and political aggrandisement or reprisal.’<sup>33</sup> The mystical ‘union’ between Sukarno and the ‘people’ was never given substance, either through organization or appeal to mass action against the *status quo*; instead it was used as a lever in the politics of the capital, balancing off leaders and factions.<sup>34</sup>

The impact on the legal and administrative system, and on the economy, was devastating: commerce became dependent on political influence and corruption; officials with totally inadequate salaries during the hyperinflation were demoralized; army officers were uncontrolled; the influence of traditional patrimonial-bureaucratic norms and personal status loyalties was pervasive.<sup>35</sup>

The efficacy of the civilian state apparatus disintegrated as corruption and absenteeism proliferated, while communication, transportation and revenue collection broke down—apart from the one apparatus capable of

sustaining itself from its own resources, the army. The last years of Guided Democracy marked the ascendancy of the army, while domestic antagonisms were exacerbated by the hyper-inflation to the point of explosion. Rural violence in 1964 presaged the massacres of 1965–6 under army leadership, which swept Guided Democracy—and Sukarno himself—into history.<sup>36</sup>

### **Soeharto's New Order**

There is no duality of power in the New Order, but instead pervasive military control. In relation to wealth, however, three sets of dualities are important: military leaders' partnership with individual Chinese entrepreneurs; competition between indigenous and Chinese business; and the influence of military-dominated state corporations (economic nationalism) versus technocratic economic rationality, associated with the policy of opening to the West, and reliance on market forces.

Although military power is 'absolute', its extortionate potential has been mitigated, to some extent, by the creation of alternative sources of wealth, especially from oil price increases, and from state corporations, real estate and partnership with foreign (and indigenous Chinese) business.<sup>37</sup> Yet the security obsession of the military has also had dual consequences: on the one hand, military penetration of the administrative apparatus down to the lowest level (including prohibition of political activities in the villages), the emasculation or intimidation of permitted parties and the formation of a bureaucratically staffed government party, *Golkar*; on the other hand, there has been effective allocation of resources to strategic urban groups (notably civil servants and middle-class professionals) and to landowners, subsidized by the immense revenue accruing from oil price increases in the 1970s (Indonesia is a member of OPEC). Moreover, such economic policies have been guided and supported by government and academic technocrats, international organizations like the World Bank and foreign aid donors from Japan, Western Europe and the USA.

The imposing power structure of the 'New Order pyramid' consists of 'a dominant presidency, politically active armed forces, a decision-making process centered in the bureaucracy, and a pattern of state-society relations that combines cooptation and responsiveness with repression'. Political parties, including *Golkar*, are not central to the system. Instead, the key promoter is Soeharto. His consistent policies, Liddle writes, 'have created an identifiable pattern of political expectations, anchored in a powerful structure of interests, affecting present and future presidential, armed forces' and bureaucratic behaviour'. The President commands the military, which is the foremost element in the bureaucracy, which in turn holds sway over



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society. For in every city, town and village, the bureaucracy is the largest employer, with its schools, health centres, banks, agricultural services, religious affairs offices and control through personal identity cards. The scope and weight of this presence are comparable to Communist countries'.<sup>38</sup>

In their ceaseless effort to accumulate wealth, however, individual military commanders had long benefited from personal associations with local Chinese businessmen, known as *Cukong*—the Indonesian term for a Chinese businessman who is protected by a powerful official in return for a share of the profits. 'President Soeharto and his family are connected with several *Cukong*, most prominently Liem Sioe Liong, once a small businessman in Semarang [Central Java] and now reported to be one of the richest men in the world. Many high-ranking officials also head private companies, actually fronts for *Cukong-owned* businesses, which get lucrative state contracts.'<sup>39</sup>

As another specialist on Indonesia reports:

Soeharto's wife, five of his six children, a son-in-law, a half-brother, and a cousin all have extensive business interests: in banking, cooking oil, forest products, insurance, oil and gas marketing, pesticides, pharmaceuticals, real estate, sugar, tea, and vehicle assembly. In activities ranging from highway construction to satellite repair, members of the family have benefited from what appears to be privileged access to government contracts.<sup>40</sup>

'Appointments throughout the administration', as another specialist reports, 'became dependent on the approval of army officers, and power over the issuing of licences, granting of contracts, and determination of projects enabled the army to reward those who accepted military domination and to penalize those who did not.'<sup>41</sup> A leading investigator of state-business relations, Richard Robison, attests that by the late 1960s, state corporation managers, together with various generals and officials involved in business, were using the state's considerable economic powers to allocate licences (for trade and manufacture), credit and contracts in order to build large corporate conglomerates, usually with Indonesian Chinese partners. They were also able to secure strategic or lucrative joint venture partnerships with foreign companies.<sup>42</sup>

As a result of this economic duality—the opening to the West and to Japan for foreign aid and investment, yet persistence of military patronage and powerful state corporations—the ability to influence policies is not uniform but fluctuates between Western-oriented technocrats and 'freewheeling' military entrepreneurs. The high point of statist economic nationalism was undoubtedly demonstrated by

Pertamina, the state oil monopoly, which united revenues, corruption and patronage in an ever-expanding network of interests—until its crash in 1975–6. Under its director, Ibnu Sutowo, Pertamina's operations were closed to public scrutiny, and annual balance sheets were never published. Soeharto's and the army's interests were substantial, as Robison points out: 'Pertamina constituted the channel through which the bulk of the state's revenue flowed [oil provided nearly half of all government revenues in the mid-1970s, and up to two-thirds in the early 1980s] as well as the largest and most concentrated source of contracts for construction and supply.'<sup>43</sup>

When Pertamina went bankrupt in 1975–6, it was found to owe more than \$10 billion in debts. A court case over the illegal appropriation of funds by Sutowo's former personal assistant revealed that he was part of a much larger financial network including Sutowo, the President and his wife, and Liem Sioe Liong and his family. Yet the collapse of Pertamina compelled Soeharto to act, because of Indonesia's reliance on international credit and its dependence on oil revenues. In doing so, he was forced to give way to government technocrats, international financial institutions and other critics of Pertamina's function as the financier of major industrial projects and of the political and military centres of New Order power.<sup>44</sup>

Continuing rivalry between military entrepreneurs and Western-trained technocrats is a basic element of New Order economic duality; another is the resentment of 'indigenous' (i.e. non-Chinese) business at the dominating position of ethnic Chinese aided by their undercover links with prominent generals. From time to time Soeharto has moved to mollify the indigenous (*pribumi*) business sector, but Chinese capital remains essential to the general process of accumulation and economic growth.<sup>45</sup>

Ultimately, the power duality—the repressive apparatus of military control<sup>46</sup> associated with a responsible allocation of productive resources—is crucial. Despite the potential for corruption in an authoritarian system, President Soeharto has, however, achieved what Liddle calls 'performance legitimacy', by substantially improving living standards of important urban and rural constituencies.

Government expenditures have been used to raise the salaries of officials and have created a vast panoply of projects, meetings and special assignments to augment income further.... Budgetary allotments have also been used to benefit the public or substantial segments of it.... Subsidized fertiliser, irrigation system rehabilitation

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and construction, miracle seeds, pesticides, and agricultural extension have helped landowners.

Large sums of money have been invested in education at all levels, benefiting Muslims as well as the minority Christians, military and civilian bureaucrats and better-off farmers.<sup>47</sup>

Economic and political 'rationality' has thus largely prevailed over the corrupting and distorting Filipino-type 'crony capitalism', which had its Indonesian counterpart in the rise and fall of Pertamina. Significantly, moreover, the Pertamina crisis, brought about by failure to live up to international obligations, foreshadowed an even more serious 'fiscal crisis' a decade later, which has had remarkable implications.

For it was the need to respond to externally induced crisis by urgent and thoroughgoing reforms that marked the ascendancy of economic reformers in government. It was strikingly demonstrated by policy changes, which have abolished corrupt and inefficient state monopolies, despite their being supported by powerful political and military interests.

From a political economy perspective, as one analyst suggests, the three central factors are; the impact of the world economy; evolutionary changes in the country's political matrix, which have seen business associations beginning to influence policy formation; and changing attitudes, away from collectivism and economic nationalism, towards private enterprise and unfettered capitalist development.<sup>48</sup>

The collapse of oil revenues in the mid-1980s, from nearly \$19 billion to less than \$7 billion, was critical for the Indonesian government, which had depended on them for two-thirds of its income. (By 1990–91, oil and liquid natural gas provided less than 30 per cent of total revenue.)<sup>49</sup> Economic growth, rising by 6 per cent in 1985, fell to under 2 per cent in 1986; as export earnings declined, the balance of payments deteriorated and foreign debt increased. It became obvious that reliance on state corporatist economic intervention and inward-looking import substitution was no longer possible. Insisting on fiscal austerity, the technocrats succeeded in postponing a number of very large industrial projects. The currency was devalued by 50 per cent; the banking industry was deregulated to facilitate capital mobilization; and, in a dramatic move in 1985, the notoriously inefficient and corrupt customs service was swept aside when the government handed all customs responsibilities to a contracted Swiss company.<sup>50</sup>

MacIntyre brings out the link between economic and political pressures for reform. Attempts by liberal technocrats to deregulate the economy, make industry more competitive and allow the private sector to become the engine of growth, he points out, strike a sympathetic chord among

Indonesians, many of whom have become frustrated with more than twenty years of state domination over so many aspects of life. Rolling back state intervention in the economy is seen as perhaps linked with rolling back the state's domination of politics. Accordingly, deregulation and genuine competition in the business world seem to be prevailing over a system in which patrimonial favouritism and outright corruption have for so long been the criteria for success.<sup>51</sup>

Nevertheless, it is premature to claim an outright victory either for economic rationalism or for its associated drive against corruption. Admittedly, business associations, as well as press and parliament, have become more visible; but their importance, as one specialist puts it, lies more in 'vocalizing' their own interests than in influencing policies in general.<sup>52</sup> In addition, Soeharto's March 1993 cabinet changes, following his re-election as president, indicate a more complex shift in the balance of forces. The macro-economic, reform-minded technocrats were losing out in favour of the 'technologists', whose ambitious (and expensive) high-tech 'industrial policies' may also require subsidies and protection.<sup>53</sup>

By the mid-1990s, the authoritarian linkage between economic progress—with high rates of economic growth—and political repression remained. Economic liberalism revived, with an important programme of deregulation in 1995 (although certain influential monopolies were left unscathed); tentative openings to moderate Muslims continue; but any form of independent trade unionism has been ruthlessly suppressed (1994–5), East Timor remains under siege and independent journals (such as *Tempo* in 1994) have been closed.

Finally, even economic reforms do little to resolve the continuing problem of the unpopular, if developmentally effective, connection between business 'conglomerates' and powerful personalities—legacy of an authoritarian regime.

#### **THAILAND: BUSINESS AS USUAL**

The twin themes of this account are the emergence of democratic institutions after decades of military rule; and the role of corruption in the political-economic process. Two revolutions have taken place; first, the economic revolution under a dictatorial military leader in the late 1950s, inaugurating a prolonged period of economic growth; and second, the political revolution, with the emergence of civil society as a result of economic development, demanding a voice in the formation of policy.

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The conditions of corruption, arising out of the conflict between political ideals and economic realities—for example, the ‘traditional’ values of bureaucratic authority and status, which despised wealth but also needed money for patronage and power—were also transformed in the process of economic and political change. Thus, bureaucratic ideals were in turn challenged by those of a democratic society, whose political institutions were supposed to represent the will of the majority, but whose new leaders also needed money if they were to carry out their functions in a difficult environment.

### **Economic and political turning-points**

In Thailand, as in Indonesia, there is an ethnic division (though far less acute) between the power-holders and the owners of wealth. The Thai state (that is, its bureaucratic managers, including the military) is the beneficiary of productive forces, which it neither owns (except to a minor degree) nor controls. The state does not need to possess the material foundations—still largely peasant agriculture and ethnic Chinese business—so long as it extracts from them sufficient resources to carry out its essential functions: paying for its personnel (and rewarding its leaders) and preserving or enhancing the infrastructural and ‘security’ conditions that sustain the economy.

Leading Thai military and civilian bureaucrats—dominant politically from the 1930s until the early 1970s; later, in uneasy partnership with parliamentarians from the 1980s—cannot simply rely on market forces or harmony of interests to provide them with the necessary sustenance; for this they must use the power they have, political and coercive, to extract what they can. Yet the bureaucrats, and even the parliamentarians, are in something of a dilemma. As economic realists, they know they cannot squeeze too hard without destroying the sources of wealth. But as political realists—patrons requiring ever more funds to acquire still greater influence and a larger following in the ceaseless struggle with rivals—they cannot afford to seize too little.

It is this dilemma, posed by the requirements of economic growth on the one hand and the demands of political power on the other, that characterizes the ambiguous relationship between business and bureaucrats in Thailand. (It is ambiguous rather than contradictory, since it has been more often reconciled by compromise than divided by conflict.) It is a relationship that has gone through three overlapping phases: the patron-client phase in a dynastic setting (absolute monarchy, which survived until 1932); the nationalist-competitive phase of the 1950s; and the current phase of pragmatic partnership.<sup>54</sup>

The second, nationalist-competitive phase of political-economic relations is equivalent to the informal patron-client phase of relations between 'tax farmers' (who paid for the right to deliver a fixed sum to the treasury and in return kept the difference) and government a century before. For although the official policy in the 1950s was one of economic nationalism—establishing state corporations to compete with the private sector, attempting to eliminate Chinese 'middlemen', accompanied by a pervasive suspicion of the loyalty of the Chinese community—powerful political patrons still needed funds; indeed all the more so because the harassment of Chinese business affected confidence, which threatened economic stability, and with it the material interests of both sides. 'No one knew when his particular line of business might be reserved for Thais or subjected to strict control, when the lease of his shop or title to his business property might be challenged, or when his business might be inspected by revenue officials, or raided by the police.'<sup>55</sup>

To avert mutual disaster an informal *rapprochement* took place. Chinese businessmen sought security from nationalist pressures by gaining the protection of Thai government officials, police and army officers. The latter were provided with new sources of wealth, receiving commissions on contracts, appointment as directors of business firms, and other inducements. But these mutually profitable arrangements took place in the context of bureaucratic rivalry; one group of Chinese businessmen came to be associated with the top military leader, General Sarit; another group with the notoriously corrupt and vengeful police chief, Police General Phao (also well known as patron of state corporations, client of the CIA and scourge of the Chinese and the left).

In the ensuing power struggle Sarit was able to mobilize student and professional support against his 'corrupt' rivals; Sarit's 1958 coup finally disposed of the opposition. This victory marked a turning-point in Thailand's development. On the advice of the World Bank and with the guidance of Thai technocrats, Sarit reversed state policy, from competing with Chinese enterprise, to underpinning the entire economy. Instead of subsidizing state corporations, which were wasteful and inefficient, government resources would concentrate on public infrastructure—roads, power supply, irrigation, ports, communications—for the benefit of the private sector.<sup>56</sup>

The rationalization of state policies, the attraction of foreign aid and investment, and infrastructural development contributed greatly to the economic upsurge of the business class in the years that followed. Banking networks were organized throughout the country, channelling capital to the highly concentrated financial, manufacturing and commercial hub of a growing capitalist economy.<sup>57</sup> Thailand was transformed from a basically

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rural country, with a small and weak middle class, into an exporting and industrializing economy; where wealth became more valued than status; and where the interests of 'civil society'—intermediate groups of professionals, students, politicians, civic groups, and even trade unions—became more and more influential.

Civil society was the product of economic development; that is, the ceaseless demand of an expanding economy for more executives, engineers, architects, accountants, lawyers, on the one hand, and for foremen and skilled workers on the other. The formation of professional cadres required, in turn, an enormously expanded educational system. Middle-class families, too, contributed to the demand by aspiring to have their children better educated—and thus better off. Thai students—key product of this dynamic process—changed from politically apathetic or conservative careerists into exponents of the new liberal, reforming, democratic, national consciousness. Yet, while society had changed, the military-dominated political system stood still.

Polarization became ever more marked in the 1960s and early 1970s, when Sarit's successors monopolized key posts (the Minister of the Interior, General Praphat, was also Army Commander-in-Chief) and repressed any opposition to military rule. Half-hearted attempts at political reform were followed by military coups. The generals, who had learned nothing and forgotten nothing, were increasingly resented by the awakening urban population. Corruption became more blatant, and more readily exposed. Faction fighting within the ranks of the military and their bureaucratic supporters became intensified, as the generals fought over the spoils.

Corruption became scandalous when the Prime Minister's son (and son-in-law of the Interior Minister)—joined his father and father-in-law, collectively known as the 'tyrannical trio'—to head an agency supposed to combat corruption. Under his direction, the agency became an instrument for the systematic destruction of the rival faction. The trio's own supporters were left unscathed to continue their lucrative practices; but high-ranking officials, businessmen and officers belonging to the rival grouping—also headed by military and police officials—found themselves facing charges of corruption and tax evasion. Both the accused chief of police, who had created his own patronage network over a profitable decade, and his associate (newly appointed as Army Commander) faced financial ruin and political oblivion. Fearing the worst, they decided to strike first. The massive student demonstration demanding a constitutional government in October 1973, expressing near-complete public disillusionment with the rampant corruption of the regime, provided the occasion. When students defied Praphat's

attempts at repression, the Army Commander refused to obey orders, and the King intervened. The tyrannical trio were deposed. It was the dawning of democracy.<sup>58</sup>

### **The rise of business**

Following the turbulence of the 1970s (including a swing back to military rule) the situation seemed to have stabilized around a bureaucratic-business-parliamentary-consensus. The 'compromise' was epitomized in the man who was Prime Minister throughout most of the 1980s—General Prem, formerly Army Commander-in-Chief—directing civilian Cabinets, under the benevolent auspices of the King.

A number of important changes took place. First, civilian politicians, linked with business interests, became more prominent (giving rise to frequent allegations of corruption). Second, the business sector itself was changing from individual or family-run enterprises into professionally managed corporations, organized into industry-wide associations with direct input into bureaucratic and governmental decision-making. Finally (as also in Indonesia) there was a significant change in the direction of economic activity; from inward-looking and inefficient import-substitution industrialization (providing many opportunities for collusion and corruption among tariff-protected interests, including state enterprises) into freer, market-driven, expansionist, export-oriented industrialization.<sup>59</sup>

No less remarkable has been the shift in the social valuation of business. 'Business leadership has moved from the position of being pariah entrepreneurs', as a well-known Thai resource economist puts it, 'to one that is near the center stage in politics in recent years.' The early relationship was a patron-client one with the army generals as patrons providing 'protection', while the protected Chinese businessmen did well for themselves by exploiting the various monopoly powers granted them by the generals for their mutual benefit. The 'democratic period' of the early 1970s was the real turning-point. Bankers and industrialists 'began to feel more secure about their right to hold on to their wealth', while politicians (as well as generals) needed money—'coups and elections cost a great deal of money'.<sup>60</sup>

As a result, between 1983 and 1988 there were more than three times as many parliamentarians with business backgrounds as there were with bureaucratic careers. Nearly half Prem's Cabinet ministers were businessmen. In part, Anek concludes, these moves reflect the successful integration of ethnic Chinese into Thai society. By the early 1970s, for



example, children of (mostly Chinese) businessmen formed almost one-third of the bureaucratic elite.<sup>61</sup>

The political and social significance of modern business was further enhanced by the shift from import substitution to export promotion. The early import-substitution phase, as Pasuk points out, was associated with a particular coalition of interests—notably the military and associated corporate and other ‘protected’ interests. The military, formerly so powerful, found itself in the early 1980s fighting to retain control over the process of economic policy-making in order to defend its budget against technocratic proponents of fiscal austerity and economic reform. (Key military figures had also acquired personal interests in import substituting business.) Moreover, the military tended to support the overvalued exchange rate (linked to import substitution policies) because it enabled sophisticated overseas weaponry to be bought more cheaply.<sup>62</sup>

During this critical period, from the early to mid-1980s, when Thailand was suffering from the international recession (as well as increased oil prices) inflation rose while economic growth fell (and with it government revenue) and the trade imbalance increased alarmingly. Technocrats in the National Economic and Social Development Board, backed by the Prem government, pressed for a series of policy reforms to avert the danger of economic collapse. Increasingly assertive business organizations, such as the Association of Thai Industries, the Board of Trade, Thai Bankers’ Association and the Chamber of Commerce moved in the same direction, seeking formal representation on government advisory boards, direct personal contacts with important policy-makers, and pressure through their representatives in parliament.<sup>63</sup>

Against the backdrop of economic crisis, a series of policy reforms were carried out—including successive devaluations of the currency, reduction in tariffs, tax reforms, a new credit policy and export promotion. The economy was reoriented into a new phase of export-led growth. It responded dramatically to these changes. The GNP growth rate doubled to more than 8 per cent from 1986 to 1987 and rose even higher in subsequent years. It was accompanied by a huge increase in foreign investment, especially from Japan, but also from the European Community and the USA.

The key player in this striking transformation, Pasuk argues, was the business sector—even more so than domestic technocrats and foreign institutions. Indeed, the change has been viewed by one of the leading technocrats (also a strong proponent of government-business collaboration) as reflecting a shift from ‘decadent capitalism’, characterized by corrupt dealing between officials and businessmen, to ‘mature capitalism’, revealed by open consultative procedures, and above all, ‘government’s displayed

responsiveness to the legitimate requests of business representatives, and the deregulation of the economy'.<sup>64</sup> This assessment is premature (see the next section); but there is no doubt about the dynamism, if not the social 'maturity', of Thai capitalism. Indeed, Hewison's detailed study demonstrates the concentrated force of capitalism in all major sectors—above all, financial, but also industrial, commercial and agricultural.<sup>65</sup>

Why, then, in view of the widespread belief in the 'success' of this new model of development, combining 'political maturity with economic dynamism',<sup>66</sup> did the 'old order' intervene?

### **The coup and corruption**

The Armed Forces Supreme Commander announced total seizure of power over Army Television on 23 February 1991. The so-called National Peacekeeping Council (a curious denomination in the absence of civil strife) gave several reasons for seizing power, including the need to maintain democratic rule (*sic*) under His Majesty the King. Others were: corruption; political appointees' interference in bureaucratic affairs (referring to the former Prime Minister's 'brains trust' of civilian advisers); the Chatichai government's practice of 'parliamentary dictatorship' (a strange way to describe a supposedly democratizing process; but see the next accusation); the government's alleged attempt to destroy the 'military institution' (undoubtedly the real ground for the military coup); and allegations of an obscure assassination plot, implicating military dissidents, against the monarchy. It was left to a former national security chief to spell out 'rampant corruption' and misinformation (about the plot) as 'wicked things' which required the overthrow of the Chatichai government.<sup>67</sup>

The allegations of 'wickedness' indicate moral standards which have been deformed or corrupted. Such accusations conveniently divert attention from the real interests prompting military intervention—that is, to preserve the power and privilege of the current military leadership from the elected government's efforts to curb them ('parliamentary dictatorship')—to normative issues. Yet this is not simply a matter of opportunism. 'Civilized' ways of behaviour, for modernizing Thai elites, require the emulation of Western values, signifying that corruption is not only 'shameful', but 'backward'. Hence the continuing ambiguity in Thailand between ideal standards and material practices.

On the one hand, customary informal or undercover arrangements between holders of power and wealth express what could without exaggeration be described as a culture of corruption. On the other hand,

the incongruity between what is 'right' and what is 'not right'—expressed in Thai in the highest moral terms—has long been recognized. It is basic to accusations of 'wrong' or 'impure' conduct, notably corruption, as between one military clique and its rivals, between bureaucrats and politicians, between certain elements of the military (populists) and elements of business ('greedy capitalists'), and of course between student idealists and all the rest.<sup>68</sup>

The 1991 coup leaders' charges of corruption against the former coalition government, which were justified, and of 'subversion', which were not, thus reflect a long history of civil-military relations. Marshal Sarit's coups of 1957 and 1958 were entirely in keeping with this tradition. After staging his second coup, for example, Sarit abrogated the constitution (as did the 1991 coup leaders), dissolved the Assembly, banned political parties (and trade unions), controlled the press, arrested 'leftists' and ruled by martial law. Military intervention was necessary, Sarit claimed (as did the 1991 coup leaders), because 'evils and corrupt practices had multiplied [under the former regime]. Subversion of the government was the order of the day.... The National Assembly, the press, and certain labour circles had also succumbed [to subversion]'.<sup>69</sup>

Yet Sarit had been hardly less involved in corruption than his predecessors, and once in office was to amass a fortune. 'His character', a contemporary observer points out, 'was a combination of the ruthless gangster, the traditional lavish oriental despot, and the shrewd judge of expertise. He built up immense private interests for himself in banking, real estate, construction contracting, and other sectors. He placed his trusted friends in key positions to make money for him and hold people's loyalty by both gratitude and fear.'<sup>70</sup>

A decade later, the 'shameful' corrupt practices of Sarit's successors (the 'tyrannical trio') were no less strongly castigated by the student vanguard of 'civil society' during the dramatic events inaugurating the 'democratic period'. At the same time, business was emerging as a respectable, autonomous force (no longer 'pariah entrepreneurs') with the inclusion of university educated people and staff working in modern establishments, and having a material interest in the new parliamentary politics and a social interest in a freer, more democratic society. But even after the military rulers had been displaced, bureaucrats, businesspeople and politicians continued to behave corruptly and, in a more open society, were even more subject to allegations of corruption. 'Clique-based favoritism and patronage' remained 'one of the main forms of bureaucratic corruption in Thailand'.<sup>71</sup> Nevertheless, the bureaucrats, from their higher social standing, looked down disdainfully at parliamentarians 'obsessed by money... [regarding] every item in the budget with the constant thought:

“What’s in this for me and how much?”<sup>72</sup> Although members of parliament did lay themselves open to charges of corruption, as David Morell explains, this was petty corruption compared with the ‘truly enormous’ bribes being paid at that time in various government ministries and agencies (national development, transport, highways, police, etc.) with ‘millions of baht changing hands in a single transaction’.<sup>73</sup>

The influence of wealth on power took on new forms of corrupt behaviour corresponding to the evolution of the political process and of economic expansion. Throughout the 1980s ‘money politics’ featured prominently in electoral and party competition. Newly emerging politicians, without traditional bureaucratic connections to help them,<sup>74</sup> needed money for their electoral campaigns or, more crudely, to buy votes. At the same time, new sources of money were available in an increasingly commercialized society. In addition to business contributions to favoured politicians, there were large sums of ‘black money’ — the proceeds of illegal gambling, prostitution, drinking and logging activities—ready to be ‘laundered’ politically in a mutually profitable deal. In the Thai version of the ‘bargaining culture’, the ‘local mafia’ provided funds to aspiring politicians who, when elected, returned the favour by ‘protecting’ their godfathers, channelling contracts in the latter’s direction and ensuring that they would share in government handouts intended to prepare the constituency for the next election.<sup>75</sup>

A revealing account focuses on the ‘political culture’ of the godfathers (*jao pho*) who in recent years have played a substantial part in getting members of parliament elected. ‘Many *jao pho* [*sic*] have become immensely wealthy, paying off senior local officials and police to ensure they would not cross swords with the law-enforcement agencies. Like their American mafia counterparts, they normally control a host of legitimate enterprises, such as construction, manufacturing, transport and mining.’ Even Cabinet ministers in the past have been known to favor *jao pho* friends in construction and land development.<sup>76</sup>

During the Chatichai era (1988 to February 1991) in particular, when money-conscious political parties found ever greater scope for trafficking under booming economic conditions, so the godfathers flourished, exploiting the ‘pluralist’ political system and the corrupt possibilities that went with it.<sup>77</sup> What tipped the balance, in the military attitude towards the Chatichai government, was not so much corruption (a practice in which the military was proficient) as confrontation. For the new Prime Minister’s policies threatened military interests, in three important aspects. First, Chatichai had declared a radical shift in foreign policy towards Vietnam and Cambodia, envisaging ‘the market place replacing the battleground’, which was contrary to the security and material interests of certain factions in the military

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and other hardliners. Second, the Prime Minister's 'brains trust' of youngish and mostly academic advisers showed disrespect for the old ways to the point (in one case) of critical statements about military practices, including corruption, referring to generals who had themselves been attacking 'big capitalists' and 'greedy politicians'. Finally, and this was the most threatening move of all, Chatichai announced the appointment of a former Army Commander-in-Chief (who had turned politician and was now opposed to the current army leadership), as deputy Minister of Defence. It was Chatichai's intended visit to confirm the appointment with the King that precipitated the coup.<sup>78</sup>

Even before the coup, in a review of *The Military in Thai Politics*,<sup>79</sup> I come to this conclusion:<sup>3</sup>

What kind of democracy (or semi-democracy) is possible, when the military remains powerful... whose ambitious leaders search for new ways to promote their personal and 'corporate' interests, when a dynamic business class operates an effective partnership with top bureaucrats and politicians, and when cabinet ministers seem as much concerned with the economic, as with the political, payoffs of office?

### **Corruption and democracy**

The complex interaction of the major constituents of the Thai polity—military and government officials, business, technocrats, political parties and other elements of civil society, and the King himself—was dramatically revealed during the next fifteen months.

First, the February 1991 coup was a blatant reassertion of military 'right to rule' following a decade of seeming 'adjustment' to a parliamentary regime. Military 'right' reappeared in these variant forms (intervention and adjustment) during and after the year-long 'caretaker' government of technocrats, installed by the military, but headed by a respected business leader (and former top diplomat) Anand Panyarachun.

In preparation for the March 1992 elections, intended to legitimize their power, the 1991 coup leaders ('Class 5' graduates from the military academy who had monopolized positions of command) either created new parties or transformed existing ones under military direction. Chatichai's own party (Chart Thai) was taken over by a retired Air Chief-Marshal, who was closely connected to the Air Force chief, one of the leading figures in the coup. An even greater indignity was the imposition of a retired Army General, loyal to Army Commander Suchinda, as Secretary-

General of Kukrit's Social Action Party—Kukrit, the veteran royalist politician and a man celebrated (and therefore suspect to the military) for his independence of mind.

This indirect strategy of the coup leaders—'adjusting' to the political process—seemed to have paid off with the hard-earned victory of pro-military parties in the March 1992 elections. But it was not without irony that the military leaders' client, heading the largest party, and who was therefore nominated as Prime Minister, had to resign following allegations of drug-trafficking. This was bad enough. But it was the succession of the man who pulled the strings, General Suchinda, as prime minister that really aroused the opposition of the non-military parties, and particularly of the Buddhist-inspired moral crusader, General Chamlong, formerly Governor of Bangkok, and of an increasingly resentful urban public opinion.

Protestation turned to demonstration in May 1992 as tens of thousands of people rallied in Bangkok and provincial cities against the appointment of the unelected Suchinda as Prime Minister. Between 17 May and 20 May, troops repeatedly fired on these unarmed demonstrators, killing at least forty-six people and probably many more (among several hundred who 'disappeared'). Such was the popular outrage and its international impact—resulting, for example, in the largest single fall ever recorded in the stock exchange—that the King himself had to intervene to end the crisis. (Suchinda was compelled to resign; the second Anand government abolished the 'peace-keeping' command; and a new 'professional' military leadership was installed.)

The second element in the triangle: businesspeople (and the King) had indeed accepted the February 1991 coup against an evidently corrupt and potentially destabilizing civilian regime (the Chatichai government); they continued their favourable attitude towards the military so long as the situation remained calm. Business and the monarchy alike welcomed the technocratic, reforming Anand caretaker regime. But when post-election military violence plunged the country into crisis, seriously affecting the confidence of foreign and domestic investors, such a hands-off stance was no longer tenable. Business interests were by now an important consideration, given Thailand's place in the world economy. But in the immediacy of crisis, it was the King's 'catalytic' role that proved decisive. Perhaps only such a highly symbolic intervention could have resolved the bitter confrontation between military power and 'people power'.

The third element comprised the political parties, the major beneficiaries of the settlement. Further general elections, in September 1992, despite the prevalence of money politics, gave the edge to the parties that had been opposed to military pretensions. Yet the incoming government, headed by the honest and cautious Chuan Leekpai (leader of the long-

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established Democrats) faced serious problems: the near-equality of pro-military deputies and their opponents in the House of Representatives, which a slight shift of allegiance in the competition for material advantage could easily upset; the division between the more politically responsive and richer urban electorate and the poor and more traditional rural constituencies, where vote buying is a way of life—a division that reflects the paradox of a developing country where two-thirds of the working population live in rural areas, while the contribution of agriculture to gross domestic product is less than one-fifth; and finally the perennial problem of ‘rent-seeking’ politicians,<sup>80</sup> notably those returned to power in the July 1995 elections, whose selfishness and rapacity not only provide a self-justifying inducement to the military to intervene, but discredit the democratic process.

## CONCLUSION

What are the lessons from these diverse cases? Despite socio-economic changes, characteristic features of power corruption and political-economy corruption endure in the Philippines. These remain key elements of the situation: gross social inequality, exacerbated by population pressures; politicians representing landowning as well as commercial and professional interests, who exploit state power in order to accumulate status and wealth; and, despite outbursts of frustration (‘people power’), the return to ‘routinization’ once calm has been restored.

In Indonesia, there is continued military domination of the political process, associated with a weak and dependent civil society. Sporadic attempts at institutionalizing business relations with the regime fit uneasily with enormously profitable ‘undercover’ networks bringing together ‘alien’ conglomerates and powerful patrons. Consequently, power-corruption still flourishes, while political-economy corruption is modified by technocratic ‘economic rationality’ and international support. Meanwhile, the so-far undisputed leader, President Soeharto, maintains a delicate balance between the military, on the one hand, and a disparate assortment of technocrats, technologists and coopted representatives of Islam, on the other.

Thailand, which has advanced further both in economic and political development than either the Philippines or Indonesia, has (as might be expected) engendered new forms of corruption in conformity with social and economic changes. But civic values also (and this was not

expected) have demonstrated—at least, in a state of crisis—their countervailing power.

Evidently, corruption is still ‘functional’ in Indonesia, where undercover arrangements between ethnic Chinese conglomerates and leading generals, politicians and bureaucrats maintain a mutually profitable exchange between wealth and power. But corruption is also functional in Thailand, although its locus has been shifting from bureaucrat-business relations to a new partnership between the government of elected politicians and national and provincial business people. The forms of corruption in Thailand have also evolved in response to the opportunities offered by an expanding economy and more open and contested politics.

Indeed, the role of local godfathers (*jao pho*) has become a crucial ingredient in a multi-dimensional context—bureaucratic, business and electoral politics—throughout provincial Thailand. *Jao pho*, as ‘fixers’, play a vital intermediate role, both legally and illegally, acting as brokers between villagers and local officials, mobilizing popular support for political candidates, pressuring (or bribing) compliant officials to support dubious ventures (or look the other way) and developing new forms of enterprise (such as trucking produce to market, establishing local industries in the countryside, and servicing agribusiness) in an economy of rapid growth. Meanwhile, at the national political level, opportunities for corruption correspond to the ever-increasing scale of public works’ construction, communications, transport, rural and industrial contracts with none too scrupulous local and multinational enterprises.

Conversely, awareness of the ‘dysfunctional’ costs of corruption is also growing, not only among the technocrats (who have consistently deplored, in Indonesia and the Philippines as well as in Thailand, any deviation from economic rationality), but also among the general public in these countries, and particularly among the most vocal, and influential, elements of civil society. The spontaneous outbreak of disgust manifested by ‘people power’ against ‘crony capitalists’ in the Philippines under Marcos was replicated almost a decade later by the massive demonstrations in Bangkok and provincial centres in 1992, in which young professionals and executives took a leading part.

Moreover, in Thailand, a different type of politician is emerging—of middle-class background, professional experience, investigative and assertive character and national rather than parochial outlook—acting as a leaven in the mass of traditional or opportunistic politicians. Moreover, in both Thailand and the Philippines, the media have taken



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full advantage of the more open political climate to expose scandalous corruption—as well as bloody crimes and passionate love affairs. Even in Indonesia, Soeharto's reaching out to 'responsible' elements outside the bureaucracy (to counterbalance his lessening influence among the military) has emboldened members of civil society to protest against the more blatant instances of power corruption and political economy corruption.

Thus, normative strengths elsewhere in society offset, to a varying extent, the still pervasive impact of corruption in all three countries. Structurally, because of the entrenched wealth and power of extraordinarily selfish socio-economic elites in the Philippines, the extent of collusion and corruption may be least affected by normative pressures—despite the appearance of free institutions. In Thailand, by contrast, the struggle for social reform and to counter corruption is more evenly balanced between issue-oriented urban politicians (associated with more institutionalized and outward-looking big business) and the more traditional, and far poorer rural electorate and its 'patrons', who regard vote-buying and selling as a matter of material improvement. Echoing a common assumption, 'Corruption is as yet the most effective method of bringing development programs...to the countryside', as one analyst reports.<sup>81</sup> Only as the proportion of rural inhabitants to the total population gradually declines, will this structural impediment to 'modernization' be seriously breached.

Finally, there is Indonesia, where normative strengths are not so easily perceived in a country subject for so long to the most far-reaching military controls. The resulting 'stability', if not a value in itself, can still be regarded as a precondition for the nurturing and assertion of values. More positive is the achievement of 'performance legitimacy', whereby strategic sections of the population (notably civil servants, professionals, landholders) tacitly consent to an authoritarian regime that has greatly improved their living standards. Such an achievement is all the more striking in comparison with the misallocation of resources by other oil-producing nations, such as Nigeria. No less significant for the future is Soeharto's 'accommodation' of the technocrats (attacking corruption on grounds of economic inefficiency) and of elements of civil society (striving for a more open, pluralistic society). Perhaps it is in this way that the more blatant forms of corruption—the 'excessive' feature of 'developmental authoritarianism', manifested from the very top downwards—may gradually give way to the more modest 'collusion', or mixed private/public interest, that is characteristic of modern society.

## NOTES

- 1 Harold Crouch, 'Indonesia: an uncertain outlook', *Southeast Asian Affairs 1994* (Singapore: Institute of Southeast Asian Studies, 1994) p. 143.
- 2 Drawn from J. Girling 'Democracy and development in Southeast Asia', *Pacific Review*, 1 (4), 1988.
- 3 In *World Tables 1992* (World Bank, 1992) average per capita incomes were Thailand, \$1,400; Philippines, over \$600; and Indonesia, over \$500. In 1978, however, the average per capita income in the Philippines was \$505 and that of Thailand \$484 (Indonesia \$340); Donald K. Crone, *The ASEAN States: Coping with Dependence* (New York: Praeger, 1983) Table 1.1, p. 3. The irony, as Ruth McVey notes, is that in the first postwar decades capitalism in the Philippines seemed to have the best chance of success in the region; but quite the opposite occurred. By the end of the 1980s Thailand, the paragon of the 'bureaucratic polity' (considered to stifle growth), had become the widely praised model of Southeast Asian transformation, while the Philippines was clearly the least successful of the non-socialist Southeast Asian states: 'The materialization of the Southeast Asian capitalist', in McVey (ed.) *Southeast Asian Capitalists* (Ithaca, New York: Cornell University, Southeast Asian Studies, 1992) p. 17.
- 4 Introduction to Carl Landé, *Leaders, Factions, and Parties: The Structure of Philippine Politics* (New Haven: Yale University Southeast Asian Studies, 1965).
- 5 *Ibid.* pp. 1, 40.
- 6 *Ibid.* pp. 1-2, 5, 9-10, 42. A more critical observer noted that the national elite was increasingly putting its relations with clients on a specified commercial footing, freeing the elite from the traditional patron's obligations: Thomas Claus Nowak, 'Class and clientelist systems in the Philippines: the basis for instability' (Cornell doctoral dissertation: University Microfilms, 1974) p. 59.
- 7 Frank H. Golay, *The Philippines: Public Policy and National Economic Development* (Ithaca, New York: Cornell University Press, 1961), pp. 5, 10, 17 (n. 4); on class power based on land ownership (p. 23) and 'extensive poverty' and 'chronic desperation' of the peasantry (p. 24); on rapid population growth (in a Catholic country) and low taxation of large estates (pp. 270-71, 292-93, 421).
- 8 See also Benedict J. Kerkvliet, *The Huk Rebellion: A Study of Peasant Revolt in the Philippines* (Berkeley: University of California Press, 1977) pointing to the moderate demands of desperate peasants, which got nowhere. Rebellion was a last resort: pp. 252-55.
- 9 Golay, *Philippines*, pp. 408-9.
- 10 Ranis Report (Manila, 1974) and studies by Arturo Sorongon (landed estates), Thomas Nowak and Kay Snider (economic concentration): quoted by David Wurfel, *Filipino Politics: Development and Decay* (Ithaca, New York: Cornell University Press, 1988) pp. 54-55, 62. In 1971, one year before the Marcos takeover, the average income of the top 20 per cent of the population was about fifteen times greater than the bottom 20 per cent. 'The incidence of poverty is disturbingly high for a country experiencing thirty years of sustained economic growth': Hal Hill and Sisira Jayasuriya, *The Philippines: Growth, Debt and Crisis: Economic Performance during the Marcos Era* (Canberra:

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- Development Studies Centre, Australian National University, 1985) pp. 44–46. The top 5 per cent of important stockholding families in the pre-Marcos era controlled a mean of 60.7 per cent of corporate assets: Nowak, 'Class and clientelist systems', pp. 102, 104.
- 11 Wurfel, *Filipino Politics*, p. 82.
  - 12 Dante C. Simbulan, 'A study of the socio-economic elite in Philippine politics and government, 1946–1963' (Australian National University, unpublished doctoral thesis, 1965) p. 142.
  - 13 Ibid. p. 281.
  - 14 Ibid. p. 295. Simbulan provides detailed statistics of incomes, education, age of entry, occupational status, regional upbringing of the political elite (pp. 81–208) and an appendix of politically dominant families, by provinces (pp. 430–46). See also Wurfel, *Filipino Politics*, on pork barrel projects, p. 86. Nowak points out that 'individual dynasties' were culturally and economically localized; congressional government was thus an easy way to structure competition among the elite (in the semblance of democratic politics): 'Class and clientelist systems', p. 48 n. 12.
  - 15 William H. Overholt, 'Pressures and policies: prospects for Cory Aquino's Philippines', in Carl H. Landé (ed.) *Rebuilding a Nation: Philippine Challenges and American Policy* (Washington DC: Washington Institute Press, 1987) pp. 89–90. A major factor in the spread of corruption, as Benedict Anderson points out, was the vast increase in the suffrage after independence, which effectively drove up the cost of elections: personal communication, May 1992.
  - 16 Hill and Jayasuriya, *Growth, Debt and Crisis*, pp. 49–51.
  - 17 Wurfel, *Filipino Politics*, p. 117.
  - 18 Landé, *Rebuilding a Nation*, Introduction, p. 13.
  - 19 Wurfel, *Filipino Politics*, pp. 124–27. In March 1994, an American jury awarded \$1.2 billion in exemplary damages to some 10,000 victims of human rights abuses under the Marcos regime.
  - 20 *Filipino Politics*, pp. 137–8; see also Hill and Jayasuriya on 'political structures and 'crony capitalism'', *Growth, Debt and Crisis*, p. 80. There was nothing new about corruption, Gary Hawes agrees; what was unusual was its extent. Because the government was vastly more powerful under martial law, so opportunities for corruption were greater. He quotes a former Cabinet minister: 'Proximity to the seat of power has always been the source of wealth in the Philippine political economy: sugar quotas, dollar quotas, tax exemptions, etc., have always been important', Gary Hawes, 'Marcos, his cronies, and the Philippines' failure to develop', in McVey (ed.) *Southeast Asian Capitalists*, pp. 146–47. Only in 1995 did the Swiss government restore \$500 million of Marcos funds held in Swiss bank accounts to the Philippine authorities. The latter estimate the former dictator's corrupt holdings at more than \$10 billion.
  - 21 David Wurfel, 'The political economy of Philippine agrarian policy', University of Windsor (unpublished paper) 1984, pp. 15–17.
  - 22 Sheila S. Coronel, 'Dateline Philippines: the lost revolution', *Foreign Policy*, no. 84, Fall 1991, pp. 171–2. Rigoberto Tiglao reported in 1991 that Ccjuangco was also 'well on the road towards organizing a national political machine for the 1992 presidential elections': 'Philippines', *Far Eastern Economic Review* (henceforth *FEER*), 21 March 1991.

- 23 Wurfel, 'Political Economy', pp. 12–14; see also his 'Trends in national political elite composition', Australian National University conference, June 1983, p. 17. On the 'politically-allocated monopolies', see also Hawes, 'Marcos, his cronies', pp. 156–58.
- 24 On the fragmented old elite and the emergence of new business conglomerates and popular organizations, see Rigoberto Tiglao, 'March of pluralism', *FEER*, 5 September 1991.
- 25 Coronel, 'Lost Revolution', pp. 166–67. The government that succeeded Marcos, as Hawes states, faced the same underlying political economy, the same social traditions and linkage between wealth and political power: 'Marcos, his cronies', p. 160.
- 26 Coronel, 'Lost revolution', pp. 167–69. Note the similar critique of David G. Timberman, 'The Philippines in 1990: on shaky ground', *Asian Survey*, February 1991: 'a growing crisis of confidence', p. 154; 'glacial pace' of land reform', p. 157; 'economy in crisis', pp. 158–61.
- 27 Coronel, 'Lost revolution', pp. 170–71; Timberman, 'Philippines', pp. 157–58. The Senate Committee on Justice and Human Rights concluded in April 1990 that human rights violations were rampant and that many were committed by the military, the police and other government supported organizations. See the detailed survey by Mark Turner, 'Human rights in the Philippines' in John Girling (ed.), *Human Rights in the Asia-Pacific Region* (Canberra: Australian National University, 1991) pp. 62–73.
- 28 Coronel, 'Lost revolution', pp. 168, 172–73.
- 29 Rigoberto Tiglao, *FEER*, 28 May, 9 July, and 3 September 1992.
- 30 Report of 22 October, cited by Tiglao and Rodney Tasker, *FEER*, 24–31 December 1992.
- 31 Reginald Chua, reporting from Manila, *Straits Times*, 16 February 1993. Hence Ramos's appeal, in his independence day address, for drastic economic reforms. 'Our basic concern is to dismantle the structure of protectionism and control, bring down the monopolies and cartels built up by crony capitalism' so as to 'reconcile our oligarchic economy with our political democracy': *Straits Times*, 13 June 1993. Indeed, the Ramos 'strategic framework' for political and economic renewal specifically requires: (i) restoring political and civic responsibility; (ii) opening up the economy, by dismantling monopolies and cartels that are injurious to public interests; and (iii) addressing the problems of corruption and criminality: Estrella D. Solidum, 'The Philippines: moving the country forward', *Southeast Asian Affairs 1994*, pp. 233–34. See also Michael Pinches, 'The Philippines', in Richard Robison and David S.G. Goodman (eds) *The New Rich in Asia* (London: Routledge, 1996) especially on increasing pressure from the middle class and new entrepreneurs on 'patrimonial' elites, pp. 115–127.
- 32 *The Social History of an Indonesian Town* (Cambridge, Mass.: MIT Press, 1965) pp. 8–9.
- 33 Ann Ruth Willner, 'Indonesia' in Lucian W. Pye (ed.) *Cases in Comparative Politics: Asia* (Boston: Little, Brown, 1970) pp. 250–51.
- 34 Ruth McVey, 'Introduction', *Soekarno, Nationalism, Islam, and Marxism* (Ithaca, New York: Cornell University Press, 1970) original 1926.
- 35 Daniel S. Lev, 'Judicial institutions and legal culture in Indonesia', in Claire Holt (ed.) *Culture and Politics in Indonesia* (Ithaca, New York: Cornell University Press, 1972) pp. 258–59. On Sukarno as 'solidarity-maker' versus

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the 'administrators', see Herbert Feith, *The Decline of Constitutional Democracy in Indonesia* (Ithaca, New York: Cornell University Press, 1962). On 'The idea of power in Javanese culture', and Sukarno's accumulation of power, see Benedict R.O'G. Anderson in Holt, *Culture and Politics*, pp. 7–22, 63–69.

- 36 Benedict R. O'G. Anderson, 'Old state, new society: Indonesia's New Order in comparative historical perspective', *Journal of Asian Studies*, xlii (3). 1983, p. 486.
- 37 Benedict Anderson; personal communication, May 1992. I am grateful for his comments on Indonesia and the Philippines.
- 38 R. William Liddle, 'Soeharto's Indonesia: personal rule and political institutions', *Pacific Affairs*, 58 (1), Spring 1985, pp. 70–71. See also Harold Crouch, *The Army and Politics in Indonesia* (Ithaca, New York: Cornell University Press, 1978) on Soeharto's consolidation of power following the destruction of the Communist Party of Indonesia and its mass organizations in 1965–66; on the formation of Kopkamtib (operational command to restore security and order) and Bakin (intelligence coordination) pp. 222–23; military penetration of the civil service and regional administration, pp. 242–44.
- 39 Liddle, 'Soeharto's Indonesia', pp. 78–79.
- 40 Donald K. Emmerson, 'The military and development in Indonesia' in J. Soedjati Djiwandono and Yong Mun Cheong (eds) *Soldiers and Stability in Southeast Asia* (Singapore: Institute of Southeast Asian Studies, 1988) p. 123.
- 41 Crouch, *Army and Politics*, p. 244. As Liddle puts it, one characteristic is clear, and that is that 'President Soeharto makes sure that joint government-private businesses of which he or one of his lieutenants disapproves do not prosper.... On the other hand, it is generally believed that both corruption and the *cukong* system are organized in a way that distributes the benefits widely throughout the system': 'Soeharto's Indonesia', p. 79.
- 42 Richard Robison, *Indonesia: The Rise of Capitalism* (Sydney: Allen & Unwin for Asian Studies Association of Australia, 1986) p. 140. The Indonesian military were involved in economic activities from the early 1950s, but especially from 1958–59 when they controlled the bulk of nationalized Dutch enterprises: pp. 250–51. Robison lists the major 'financial generals', pp. 252–53. The *Kostrad* Business Group, in particular, was connected with the group of officers which came to dominate positions of real power and influence in the New Order. Chinese businessmen most closely associated with General Soeharto prior to 1965, notably Liem Sioe Liong and 'Bob' Hasan, rose rapidly: p. 263. The current network of the Liem group is shown at Table 9.4, pp. 298–300; Soeharto family interests at Table 10.3, pp. 344–45.
- 43 *Ibid.* p. 234. Pertamina's funds, besides enriching its officials, as well as other political and military leaders, helped make up (along with other sources) more than half the real military budget: *ibid.* p. 239. (On the Sutowo group network, see pp. 350–54). See also Crouch on 'unconventional financing' to supplement the official military budget: *Military and Politics*, pp. 274–76.
- 44 Robison, *Rise of Capitalism*, pp. 239–43.
- 45 *Ibid.* pp. 224, 273–75; see also pp. 325–28, 355–56, 363–67.
- 46 'The style of national leadership that has concentrated all power in its own hands' as well as developing a 'culture of corruption' was criticized in the 1978 student 'White Book', which was banned within days of its appearance. The 'voice of the little people, who live under the oppression and repression

of the "elite" forces, never reaches the ear of the government': White Book of the Student Council of Bandung Institute of Technology, translated in *Indonesia*, no. 25, April 1978, pp. 154, 164. The chief of the Indonesian security agency, Admiral Sudomo, warned in 1980 that he would 'crack down' on newspapers publishing unauthorized information on corruption: *Straits Times*, 4 March 1980. Protests by urban intellectuals and dissident military officers continue, but they have little impact on the regime. The 1991 Dili massacre is but one instance of the 'normal' operation of the power structure, facing obstruction. Yet President Soeharto's action against the military leaders involved is at least a response to widespread international condemnation. Indonesia was condemned in March 1993 by the UN Commission on Human Rights. Note too Amnesty International's indictment, 'Power and Impunity', October 1994. In 1995, members of the Alliance of Independent Journalists were arrested, because of their investigative reports on the wealth of Soeharto family members and of the Information Minister, Harmoko: Philip Shenon, *Guardian Weekly*, 23 April 1995.

- 47 Liddle, 'Soeharto's Indonesia', pp. 78–80. But see also Robison, *Rise of Capitalism*, pp. 229–32, on official charges of waste, corruption and incompetence directed at 'Bulog', the state agency controlling the distribution and pricing of foods intended to provide the material basis for political and social order. The Indonesian government's productive allocation of oil revenues in the rural sector is, however, in marked contrast to the wasteful and disruptive use of funds in other oil-producing countries at a similar stage of development, such as Nigeria: Emmerson, 'Military and Development', p. 111. Moreover, reduction of poverty under the New Order has been substantial: from 40 per cent of the population in the 1970s to about 15 per cent in 1990: Indonesian Central Bureau of Statistics, reported *Straits Times*, 6 June 1993.
- 48 Andrew MacIntyre, *Politics and the Reorientation of Economic Policy in Indonesia* (Nathan, Queensland: Griffith University Centre for the Study of Australia-Asia Relations, 1989) pp. 3, 16–20. See also Robison, *Rise of Capitalism*, on the need for efficiency, profitability and achievement of specific targets in the context of declining oil revenues: pp. 245–46, 374–75.
- 49 World Bank report, quoted by Adam Schwarz, 'Indonesia 1991', *FEER*, 18 April 1991.
- 50 MacIntyre, *Reorientation*, pp. 9–11. See also Robison's summary of the 1981 World Bank report on Indonesia, recommending efficient, predictable and rational procedures for export-oriented, free market policies: *Rise of Capitalism*, pp. 379–80.
- 51 *Reorientation*, p. 21. Robison, too, points to the effects of free market and deregulatory policies on a 'neo-mercantile and patrimonial system' inextricably linked with the political controls imposed by a military dominated regime. Although he cautions against any 'necessary' connection with political liberalization, he notes a trend towards greater accountability, broadening the social basis of the regime: 'The Politics of Deregulation in Indonesia', Australian National University seminar paper, 1 October 1991. See also Donald K. Emmerson on increased public access to information about Indonesia's corporate structures, but also increased criticism of conglomerates, many of them run or backed by Indonesians of Chinese descent: 'Indonesia in 1990', *Asian Survey*, February 1991, p. 187.

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- 52 Mari Pangestu, 'Indonesia', in Ng Chee Yuen and Pang Eng Fong (eds) *The State and Economic Development in the Asia-Pacific* (Singapore: Institute of Southeast Asian Studies, 1993) pp. 113–15. Robison in a recent work also sees the spillover effect from economic to political liberalism as 'problematic': 'Indonesia' in Kevin Hewison, Richard Robison and Garry Rodan (eds) *Southeast Asia in the 1990s: Authoritarianism, Democracy and Capitalism* (Sydney: Allen & Unwin, 1993) pp. 57–59. From the standpoint of Chinese business, especially the conglomerates, 'their position is so vulnerable to social resentment that political stability takes clear precedence over any preferences for state accountability or the establishment of liberal or democratic reform': p. 58.
- 53 R. William Liddle, 'Current Political Developments in Indonesia', seminar at Institute of Southeast Asian Studies, Singapore, 18 March 1993, analysing the cabinet changes. Minister for Research and Technology Habibie, and his associates, have gained, while the technocrats have lost important positions. (The World Bank later protested strongly against the protectionist implications of these changes.) Sumitro, a leading technocrat, has however urged further deregulation of industry to promote economic growth; other senior economists have warned that 'expensive prestige projects' are contributing to the currently high wastage of development funds. Corruption and inefficiency, they point out, are eating into state budgets: *Straits Times*, 24 November 1993. Significantly, as Harold Crouch notes, at the same time as the government is urging industry to increase exports, the 'big conglomerates relied overwhelmingly on the domestic market in which their political connections ensured that they enjoyed high levels of protection': 'Indonesia: An Uncertain Outlook', *Southeast Asian Affairs* 1994, p. 143. And see Richard Robison, 'Indonesia' in Robison and Goodman (eds) *New Rich in Asia*, on the continuing reliance of the indigenous and Chinese bourgeoisie on the dirigiste and rent-seeking state, pp. 96–98.
- 54 Drawn from John L.S. Girling, *Thailand: Society and Politics* (Ithaca, New York: Cornell University Press, 1981) pp. 72–73. Much subsequent material used in this section, even if separately sourced, can be found in this account. Particularly useful for the 'democratic period' (early to mid-1970s) is the work by David Morell and Chai-Anan Samudavanija, *Political Conflict in Thailand: Reform, Reaction, Revolution* (Cambridge, Mass.: Oelgeschlager, Gunn & Hain, 1981). A valuable overview of state-economic relations is by Kevin Hewison, *Bankers and Bureaucrats: Capital and the Role of the State in Thailand* (New Haven: Yale University Southeast Asia Studies, 1989). See also the valuable study by Pasuk Phongpajit and Chris Baker, *Thailand: Economy and Politics* (Kuala Lumpur: Oxford University Press, 1995). For useful brief analyses, see Krirkkiat Phipatseritham and Kunio Yoshira, *Business Groups in Thailand* (Singapore: Institute of Southeast Asian Studies, 1983) and Akira Suehiro, 'Capitalist Development in Thailand: Commercial Bankers, Industrial Elite, and Agribusiness Groups', in McVey (ed.) *Southeast Asian Capitalists*.
- 55 G. William Skinner, *Leadership and Power in the Chinese Community of Thailand* (Ithaca, New York: Cornell University Press, 1958) pp. 177, 191. This and the companion volume, *Chinese Society in Thailand* (1957) are outstanding.

- 56 See T.H.Silcock, 'Outline of economic development 1945-65' in Silcock (ed.) *Thailand: Social and Economic Studies in Development* (Canberra: Australian National University Press, 1967) pp. 16-17; also Girling, *Thailand*, pp. 80-2.
- 57 Hewison emphasizes the importance of domestic (as distinct from international) capital and the facilitating role of the state. Thai-Chinese banking assets, in particular, amounted to nearly two-thirds of GNP in the early 1980s; they were controlled by sixteen corporate and family groups, notably the Bangkok Bank, the largest in Southeast Asia, an early ally of Sarit's followers, and linked to the Liem group in Indonesia as well as to conglomerates in Singapore and Hong Kong; *Bankers and bureaucrats*, pp. 96, 106, 171, 179.
- 58 See Morell and Chai-Anan, *Political Conflict*, pp. 145-49; Girling, *Thailand*, pp. 188-93.
- 59 On the role of business associations, see Anek Laothamatas, *JPPCC: Government-Business Collaboration as an Instrument for Economic Policy Reform in Thailand* (Nathan, Queensland: Griffith University Centre for the Study of Australia-Asia Relations, 1989), and his *From Bureaucratic Polity to Liberal Corporatism: Business Associations and the New Political Economy of Thailand* (Boulder: Westview, 1991). On the shift towards export orientation, see Pasuk Phongpaichit, *Technocrats, Businessmen and Generals: Democracy and Economic Policy-making in Thailand* (Nathan, Queensland: Griffith University CSAAR, 1989); also Hewison, *Bankers and Bureaucrats* and 'The Financial Bourgeoisie in Thailand', *Journal of Contemporary Asia*, 11 (4), 1981; and Medhi Krongkaew, 'Trends in the Thai economy and implications for Thailand's foreign economic policies', in Ansil Ramsay and Wiwat Mungkandi (eds) *Thailand-U.S. Relations: Changing Political, Strategic, and Economic Factors* (Berkeley: University of California, Institute of East Asian Studies, 1988).
- 60 Ammar Siamwalla, 'An Economic theory of patron-client relationships: with some examples from Thailand', paper for Thai-European Seminar on Social Change in Contemporary Thailand, University of Amsterdam, May 1980. Already by the 1960s political patronage was not as important to business expansion as access to foreign capital, advanced technology, capacity to mobilize capital funds, and market conditions; Akira Suehiro, *Capital Accumulation and Industrial Development in Thailand* (Bangkok: Chulalongkorn University, 1985); quoted by Ansil Ramsay, 'Contemporary Thai Political Evolution' in Ramsay and Wiwat, *Thailand-U.S. Relations*, p. 20. See also Norman Jacobs, *Modernization without Development: Thailand as an Asian Case Study* (New York: Praeger, 1971) on the 'pariah' era of economic unpredictability and political arbitrariness (pp. 153-69); on the enhanced opportunities for corruption, and its perception as due to 'failings of specific individuals' contrary to the modern developmental concept of corruption as an institutional failing (p. 321). Fred Riggs's influential study, *Thailand: The Modernization of a Bureaucratic Polity* (Honolulu: East-West Center Press, 1966) also characterizes the role of ethnic Chinese business as one of 'pariah entrepreneurship' at that time (pp. 250-52).
- 61 Research by Anek Laothamatas (communication).
- 62 Pasuk, *Technocrats, Businessmen and Generals*, p. 7; there was also a strong lobby of local entrepreneurs with a vested interest in protection, pp. 11-12. Pasuk's and Anek's papers in the Griffith University series are republished



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- in K.Jayasuriya and A.MacIntyre (eds) *The Dynamics of Economic Policy Reform in Southeast Asia and the Southwest Pacific* (Kuala Lumpur: Oxford University Press, 1992).
- 63 Ibid. pp. 1–3, 6, 8–11, 15–17; Medhi, 'Trends', pp. 237–43; Anek, *Government-Business Collaboration*, pp. 31–35.
- 64 Snoh Unakul, then Secretary-General of the National Economic and Social Development Board as well as Secretary of the government-sponsored Joint Public/Private Sector Consultative Committee, interviewed by Anek in 1987: *Government-Business Collaboration*, pp. 34–35.
- 65 *Bankers and Bureaucrats*: on banking, pp. 121, 179, 181–82, 192, 200, 204; on industry, especially pp. 160, 162 (interlocking shareholding); commercial, pp. 148–51; agricultural (agro-industry) pp. 132–36, 143–46.
- 66 *Bangkok Post* editorial, 24 February 1991—the day after the military coup. A Thai political scientist was expressing the common understanding when he wrote that the 'constitutional experience' of the 1980s had ruled out forcible military intervention: 'key civilian and military personages in Thai society seem to support peaceful political change through current constitutional means'. Coup d'état is a thing of the past: Pisan Suriyamongkol, *Institutionalization of Democratic Political Processes in Thailand* (Bangkok: Arunee Indrasuksri, 1988) pp. 77, 91.
- 67 'Chronology of the Takeover', *Bangkok Post*, 24 February 1991.
- 68 For illustration of these themes, including the (new) Western idealism, see Morell and Chai-Anan, *Political Conflict*, pp. 150, 162–63, and on the old bureaucratic morality, Girling, *Thailand*, pp. 151–52. Syed Hussain Alatas, *The Sociology of Corruption* (Singapore: Donald Moore, 1968) makes a similar point: pp. 56–57.
- 69 *Thailand*, p. 112.
- 70 Silcock, 'Economic development', p. 21. Shortly after Sarit's death (in 1963) it became evident that 'he had misappropriated a large amount of government funds for personal entertainment and investment in business ventures. While it had been an open secret that the Prime Minister had an insatiable appetite for sex, the public was not aware of the extent of his wealth nor the sources of his riches. This unsavory side of Sarit was a shock to the public', at least for a time; Thak Chaloeinthiarana, *Thailand: The Politics of Despotic Paternalism* (Bangkok: Social Science Association of Thailand and Thai Khadi Institute, 1979) pp. 335–36.
- 71 Morell and Chai-Anan, *Political Conflict*, pp. 48–9.
- 72 M.R.Kukrit Pramcuj, a renowned cultural figure and political commentator (later Prime Minister), in February 1969: quoted in Girling, *Thailand*, p. 158.
- 73 Morell, doctoral thesis, quoted *ibid.* p. 159 (see also n. 79).
- 74 See Clark Neher, *The Dynamics of Politics and Administration in Rural Thailand* (Athens, Ohio: Ohio University Center for International Studies, Southeast Asia Program, 1974) pp. 9, 73, on the former 'bureaucratic institutionalization' of shifting patron-client relations at the provincial level.
- 75 Illuminating accounts surfaced, especially after the 1991 coup (it was in the interest of the coup leaders to discredit the parliamentary process). Criticizing both sides, Andrew Brown, 'The Coup and Thai Democracy' emphasizes the 'predatory interests' of gangsterlike politicians/capitalists, the 'people of influence' exercising 'dark powers', who have come to occupy powerful

- positions, often financed by credit from Thai banks and facilitated by links with the police, military and civilian bureaucrats: Thai-Yunnan Project *Newsletter* (Canberra: Australian National University) no. 12, March 1991, p. 2. On the military and their corruption claims, see also Clark D. Neher, *Southeast Asia in the New International Era* (Boulder, Colo.: Westview, 1991) pp. 30–33.
- 76 Rodney Tasker, 'Junta decides to crack down on crime bosses', *FEER*, 18 April 1991. On local power structures, see Andrew Turton, 'Limits of ideological domination and the formation of social consciousness', in Turton and Stigebaru Tanabe (eds) *History and Peasant Consciousness in Southeast Asia* (Osaka: National Museum of Ethnology, 1984); and Philip Hirsch, 'The state in the village', *Development and Change*, 20, 1989, pp. 46–47.
- 77 Tasker, 18 April 1991. On parliamentary accusations and counter-charges of corruption in 1990, including the role of godfathers in the formation of new parties and the resentment of opposition parties 'excluded from access to lucrative ministries', see Scott R. Christensen, 'Thailand in 1990', *Asian Survey*, February 1991, pp. 198–200. 'Money is now central to electoral politics': Kevin Hewison, 'Thailand', in Hewison, Robison and Redan (eds) *Southeast Asia in the 1990s*, pp. 178–79; Hewison notes the 'reluctance' to examine the links between the 'dark influences', business, and officials. Three outstanding analyses of the role of godfathers are by Sombat Chantornvong, 'Local godfathers in Thai politics', paper for fifth International Conference on Thai Studies, London (SOAS), July 1993; Pasuk Phongpajit and Chris Baker, 'Jao Sua, Jao Poh, Jao Tii: lords of Thailand's transition', *ibid.*; and James Soren Ockey, 'Business leaders, gangsters, and the middle class', unpublished doctoral thesis, Cornell University, 1992. An important research project on corruption was undertaken by the Political Economy Centre of Chulalongkorn University: see conference proceedings (in Thai), 'Businesspeople, Technocrats, Politicians, and Generals', Bangkok, August 1993; and also in Thai, Sombat, 'The Role of local godfathers in Thai economy and politics', in Pasuk and Sungsidh (eds) *Rat thun jao pho thongthin kab sangkhom thai* (State, capital, local godfathers and Thai society) (Bangkok: Chulalongkorn University, 1992).
- 78 See the analysis by Kevin Hewison, 'Thai Politics in the 1990s: Back to the Future?' on the consolidation of military power by 'Class 5' graduates from the Military Academy: 'Thailand in Transition', Australian National University conference, 11 November 1991. Also see Rodney Tasker on the military-dominated, post-coup national assembly; the caretaker technocratic government (under a respected former career diplomat, victim of a former military coup, and prominent businessman), and plans for the future: *FEER* issues of 21, 28 March, 5, 19 September and 14 November 1991; indications were that Army Commander and effective coup leader, General Suchinda, planned to be the next Prime Minister under a suitably manipulated 'constitution'.
- 79 By Suchit Bunbongkarn (Singapore: Institute of Southeast Asian Studies, 1987); my review, written before the coup, appeared after it, in *Australian Journal of International Affairs*, May 1991.
- 80 Scott R. Christensen, 'Capitalism and democracy in Thailand', paper for Association of Asian Studies annual conference, 4 April 1992. See also the assessment of 'assets' and 'liabilities', including the effect of 'money politics', in John Girling, 'Thailand: twin peaks, disturbing shadows', *Southeast Asian Affairs 1994*, especially pp. 306–16. Also see John Girling, *Interpreting*

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*Development: Capitalism, Democracy, and the Middle Class in Thailand* (Ithaca, New York: Cornell University, Southeast Asia Program Publications, 1996). Note also the *Bangkok Post* editorial of 21 June 1995 (i.e. before the July elections amply confirmed its diagnosis): 'Unless there is a real political reform of our political system with the cooperation of all parties concerned, we will experience a continuation of the same type of administration which is characterised by corruption, inefficiency, lack of leadership, internal feuds and instability.'

- 81 Donald E. King, 'The Thai parliamentary elections of 1992', *Asian Survey*, December 1992, p. 1119.

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### **3 Dysfunctional corruption and destabilized politics**

#### **CASE STUDY: FRANCE—CONSENSUS AND COLLUSION**

The situation of nineteenth-century France, structurally characteristic of 'modernizing' societies today—the disproportionately large rural population, the traditional power and prestige of the state, the social dislocation created by capitalist development—also demonstrates the condition of economic-political incompatibility, and the resulting efforts at accommodation (collusion), followed by recurring, and symbolically significant, instances of corruption.

In nineteenth- and early twentieth-century France, as in modernizing societies today, the perverse impact of corruption was, however, offset to a varying extent by normative strengths in society. The 'republican virtues' of individual freedom, equality, tolerance, and civic consciousness reflected the rise to power of civilian politicians (supplanting the aristocracy and the military), of lay professionals (repudiating the influence of the Church), and more broadly of a financial, industrial and commercial middle class, partly collaborating with and partly opposed to provincial small-town society and the mass of land-holding peasants. Similar 'virtues' characteristically express the views—and reflect the interests—of the emerging middle class in developing countries today.

But in early twentieth century France, despite the consolidation of republican institutions, there occurred a more or less catastrophic erosion of civic virtues in the context of an increasingly polarized society. Externally, the enormous toll of World War I exhausted a generation of French people; internally the collusive power of capitalists and conservative politicians blocked any serious implementation of much-needed social reforms. Paradoxically, during this period, the dynamic sector of the economy was held back from developing the resources and expanding the wealth of the country by the political and social pull of backward or static small-town France.

At the same time, the resurgence of normative vitality evoked by the alternative, socialist, movement was to be frustrated by its inability, working within the system, to put its ideals into effect. The socialists, too, were cruelly weakened by the debilitating struggle with the rival communists for working-class allegiance. Finally, the scandals of elite corruption further alienated a demoralized population, which at the outbreak of war succumbed, with little resistance, to the invader.

Before analysing the rise and fall of the Third Republic, with its contradictory and disturbing lessons for modernizing societies, it is useful to give a summary of events before the period under discussion begins.

The important political and economic themes, from the French Revolution onwards, can be summarized as follows:

- **Revolutionary era, from 1789:** End of aristocratic ('feudal') privileges, civil constitution for the Church (confiscation of lands), peasant ownership assured, 'career open to the talents', property rights; freedom of opinion, equality before the law, popular sovereignty, 'Rights of Man'; financial crisis, inflation; workers' associations banned; revolutionary terror, 'Thermidorian reaction' (1794), Napoleon's coup (1799); First Empire—centralized bureaucracy, civil code, Bank of France (directed by 200 largest shareholders), Concordat with Rome, European wars.
- **Restoration, 1815–48:** Bourbon 'legitimate' monarchy, restricted electorate, domination by great landowners and industrialists, tariff protection, recognition of existing property. Middle-class revolt, 1830. 'Orleanist' monarchy, Louis-Philippe, rule of wealth; middle-class parliamentary reform campaign, economic crisis, 1848 revolution. Second Republic, universal (male) suffrage, conservative direction, Paris workers' revolt crushed, Louis Napoleon, President (coup, 1851).
- **Second Empire, 1852–70:** Autocracy by plebiscite; economic expansion—joint stock companies and banks, railway boom, free trade. Political liberalization from 1860s, growth of middle-class opposition. Franco-Prussian war, defeat and abdication, 1870. Siege of Paris, surrender (with forced indemnity, loss of Alsace-Lorraine) to Germany, Paris Commune crushed (1871); monarchist revival (divided between Legitimists and Orleanists), conservative Republicans.

## **RISE AND FALL OF THE THIRD REPUBLIC**

The establishment of the 'republican consensus' in the 1870s was essential to the formation of the Third Republic, following the downfall of the Second Empire. First, at the socio-economic level: the Republic represented



the interests and aspirations of the ‘small man’—small business people, artisans, shopkeepers, provincial society and above all the rural majority of landowning peasants.<sup>1</sup> Second, the political level: republican rhetoric emphasized the dominant role of politics, especially reviving the great themes of the French Revolution: freedom from oppression; independence from an overpowerful and unrepresentative executive; the affirmation of a lay society (liberated from traditional ‘superstitions’ and the sectarian controls of the Catholic Church); the rights of man; equality under the law, universal suffrage: the ‘republican virtues’.

The republican consensus, in the third place, was politico-economic: the republican regime ensured its viability by detaching one element of the old order (nobility, church, wealth) by obtaining the support, or at least the neutrality, of big business and finance, precisely by maintaining the policy and practice of a second, and no less important, set of republican virtues: the rights of the individual, *laissez-faire* and respect for property.<sup>2</sup>

In the republican embrace—from centre-right to centre-left—the right itself was effectively neutralized, the left marginalized: outside Paris the working class was a minor factor in the political equation, and in Paris—with the bloody overthrow of the Commune by the Republicans—the proletariat had been intimidated and repressed.<sup>3</sup>

Seventy years later, the republican consensus, beset by economic crisis (the catastrophe of the great slump), by political polarization and social confrontation, was unravelling. Following the overwhelming military defeat of 1940, with half of France under German occupation and the Vichy rump collaborating (either uneasily or enthusiastically) with the Nazis, the Third Republic came to a humiliating end.

The republican regime, founded on the social categories which had triumphed in the French Revolution—the liberated peasantry, free professions and ‘new social strata’ of the emerging middle class—half a century later had become the prisoner of these same categories, defensive (in the face of modern industry and large-scale commerce), and restrictive, when faced with political challenge. Meanwhile, the forces of the right and left, anti-parliamentary and anti-liberal-democratic, had become ever more powerful and menacing.

During the years of the great slump, with plunging agricultural prices, industrial bankruptcies (especially among small firms) and massive unemployment, it was the big capitalists who profited, while the bourgeoisie of entrepreneurs and the free professions, on the other hand, ‘were profoundly affected by fear of the future’ and the anxiety to preserve their ancestral possessions. ‘The time of hatred’ had arrived.<sup>4</sup> Thus the calamity of 1941 was the culmination, so it seemed, of the ‘exhaustion of [centrist] radicalism, which conveniently embraces all forms of French

powerlessness, able to defend only an obsolete Republic'. France was exhausted, weakened economically and morally.<sup>5</sup> As Blum, Socialist leader of the 1936 Popular Front government, declared:

The defeat [of 1941] marked the collapse of our military apparatus; it demonstrated the bankruptcy of the leading class; it disqualified, in the public mind, the very political system that this class had fashioned in its own image... [But it] has not destroyed France, its people, its land, its character.<sup>6</sup>

In a wide-ranging review of France's 'incredible defeat', Marc Bloch, the great historian of feudal Europe (himself a veteran of World War I, and recalled to fight in World War II), blamed, in turn, the ignorant and rigid officer caste (impervious to change); the *haute bourgeoisie*, with its previous monopoly of power; the political party machines ('prisoners of dogmas which they knew to be outmoded, of programmes which they had given up trying to realize'); the weak and unstable governments beset by personal rivalries; the trade unions (obstructing the national effort for sectarian reasons); the international and pacifist ideology prevalent among the left; the 'strange mental instability' of the anti-parliamentary right (so-called patriots, whose 'absurd hatred of Germany' before the war had turned into humble obedience to the new Nazi masters of the continental system); and, finally, the obstinate bourgeoisie with its complacent way of life: its 'days of slow rhythm' and 'somnolent administration', its haziness and short-sightedness; its small-town behaviour, 'suspicious of everything out of the ordinary that is capable of disturbing its habits'; its reverence for the past combined with fear of 'Americanization' (the 'danger' of mechanization and progress)—in contrast to the dynamism of the German enemy. Indeed, France's industrial, administrative and military elites were demoralized, in great part; nor could they bring themselves to support what they regarded as the corrupt regime of the Third Republic:

They received orders from a political system [the Republic], which seemed to them to be corrupt to the marrow; they defended a country, which they judged in advance to be incapable of resisting; the soldiers whom they led came, in their view, from a degenerate people.

Yet, like Blum, Bloch had faith in France's national recovery: 'The profound forces of our people are intact, and ready to rebound.'<sup>7</sup>

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Bloch's emphasis on the perception of an all-pervading corruption is supported by the former Socialist Prime Minister's own reference to Renan and Taine, who attributed France's earlier defeat in 1870 to 'greed for money and equipment, the contagion of luxury and ostentation, and consequently corruption'. We should look, similarly, for the causes of the present defeat.<sup>8</sup> Yet France's humiliation was not inevitable, the product of a degenerate system. There were elements of dynamism as well as stagnation in French economic, political, social and cultural life. Indeed, the remarkable economic growth of the post-war decades (1950s to 1970s) had its origins in the leading sectors of the economy in the 1920s (before the fatal impact of the great slump) which in turn went back to before World War I.<sup>9</sup>

The discrediting of the Third Republic, as a regime of corruption and impotence, doomed to disaster, is directly attributable to the way it ended. The conclusion—understandably for participants—is that the regime must have been fatally flawed from the beginning; 'proved' by its ignominious end. Yet it is only in a longer historical perspective, and not in the immediacy of defeat (or the rancour of opponents), that a more accurate assessment is possible.

As for corruption, symbolizing the deeper 'scandal' of a rotten regime for those on whom the events of the 1930s had left such a powerful impact, it too is more appropriately considered in the overall context of the Third Republic; that is, the republican consensus of the 'small man' (as well as the undercover alliance with big business); the clash of values of two opposing systems, catalyzed by the Dreyfus affair, and the continuing lay-clerical controversy over the role of the Church in public life, and particularly in education; the intensifying forces of the anti-parliamentary right and left; the governmental weaknesses and illusions of the time; the ever-growing financial crises; the lack or paucity of social reforms (especially in comparison with contemporary Germany or Britain); and finally the influence of wealth on power, ranging from collusion to corruption.

### **The republican consensus and its social basis**

The 'localism' of the Republicans—the village, small town and provincial networks of affinity and interest—was both strength and weakness. Its strength lay in the stability and solidity of local roots; its weakness in its parochial outlook and its suspicion of modernity, acting as a brake on progress. Yet a further contradiction resulted from republican democratic rhetoric and its belief in the primacy of politics

(stemming from the 'traditions' of the French Revolution). This belief did not fit well with the practical need to accommodate the interests both of small business at the local level (one of the republican constituents) and of large-scale industry and finance at the national level. For the social basis of the Republic, as Braudel points out, was a society that remained profoundly peasant and rural—even up to the middle of the twentieth century. As late as 1875, for example, half of France's food production was locally consumed; only in 1931 did the urban population surpass the rural. France's urbanization lagged behind that of most of Western Europe, while provincial life was characterized by its 'frequent inertia', attesting to national and economic backwardness. Indeed, this was in tune with government policy, which sought to hold back the more advanced regions of northern and eastern France in order to subsidize the less developed and more traditional west and south.<sup>10</sup> Basically, the land settlement of the French Revolution had consolidated during one and a half centuries a peasant system of small-scale cultivation and small property, too weak to invest adequately, thus blocking agricultural productivity and impeding overall economic growth. Such petty forms of production and ownership were considered, up to World War II, as a guarantee of social stability and a 'privileged' form of existence.<sup>11</sup>

But republican rule, secured by 1877, marked above all the triumph of the middle class: 'With nobility rendered powerless, peasantry placated and industrial interests still kept subservient to bourgeois needs, the middle classes after 1875 gained solid control of all the apparatus of the state.'<sup>12</sup> Gambetta, hero of French resistance to the Prussian army and organizer of the republican election victory, characteristically expressed the duality of the regime. On the one hand, the political ideas of the French Revolutionary tradition: 'For those who believe that the People is the one lawful sovereign, and must really exercise power... [then] all those who hold any kind of office must be effectively checked, especially the head of the executive power.' He drew the lesson, in the same Belleville Manifesto (1869): 'I believe that the progress of these social reforms depends absolutely on the political regime and on political reforms; and for me it is axiomatic in these matters that the form involves and determines the substance.' Political reforms and civil liberties, in other words, were a precondition of social and economic reforms.<sup>13</sup>

Socially, on the other hand, the republican consensus depended on the economic interests of the peasantry and of the 'new social strata' or middle classes—ranging from small industrialists and traders to members of the free professions (especially lawyers, journalists and teachers), shopkeepers, artisans, builders, salaried employees and petty officials. The alliance of

the new strata with elements of the *haute bourgeoisie* symbolized for Gambetta the present success and the future direction of the Republic. Gambetta indeed welcomed in 1877 the 'true leading classes, that is to say, those who think, those who work, those who amass wealth; those who employ themselves judiciously, liberally and in a way that is profitable to the country'. The adhesion of these *classes dirigeantes* to the Republic, conforming to the 'bourgeois traditions of 1789 and 1830', would (he believed) put an end to the antagonism between capital and labour, replacing it with mutual prosperity.<sup>14</sup>

The Republicans consolidated their hold over the countryside by the 'services they rendered, their moderation and skilful propaganda', depicting the regime as the only bulwark against the danger of monarchical restoration and clerical reaction.<sup>15</sup> At the same time, middle-class influence (reproduced by republican education) was effectively developed through the organization of more than 140 chambers of commerce in the cities and towns. Directly representing some 270,000 well-to-do businessmen, prominent in their localities, the chambers of commerce served as advisory bodies to the Ministry of Commerce in all problems affecting commerce and industry, taking a direct share in the formulation of government policy.<sup>16</sup> As a result, by the 1880s, moderate republican governments moved to adopt protectionist legislation under the pressure of agricultural lobbies and important textile and metallurgical concerns.<sup>17</sup> Corrupt practices developed in the course of this collusive accommodation of interests.

Applauding such mutually advantageous arrangements, the Freycinet government of 1882 openly declared that, 'Nations do not live only by politics; they live also by business and material interests.' Nevertheless, the Freycinet government's too patent concern for business, revealed by a major infrastructure scheme heavily subsidized by the state, marked a real turning-point in the political economy of the Third Republic. Henceforth, as Mayeur points out, business interests avoided publicity, seeking instead the good offices of professional politicians, who were 'often more accessible to the pressure of business circles because of their humble origins.... From then on, the intervention of pressure groups, far from being public, as in the United States, and thus controllable, was done in secret. It only added to scandal.'<sup>18</sup> It was precisely when hidden corruption was exposed that it caused 'scandal'. The 'Panama affair' of 1899 (the target of denunciation from both right and left) is a case in point. Deputies had been bribed; the press bought. The scandal left deep traces in French politics, being a revelation for the general public of collusion between the world of business, the press and political personalities, in the service especially of high finance.<sup>19</sup>

### **Conflict of values**

This is a second major theme in the history of the Third Republic. The republican consensus of provincial and rural France can be seen as a transitional phase in the movement to modernity. The result was not so much hostility between the two (except at times of crisis) as of undercover accommodation in the way described above. A far more acute conflict of values, however, persisted between Republic and *ancien régime*: between the *tiers état* and small-holding peasantry, triumphant in the French Revolution, and the displaced old order of monarchy, nobility and clergy.

Periods of stress revived the latent antagonism between the civil and secular Republicans, on the one hand, and the military (as in the Dreyfus affair) and the Church (over the contentious issue of lay or religious education) on the other. From the pragmatic 'Anglo-Saxon' standpoint of David Thomson, the political controversies of Republican France were 'too often carried on in unreal and out-of-date terms'. Thus 'battles long ago were refought, while battles of today, which clamoured to be refought, were left in suspense or lost by default'.<sup>20</sup> It is undeniable that these obsessive ideological and historical conflicts diverted attention from pressing economic and social problems, contributing to the republican 'brake on progress'. But although 'burdensome', as Thomson emphasizes, the controversies were hardly 'irrelevant'. As Mayeur points out, referring to the defeat in 1877 of MacMahon's conservative presidential ambitions (inaugurating the republican regime), this was 'above all, a conflict of ideas on the place of the Church in society and the ideological fault-line did not coincide with social groups'. Its social significance lay in the opposition, as in 1789 and 1830 (the overthrow of the 'legitimist' monarchy), between 'privilege', dependent upon a hierarchical and static conception of society, and the *'tiers état'*, which accepted democracy, not in terms of equality of wealth, but of equality of opportunity. Thus, for a long time in French political culture, 'MacMahon' symbolized 'personal power', 'clericalism' and 'reaction'<sup>21</sup> — against which the Republic defined itself.

The 'Dreyfus affair' became an even more potent symbol of opposing conceptions of society. Dreyfus, a Jewish officer, had been sentenced to deportation for life in 1894, on forged evidence that he had been supplying confidential military information to the Germans. The Dreyfus family sought the help of journalists, the Senate, and even the President of France, but in vain. Even when two influential newspapers began to enquire, two years later, into the so-called 'proofs' of treason, the great majority of the 'political class' kept silent. Only after another two years, when Zola published his celebrated letter to the President of the Republic, '*J'accuse*', did the 'affair' compel the authorities to investigate. The suicide of the

forger in 1899 was followed by a new meeting of the war council, which again found Dreyfus guilty. (Eventually the President pardoned Dreyfus; but he was not legally cleared of treason until 1906.)<sup>22</sup>

The Dreyfus affair was a vast conspiracy, instigated or supported at the highest levels of the military, developing around the theme: better that one man should suffer rather than the prestige of the French army should be undermined in the face of the nation's enemy.<sup>23</sup> The army, in the opinion of the anti-Dreyfusards, was the incarnation of eternal France, representing the unity of the country above political cleavages and social struggles. To the fervent partisans of Dreyfus, on the other hand, the campaign to vindicate the innocence of a man so horribly wronged by the authorities symbolized the no less vital struggle for Justice, Truth and the Rights of Man. The Dreyfusards summoned to their cause the triumph of reason and the critical spirit of 1789, which had also been a victory over the maleficent and hidden powers of the old regime. Only by determination and effort could the France of universal suffrage and parliamentary democracy reaffirm its true nature against the fateful combination of clericalism and military power.<sup>24</sup>

Charles Peguy, passionate advocate of republican virtue and freedom of the individual conscience, has vividly described the 'heroic' struggle of the Dreyfusards in his remarkable book, *Notre jeunesse*. No less significant is his denunciation of what he saw as its inevitable degeneration into factional politics: 'Tout commence en mystique et finit en politique'.<sup>25</sup> Indeed, the mystique of the old order—the cult of the land, the myth of race, the power and honour of the military, all in the name of national order—these were no less emotionally charged images for the future<sup>26</sup>—a conflict of values which degenerated, under the stress of events, into the street battles between extreme right and left in the 1930s, heralding (for the right) the collaborationist and anti-Semitic policies of Vichy.

### **Anti-parliamentarism**

The third theme of Republican France flows from this transformation of 'mystique' into 'politique': the intensification of anti-parliamentarism among the extreme right and the extreme left, undermining the republican consensus. 'In the columns of the [extreme rightwing] *Action Française*', writes Cobban, 'an unremitting war was conducted, with all the weapons of slander, denunciation, and incitement to violence, against the Third Republic.... The corruption of its politicians was a constant theme, usually

in combination with an appeal to the anti-semitism of nationalists and Catholics.<sup>27</sup>

Charles Maurras, founder of the *Action Française*, had made his reputation in the anti-Dreyfusard campaign, arguing that since a Jew must be a traitor any means of bringing him to justice was right. The Archbishop of Paris had himself become the patron of a group of anti-Semitic army officers.<sup>28</sup> It was with these ominous events in mind that a well-known conservative commentator, Raymond Aron, recalls in his memoirs the 'hatreds' of the 1930s, which postwar generations find almost inconceivable. The publications of the extreme right, 'nourished by hatred, were the expression of a certain bourgeoisie, including those symbolized in the celebrated formula, "rather Hitler than Blum"'.<sup>29</sup>

The extreme left, too, had long been alienated from the 'bourgeois Republic'. The militant working class, even after the frightful repression of the Commune, had been at best an adjunct of the radicals (against the old regime) but never a partner. For the proletarian left, the 'left-radical' Clemenceau, despite his programme of social reforms, had achieved almost nothing in his first period of office before World War I. The radicals proclaimed their belief in progress, as Zeldin observes, but they no longer represented it. Justice began to interest them less than power. Indeed, Clemenceau's government was marked by the ferocity of his repression of striking workers.<sup>30</sup>

The compromising nature of the republican governments, which antagonized the extremes of left and right, was evident in the cooptation of the parliamentary socialists. The latter had joined or supported radical coalitions in the 1920s, and had even formed their first government in 1936; but they remained captives of the republican consensus, not its masters. The values of the Third Republic were never in danger.

The radicals remained the party of individualism, property rights, and orthodox financial policy. The socialists professed the need for state intervention, taxes on wealth and nationalization of leading industries. Yet the credibility of Blum's own 'Popular Front' government of 1936-7 was fatally damaged by capital flight, the need to devalue the franc (too long delayed), and to restore business 'confidence'.<sup>31</sup> As for the Communist Party, which had split from the socialists in accordance with Lenin's directives, it cooperated for a time with the socialists in the 'united front against fascism'. (During its previous policy stance it had denounced the socialists, rivals for the workers' allegiance, as 'social fascists'.) Following the signature of the Nazi-Soviet pact in 1939, the communists once more turned to violent opposition.



**Weakness of the parliamentary regime**

The polarization of right and left marked the growing powerlessness of the centre: it was powerless to broaden its social basis, because it was confined by the attitudes of the categories it represented; moreover, it was powerless in the face of economic crisis and the external threat of Nazi aggrandisement. From the beginning, the characteristics of the parliamentary regime were weak executive power; the individualistic and divisive use of *interpellations*; and fleeting, unstable coalitions. This was a system that reflected the republican consensus: based on stability or stagnation (rather than progress), individualism (rather than collective effort) and the mentality of small town and countryside with its distrust of authority.

The very triumph of republican power in the 1870s, at the expense of monarchists (divided among Legitimists and Orleanists) and Bonapartists (followers of the fallen Emperor Napoleon III), had assured the superiority of parliament over a strong executive. After President Mac-Mahon's power to dissolve the Chamber of Deputies had been nullified, the issue of presidential authority was not revived until nearly fifty years later. In 1923, President Millerand, formerly an independent socialist, campaigned for a strong executive to provide greater stability in government, and thus confine the Chamber to its role as a legislature rather than as creator and destroyer of governments. But Millerand irretrievably harmed his cause by abandoning the tradition of a neutral presidency. He not only rounded on the socialists by accusing them of neglecting 'national interests' (because of their pacifism and internationalism) but he openly supported the conservative programme of the *Bloc national*. When the *Cartel des gauches* of radicals, supported by socialists, won a majority of seats in the 1924 elections Millerand had to resign.<sup>32</sup> No further experiment in presidential powers (apart from Vichy) was pursued until the second coming of de Gaulle.

The use of the *interpellation*, or challenge to the executive, favoured the proliferation of special interests, however local or exclusive, in parliament. Any deputy or senator could call upon a minister to explain his policy on any particular issue. A general debate followed, and this debate had to end with a resolution or general vote before proceeding with the business of the day. Should the resolution go against the government, the ministry was expected to resign. During the first fifty years of the Republic, as Thomson points out, three out of every five ministries resigned over such an adverse vote. The device served excellently to sacrifice ministerial stability to parliamentary control over policy, and was one main plank in the structure of parliamentary, rather than cabinet, sovereignty during the Third Republic.<sup>33</sup> Léon Blum himself reproached the feebleness

of the system, because of its lack of authority, of continuity and stability; and he advocated instead a strong party organization along British lines. But, as he recognized: 'no government can remain stable in an unstable society and in an unstable world'.<sup>34</sup>

Unfortunately, despite the emphasis on an unstable world, Blum and the socialists suffered from the illusion (understandably as a result of the trauma of World War I) that pacifism was a viable policy in face of the dictators. Domestically, too, socialist wishful thinking was more than equalled by the conservative *Bloc national*, which believed that it could revive the *union sacrée* of all patriots as in World War I. In this era of uncertainty and confusion, public opinion, too, longed for a return to the *Belle époque*, dreaming of stability and consensus, and of a powerful France that still dominated Europe. Yet in reality, as Becker and Berstein acknowledge, France in the 1920s and 1930s was exhausted by the recent war, and could do nothing without its (often recalcitrant) allies. Even the franc, debased by war, could not regain stability without a drastic reduction in value. Like the franc, the republican consensus was in decline. Unable to master a situation which the majority of the French people judged unacceptable, French governments were condemned to impotence and instability.<sup>35</sup>

### **Financial crises**

France inherited from the Great War heavy external debts (to the USA and Britain especially), which were only partly mitigated by the exaction of reparations from Germany. There were also substantial internal debts owed to bondholders of war and other public loans. Holders of these government bonds, in normal times, made considerable profits. But at times of crisis, when business confidence was affected, there was always the danger of massive demands for reimbursement (from the state), threatening bankruptcy. In addition, the government's recourse to loans (rather than increasing revenue by means of politically unacceptable higher taxes) seriously destabilized France's public finances in the interwar years; and only the maintenance of 'confidence' preserved an uneasy equilibrium.<sup>36</sup>

Present-day economists agree that the only realistic way to have restored order to the financial system was by drastically devaluing the franc. But such a solution was unthinkable at the time. Balanced budgets and refusal to devalue were absolute dogmas of orthodox finance, adhered to at whatever the social cost in deflation and unemployment. French opinion could not forget the *franc-or* of 1914, seen as the guarantor of social stability and the protector of one's inheritance. 'To devalue the franc would be to break the most sacred contract', declared one Minister of Finance. 'Devaluation

is bankruptcy.’ Both moral and patriotic arguments were deployed to reject devaluation.<sup>37</sup>

Although Poincaré had famously succeeded in ‘stabilizing’ the franc in the early 1920s (without devaluation) his *Bloc national* was defeated in elections by the reformist *Cartel des gauches* under the radical leader Edouard Herriot. The radicals remained true to financial orthodoxy, relying on market forces and private initiative; but their socialist supporters, on the other hand, were insisting on a wealth tax, state intervention in the economy and the forced consolidation of government bonds. Herriot himself was pledged to carry out a programme of reforms, including the strict implementation of the income tax (but see the next section), lay education and the eight-hour working day, which united the hostility of business, Catholics and the middle class in general. People of affluence, as a result, became increasingly reluctant to renew their subscriptions to government bonds. Confronted by an alarming deficit, the Herriot government urgently needed authorization by the Bank of France of advances, which were already over the legally imposed limit—a situation concealed from the public, but realized by the Bank. The problem was that if the Bank of France, recruited from big industrialists and financiers largely hostile to the *Cartel des gauches*, were to reveal the illegality, then the conservative opposition dominating the Senate would seize the opportunity to destabilize the government. The Bank was in fact pressing for ‘regularization’ to restore the confidence of investors while, at the same time, the socialists were urging a levy on capital to make up the deficit. The government was paralysed. The Senate did reject Herriot’s motion of confidence, and the government fell.<sup>38</sup>

The second Herriot government of 1926 met the same fate, but in an even more humiliating fashion. On this occasion the Bank of France threatened to cease payments to the Treasury account, bankrupting the state, unless the government convoked parliament to authorize advances. Inevitably there was a rush on the banks and in an atmosphere of panic the exchange value of the franc against sterling fell dramatically. The government was overthrown. Herriot bitterly incriminated the ‘wall of money’ (*le Mur d’argent*) for instigating the overthrow of the legally elected government.<sup>39</sup>

### **Paucity of social reforms**

The incompatibility of social and radical ‘partners’—in 1926 as in the popular front government a decade later—combined with the hostility of business, the middle class and the republican ‘small man’ to taxation, on

the one hand, and to state 'welfare' intervention, on the other, either defeated or delayed the type of reforms that had been achieved in Germany and Britain a quarter to half a century before.

From the foundation of the Republic, French governments were unable to impose any reforms of direct taxation that would adversely affect transferable securities, including profits from investment.<sup>40</sup> Although the progressive income tax was in principle an integral part of the radical programme (in Britain it had been adopted as long ago as the 1840s by the Peel government), the radical head of government in 1902 (Emile Combes, hero of anti-clerical legislation separating church and state) warned deputies to 'show prudence so as not to alarm the interests' at stake. It was important not to disturb the secrecy of personal wealth nor to hinder the course of business, confirmed one of the speakers in the debate.<sup>41</sup> Two decades later, from the *Cartel des gauches* came the same refrain: 'All our fiscal legislation', advised the Minister of Finance, 'is precisely inspired by the decision to maintain the confidential character of information relating to individual situations.' A conservative deputy explained that the socialist proposal to publicize such information, so as to combat tax evasion, would seriously endanger 'small businessmen and industrialists'; they would be the ones most affected, he added, since 'the rich send their money abroad when they are afraid'.<sup>42</sup>

As for the effect on social legislation, Theodore Zeldin notes that, contrary to common misconceptions, actually a great many laws were passed before the 1914 war. In practice, however, the problems of poverty, sickness, unemployment and old age were tackled only superficially. In 1883, for example, 'in the name of the great principle of solidarity', a law was passed ensuring medical aid for all without financial resources. Nearly two million people were eligible in 1897, but the average sum distributed in subsidies was less than 20 francs a head. Aid for the sick who were over 70 years of age was made obligatory on the local authorities in 1903, yet the average sum amounted to less than 35 francs a head, compared to the equivalent of 180 francs (covering twice as many people) in England. In 1851 half the employees in factories in France were women and children; in the early years of the Third Republic a law was passed forbidding factory work for those under the age of 12, while two more bills were passed in the 1880s, both of which were rejected by the Senate. Only in 1892 did legislation get through which, in addition, limited work by women and children aged 16 to 18 to eleven hours a day. But enforcement was almost impossible, and the law was ignored by employers.<sup>43</sup>

The most urgently needed reform was precisely tax reform, because without it no effective social programme could be financed. Between 1872 and 1907, Zeldin records, no fewer than sixty-five bills were moved to introduce some form of income tax. They all came to nothing. Clemenceau had promised that the income tax would be the greatest achievement of his period in office (1906–9). But it was not until 1913, under the pressure of vast rearmament expenditures, that part of the tax proposals passed the Senate; only in 1917, in the most desperate year of the war, was the tax passed as a whole. The long struggle to achieve this reform showed how vested interests had come to dominate the republic and how the radicals, far from representing justice, were in fact the greatest coalition of these vested interests.<sup>44</sup>

The immobilism of the French parliamentary system, in this and other respects, reflected a social structure far removed from the dynamic authoritarianism of Bismarck's Germany, with its massive social legislation of the 1880s, and even from the mature industrial society of Britain, where the transition from individualist liberalism to organized labour, as constitutional party and movement of the left, was already under way in the early twentieth century. Yet there were elements of dynamic capitalism in France. They included, significantly, the concentration of metallurgical industry under de Wendel (head of the Comité des Forges and a powerful regent of the Bank of France) as well as hydro-electricity, automobile, chemical and pharmaceutical concerns.<sup>45</sup>

Such modern enterprises, however, were constrained by the overall effect of agricultural stagnation (73 per cent of holdings were less than 10 hectares in the 1920s, unable to use modern methods and incapable of providing a sufficient market for industrial goods) and of small-scale industry (two-thirds of workers in 1931 were employed in firms with less than 100 wage earners, and 40 per cent in workshops with less than ten). Legislation under the Republic sought to perpetuate this condition, by providing advantages for family industry and tariff protection for agriculture; while the world of small and middling firms in turn regarded with suspicion the activities of banks and financial markets, fearing that they would lose their independence by taking out loans, or even fall into bankruptcy. At the first sign of difficulty arising from competition by modern enterprises (as well as external competition) the peasantry, small shopkeepers, artisans and small industrialists—the enduring constituency of the republican regime—sought the protection of the state.<sup>46</sup>

In sum, despite the rhetoric of 'pure' politics (of the French Revolutionary tradition) the republican system was actually permeated at the local level by concern for the 'interests' of the 'small man'. Conversely, at the national level, governments of the centre-right willingly colluded with big business

and finance, while those of the centre-left either reluctantly accommodated, in normal times, or if of reformist persuasion and during periods of crisis, fatally collided with the 'wall of money'.

### **Influence of wealth on power**

The later stages of the Industrial Revolution brought to power a new class of the very wealthy—and very powerful—financiers and trust magnates, whose grip on French economy was symbolized in the notorious '200 families' [representing the shareholders of the Bank of France].... [The] big industrialists between the two wars extended their grip to French political life through control of the Press, manipulation of the Bourse, and direct influence upon politicians in the Senate and the Chamber.<sup>47</sup>

Characterizing the period leading to World War I as one of 'degradation of political life', Reberieux also points to the activity of the business world, whether concerned with industrial growth or investment abroad or in the colonies, as increasingly seeking the support of the political class.<sup>48</sup> The collapse of the *Cartel des gauches*, in the attempt to impose its political will on the financial-industrial complex, has already been noted. It was followed in the next decade by massive social dislocation caused by the Great Slump, leaving only the richest unscathed. By the 1930s, in the assessment of Borne and Dubief, 'the radical party itself, at the heart of the political regime, aged inexorably in an environment of financial scandals. Governments succeeded one another, powerless.' From the earlier (Oustric) scandal in 1930 to the notorious 'Stavisky affair' of 1933–4, response to these scandals reflect the 'obsession of a France of small savers assailed by adventurers more or less linked with the political world'.<sup>49</sup>

Blum, the socialist leader whose Popular Front government had been obliged to devalue the franc and whose reforming intentions had been transformed into restoring order in the factories, sought to reassure the middle class and to reinvigorate industrial production.<sup>50</sup> Reflecting this disillusioning experience, Blum castigated the 'degrading' political arena of personal rivalries and 'bitter pursuit of power'. Nevertheless, writing after the fall of the Republic, he defended the great majority of parliamentarians as men of probity. The 'scandals' of corruption, although noisily exploited for party gain, he claimed, were neither frequent nor extensive. Moreover, when exposed they provoked a truly moral response. He continued:

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If, however, we seek the origin of these scandals, we will find it in the fact that private interests, by the most diverse methods, have procured hired representatives in the parliamentary world. If we follow the series of scandals of the same type over a century, it will confirm that this 'collusion' of politics and business is one of the characteristic signs of bourgeois capitalism.

In Blum's view, however, the bureaucracy had been more deeply affected by corruption than the politicians. Although the civil service had long been renowned for its 'irreproachable strictness and almost aggressive personal virtue', by the interwar period it had become contaminated by business. In this it was abetted by the shameful role of the press during the last twenty years. The 'almost universal venality' of the press, revealed by its moral and technical decline, infected the whole country.<sup>51</sup>

### **Collusion or corruption?**

Blum was indicting capitalism, of which the bourgeois parties were the political expression, for the corrupted institutions of France; it was these parties which had evidently led France to defeat and occupation. (The Socialist Party could only exercise power, in the Popular Front government, within the framework of bourgeois society.) Now, the French bourgeoisie, as Blum pointed out, was well adapted to early capitalism, with its modest profits, and operating within the narrow setting of family, professional life, and the ethos of savings and thrift. But it was not suited to the development of intensive large-scale capitalism. The French bourgeoisie, the former *classe dirigeante*, had demonstrated in the 1930s that it was no longer fit to lead: it did not have the resources of energy or imagination, or renewal, to overcome the economic crisis of the Great Slump, which affected industry, agriculture, commerce and banking alike. (For Blum, the 'people' could be the only legitimate successor to a discredited bourgeoisie; only under socialism would be developed the 'collective organization of the production and distribution of wealth' for the common good.)<sup>52</sup>

Blum's analysis is essentially correct (if not his prescription), but it needs to be taken further. The pacificism of the socialists, still upheld by Blum in the years of defeat, was no less symptomatic of the 'exhausted' state of French society, still suffering from the terrible effect of World War I as well as a long-declining birth rate, and finally to be over-whelmed by the Great Slump. The rural and provincial society of the small owner, small-town way of life, with its petty capitalism, which had served the

Republicans so long and so well, had been found wanting. The directive force of the years that followed, however, was not to be the 'people' of Blum's aspirations (any more than now) nor a 'socialist' economy (in Blum's terms), but rather the 'intensive large-scale capitalism' for which the prewar bourgeoisie had been so ill-prepared. Yet, in the dynamic growth economy of recent decades, scandals, whether under Gaullist, centrist or socialist governments, did not thereby cease. The sensational nature of corrupt 'affairs' hardly seemed to disturb either the rhythm of production or the improved standard of living of the majority of the population. In contrast, the scandals of the interwar years did seem to symbolize the impending fate of a doomed republic. Yet in both situations, I would argue, corruption is the effect—even though it has been considered, because of its 'deformative' aspect, to be the cause.

Corruption under the Third Republic was symptomatic of underlying structural conditions: the 'misfit' between economically 'backward' classes—peasantry, petty bourgeoisie and even, to a considerable extent, the middle class—and modern capitalism. What was originally appropriate politically (the republican consensus) had in the course of more than half a century become increasingly incongruent with changing internal and external conditions. Thus, parliamentary powerlessness, its inability to carry out effective reforms, its financial crises (and humiliating failures), the pressure of anti-parliamentary forces and the eruption of scandals, reflected the underlying situation of economic weakness and social fragmentation which, when confronted with the test of war, resulted in collapse.

The misfit between economic structure and political system (with its normative goals) is clearly illustrated by the history of the Third Republic. The incongruity could only be coped with by collusion (as Blum rightly points out—but in normative, derogatory tones): collusion of politics and business at the local level, concerning those 'interests' which republican governments did so much to conciliate and protect; and at the national level, in relation to the interests of the financial-industrial oligarchy. But these latter interests were so crucial to the maintenance of the system, and by the same token so unacceptable in political, normative terms, that they had to be concealed.

When exposure did occur—as in the financial crises revealing the power of the *Mur d'argent*—then the 'unacceptable face of capitalism' was publicly perceived as 'scandalous'. Actual instances of 'corruption' strictly defined, however, were comparatively rare and relatively unimportant in a structural, if not symbolic, sense. Corruption, as in the notorious sale of decorations (involving the President of the Republic) in the 1880s, the Panama scandal of the 1890s and the Stavisky affair of the 1930s were, of course, sensational,



evoking strong normative feelings of disgust with dishonest politicians who had betrayed their mandate. Popular blame, in other words, was displaced from the collusive system (the accommodation of politicians to business interests) on to particular persons. Once the ritual ‘sacrifice’ of the latter had been performed, then the customary practices continued. Only during prolonged periods of structural crisis, as in the 1930s, was the system itself considered to be ‘rotten’ beyond redemption.

This act of displacement is strikingly evident in the case of François de Wendel, head of the important metallurgical enterprise of that name, leader of the Comité des Forges, regent of the Bank of France, and a conservative deputy during the World War I and the interwar years. His career has been attentively studied in a fascinating work, appropriately subtitled *L’argent et le pouvoir*, by Jean-Noël Jeanneney.<sup>53</sup> In the context of economic-political collusion, de Wendel became an obvious target of the left. In June 1935, for example, Marcel Déat (then an independent socialist, later to be prominent in the Vichy regime) evoked the role of ‘external forces’—said to be far stronger and more solid than political forces—in the recent downfall of the Flandin government. The socialist Léo Lagrange in turn denounced ‘the two hundred families which rule our country’; they had created a ‘Bastille’, imposing the ‘strongest resistance to popular sovereignty and the will of the state: [resistance led by] the Bank of France and the Council of Regents... by M.de Wendel and M.de Rothschild.’<sup>54</sup>

During the electoral campaign leading to the victory of the Popular Front in 1936, communist, socialist and radical newspapers outdid each other in their accusations of de Wendel’s ‘treason’, ‘arms dealing’ and Nazi partisanship. Thus the radical *Vendredi*:

In 1936, at the head of the new feudality, an enormously wealthy man, having bought politicians from a wide variety of parties and subjugated the press, now claims to direct the internal and external policy of our country. This uncrowned king of France (without royal justice or mystery) is named François de Wendel.<sup>55</sup>

Now it is a relatively simple matter for Jeanneney to refute not only the specific details of such emotional charges, but also the broader accusation that de Wendel’s political aim was to influence legislation in favour of his own and associated enterprises. (Hence the allegation that the French military staff had been persuaded to ‘spare’ the Wendel enterprises, in the German-occupied territories, during World War I.) Despite the scandalous ‘legend’, de Wendel saw his role rather as one of urging and supporting what he considered to be ‘sound’ financial and basic economic policies: a liberal economy, free from the ‘threat’ of communism and socialism; a

system guaranteeing order and prosperity, and safeguarding national security (de Wendel was determinedly anti-German).

De Wendel's efforts, and those of other industrialists and financiers (such as Ernest Billiet, collector and distributor of electoral funds provided by business) were directed at collusion, in this general sense, rather than corruption (i.e. specific cases of illegality or 'treasonable' conduct). Thus, Billiet and Wendel arranged for Raymond Poincaré, as head of government, to address their 'Union of Economic Interests' in November 1923. Poincaré of course obliged by denouncing 'class war' as causing destruction and disorder at all times, but especially at this particular time (the French military occupation of the Ruhr) when it would be 'a criminal betrayal of the fatherland'.<sup>56</sup>

Even de Wendel's role in the downfall of the Herriot government in 1925, and again in 1926 (the *Mur d'argent* blocking the people's will) can frankly be explained, from a conservative point of view, as one of insisting that even radical governments could not evade the laws of economic orthodoxy. As Jeanneney puts it, never before in the history of the Bank of France 'had such influence on general policy been entrusted to its regents by [economic] circumstances and the blunders of the executive'.<sup>57</sup> De Wendel himself had expounded his position: 'Can one ask me, a politician, in view of the way in which Herriot and his supporters are leading France to disaster, to continue to offer him the services of the Bank, which we have done for months? My financial responsibility [as regent] is combined with my political responsibility, whether I like it or not.'<sup>58</sup>

Whether de Wendel's or Herriot's policies were more appropriate is another matter. But it cannot be disputed that each was acting, sincerely, according to his sense of responsibility to his office; the one to financial orthodoxy, and to a conservative view of what France needed; the other, to the electorate which had provided a popular mandate to bring about much-needed social and economic reforms. It is the contradiction between economic and political power, not corruption, which accounts for Herriot's failure.

Nevertheless, de Wendel's career, in its success and failures (his economic advice and lobbying were often unsuccessful), is deeply disturbing for democracy. The *Mur d'argent*—the power of wealth—in effect operates as a conspiracy against the 'sovereign will' of the country. 'Money is the nerve of political struggle', in Jeanneney's words. Business funds and a suborned press served, in the opinion of de Wendel's parliamentary colleague, Louis Marin, 'to provide directives, programmes and solutions in conformity with the instincts of order, tolerance, liberalism, property and saving, patriotism, etc., ...to give them a coherent doctrine.'<sup>59</sup> Thus, when the Flandin government fell in 1935, partly over the issue of an inflationary policy which the regents of the Bank would not accept, de

Wendel repudiated Flandin's angry response, commenting in his private notes that, 'one should not forget that I know exactly the funds that the Democratic Alliance, with [Flandin] at its head, receives from the financial oligarchs and...I can measure how much he is their man'.<sup>60</sup> Bought politicians along with the secret purchase of newspapers,<sup>61</sup> are 'measurements' of corruption that far exceed the 'normal' bounds of collusion; they symbolize the excesses of a business-political system at the end of its tether.

Marc Bloch, who died for his ideals, sums up the situation well: 'A [political] regime...is, above all, what society has made it.' He recalls businessmen who, having 'planted' an article in the most serious of French newspapers, then eloquently denounce press venality; or, if they have bribed a former minister to defend their base interests, mock these parliamentary 'puppets'. 'Who deserves more to hang, the corrupted or the corrupter?'<sup>62</sup>

#### **EPILOGUE: PLUS ÇA CHANGE...?**

Conditions have greatly changed in the half century following the collapse of the Third Republic; from the devastation of the Great War, the economic crisis of the 1930s and the exhaustion of the political system to the 'trente glorieuses' of postwar economic growth and the stabilization of the Gaullist Fifth Republic. Even the recession of the early 1990s, resulting in marginalization of the 'excluded' (notably the poor, the unemployed and the homeless), cannot be compared with the extreme polarization of French society fifty years ago. But if social conditions have greatly changed, is corruption still 'the same'?

Unlike the crude bribery and blatant political machinations typical of corruption under the Third Republic, the 'affaires' of the 1980s and 1990s reveal both subtler and more systematic linkages between economic and political power holders: influence peddling, 'sale' of decisions, abuse of public functions, commissions from deals, misappropriation of public funds—these, as Yves Mény points out in his indispensable work, are forms of present-day (mis)behaviour, characterized by 'complicity' and 'arrangement', rather than direct monetary exchange, thus blurring the distinction between the legal and the illicit, between morality and immorality. Moreover, public authority is increasingly being transformed into a 'market actor': products (decisions) are exchanged for economic or political 'returns', which sometimes are of advantage to the community and sometimes benefit particular individuals.<sup>63</sup>

Collusion, more than corruption, characterizes the situation of present-day France. But it is the collusion of a tightly associated network of elites, which combines political and economic power to an unusual degree, and distances itself from the needs of ordinary people. The collusive circle of elites is the problem; corruption is the symptom.

### **Commonality and specificity**

Corruption as an 'excess' of capitalism is, of course, common to most 'advanced' countries. It was blatantly revealed in the experience of the 1980s—the era of Thatcher, Reagan and 'neo-liberalism'—when financial deregulation, takeover bids, asset stripping, property speculation, stock exchange manipulation and, in short, virtually unrestrained greed, flourished throughout the developed world, from the USA and Western Europe to Japan. Even a country like Germany, where corruption is sporadic rather than systematic, 'has the same problem as its neighbours', namely, 'the dangerous convergence of politics and the economy conducive to corruption: 'double language', state enterprises, network of relations, concentration of power and the ever-present attraction of money.'<sup>64</sup>

While France certainly shares the common 'convergence', it also has its own variants. But what is specific to French behaviour—to a degree that astonishes foreign observers—is actually an extension, or intensification, of practices current under the Third Republic. Thus, 'confusion of roles' (notably in the widespread *cumul des mandats*, that is, holding two or more official positions concurrently, such as being a deputy in the national assembly as well as mayor of a city) and especially the formal or informal linkages within an unusually closed circle of political, administrative and economic elites.<sup>65</sup>

Yet, as Mény reminds us, 'corruption is not the cause of the crisis of the system or of public disaffection with the political class'. The outbreaks of corruption and consequent scandals shaking French society since the mid-1980s rather reveal the nature of that crisis, by emphasizing its features and enlarging its effects.<sup>66</sup>

### **Collusion and crisis**

What is that 'crisis of the system'? What is the role of corruption and what forms does it take? What are the consequences for society? And if that crisis is the 'social fracture' of France—condemned by Chirac during his 1995 presidential campaign—how can it be overcome?

The great strike that disrupted France in November and December 1995 is a perfect example of 'fracture'. The strikers—especially in the public service—were directly protesting against the imposition of social security reforms by the government; a matter on which they (who would be the most affected) were not consulted. Indirectly, however, the huge manifestations, largely supported by the public, reflected the deception of citizens, whose expectations had been raised by Chirac's abundant campaign promises, which as President he failed to fulfil. Yet a deeper source is the (economic) insecurity and the anxiety of ordinary people, who feel powerless in the face of ruling elites who ignore their problems—and fail to provide solutions.

Now, Mény's pioneering investigation is being supplemented by a new generation of critical reporters, by more independent-minded judges (in the Italian style) who do not simply submit to political influence, and by a series of parliamentary and governmental commissions on corruption: although whether the latter are token attempts intended to demonstrate that politicians and cabinet ministers are 'doing something' about corruption, with the aim of diverting or assuaging public opinion, or are serious efforts at reform is still an open question. That this should be so says much about the 'establishment' of corruption, stemming from collusion among French elites; and even more about the ambiguity of the dividing line between what is proper and what is improper.

Thus, the Rozès commission on corruption (appointed by Prime Minister Balladur) has emphasized the difficulty of assessing even the quantitative importance of corruption. 'The most serious and frequent situations', the commission reports, 'are not, as in a text book, the buying up of a market or a definite public decision, but rather the interweaving in the course of time of close and often ambiguous relations between political and economic decision-makers'. Indeed, 'misappropriation of public goods and falsification, in so far as they take place in the permanent exchange of 'services' within the limits of the law are actually offences, which go to the heart of what is understood by corruption'.<sup>67</sup>

While the commission exposed corruption in both public and private sectors, it is 'public corruption' that 'has the most serious consequences, because it alters the link between government and governed, elected and electors, it unravels the social contract, and de-symbolizes politics, which is then reduced into an association of interests where everything is negotiated, bought and sold'.<sup>68</sup> It is this elitist 'association of interests', divorced from the needs of ordinary people, which leads in particular cases to corruption, and as a general consequence to the 'democratic deficit' and the 'social fracture' dividing and disorienting France.

The Carignon affair is a recent dramatic example. Alain Carignon, a minister in the Balladur government and at the same time mayor of Grenoble, was forced to resign before being convicted of corruption. As mayor, he had granted public works contracts to a leading conglomerate in exchange for material benefits. The sentence of imprisonment was confirmed on appeal by the criminal court of Lyons. On the one hand, in the court's judgment (reported by *Le Monde*, 18 November 1995):

The active corruptors...are continually seeking new and important markets for their companies.... Considering the stakes involved, they have gone beyond the classic form of abuse of business functions by unleashing the process of corruption, through the mad spiralling effect of money...a process which, little by little, infects both the economic and the political world.

On the other hand, the corrupted:

was elected by the citizens of Grenoble...as mayor. He has no right to betray the confidence of the voters.... Alain Carignon has committed the most serious act for an elected member by selling part of his power to private groups and accepting considerable advantages.... The offence of corruption that he has committed profoundly harms the values of the Republic and undermines the confidence of citizens in the noble profession of administering a city and of politics itself

**Problems for democracy: party funding, decentralization, commercialization of values**

First, let us consider the 'de-symbolizing' effect of corruption, noted by the Rozès commission and illustrated by the Carignon affair. It had previously become alarmingly apparent with the revelation in the mid-1980s that the ruling French socialists, who were in fact doing little more than their conservative or centrist predecessors, were taking commissions from industrial and financial enterprises, by way of seemingly legitimate intermediaries (such as the notorious 'research bureaux'), in order to fund electoral campaigns.

What really shocked public opinion (previously somewhat tolerant or apathetic) was that socialist practice was so much in contradiction to the ideals asserted on taking office, including incessant condemnation of the corrupting power of wealth; and then that deputies were quite content to vote themselves an amnesty once they had been found out. Corrupt financing

was admitted, and reforms were passed to prevent misbehaviour in the future. But because corruption was to the advantage of political parties, and not individuals, so the parliamentarians argued, it was not personally harmful; in such a case, the amnesty was appropriate.

Politicians failed to consider the other side of the coin; for whatever the untainted virtue of the target, corruption itself had achieved its purpose. The enterprise providing funds illicitly had gained something in return: a public works contract, a licence to develop, exemption from taxation, or whatever. In this way, the 'marketing' of public authority simply reflected the operation of supply and demand.<sup>69</sup>

Second, the decentralization reforms of the 1980s illustrate the same problem. Decentralization of authority and expenditure to *departements* and regions is a valuable reform of overcentralized government, and is not itself the cause of corruption. What makes corruption possible is the lack of effective controls and of democratic accountability. All the more conducive to corruption is the power and prestige of local 'notables', who as mayors or as members of regional or departmental councils, now control 80 per cent of public investment. For the sake of 'effectiveness' and in the face of growing demands for urban and rural development, notables would 'cut corners' or use their influence in high places to bypass complex and restrictive regulations. The end result is often beneficial to the community, but—as Mény asks—does the end justify the means? Drug producers distributing largesse in their 'constituencies' face the same argument. As Mény comments:

The absence of countervailing powers and controls, and the existence of parallel structures to those of the bureaucracy, explain these 'sidesteps' and deviations. These discrepancies do not call into question the honesty of most elected representatives, even if the activities that have become public are only the tip of the iceberg. But they do call into question a system of power and management founded on the almost exclusive authority of one person—the 'accumulating' notable—who is the central element of a network in which effectiveness replaces legality, where clientalism is substituted for the State of law, and where the separation of public and private spheres is blurred by a confusion of the two.<sup>70</sup>

Mény's assessment is amply confirmed by the 'Central Service for the Prevention of Corruption' (set up by the Bérégovoy government in 1993). 'Decentralization and the subsequent concentration of multiple powers in the hands of the same person have increased the risk of the tendency to corruption, to the hold of illegal interests, to influence peddling and to

favouritism.... The multiplication of 'affairs' affecting elected representatives is evidence of these risks.<sup>71</sup>

Now, public reaction to the excesses of politicians and notables in the 1980s and early 1990s has had some effect; positively, by 'punishing' the parties or individuals most at fault; negatively, by aggravating public disaffection with the political system and, for a substantial minority, seeking an extremist, even racist alternative.

Thus, the socialists were heavily defeated in the 1993 elections—partly because they could be blamed for massive unemployment and the onset of recession, but also because of the general feeling that the left, exhausted by the wear and tear of office and riven by factionalism, had lost its sense of direction. But the defeat of the left was followed, not long after, by the failure of the conservative Prime Minister Balladur in the 1995 presidential campaign. Three of his ministers, implicated in corruption, had been made to resign; for Balladur, learning from the fate of the socialists, had imposed higher standards. But he was widely regarded as a 'static' representative of the establishment, unable to meet the challenges of the time.

Finally, among the social consequences of collusion and corruption, it is the 'commercialization of values' that is perhaps most disturbing for the political system. As Mény emphasizes, the 'exchange mechanisms' of corruption vitiate democratic practices:

Privilege is substituted for law, particularist exchanges for general rules, and a secretive oligarchy for open markets. Gradually, at first among the elites and then at the heart of public opinion, the conviction spreads that everything can be exchanged, bought, and arranged, and that the holders of public authority can effectively convert their power into wealth.<sup>72</sup>

Commissioner Rozès similarly concludes:

We have lived in a period of exceptional economic expansion, during which many believed that anything was possible. Then, in the recent recession, certain people tried to hold on to their gains.... Little by little, the notion of a great public service has crumbled away. When one sees that certain things happen without being punished, one develops the habit... [and] morality itself is eroded.<sup>73</sup>

### **Reform—and resistance**

How can the state of corruption—and the 'social fracture' that it reveals between elites and citizens—be remedied? The governmental



commission, the Assembly's working group and the 'central service for prevention of corruption' all agree on the need for improved legislation, stricter controls and 'moralization of public life'. Yet resistance either to the proposed measures or to their application indicates that the collusive circle of elites is the basic problem, of which corruption is the symptom.<sup>74</sup>

Thus, the working group has tackled the 'controversial question' of the *cumul des mandats*, and its members (drawn from the various parties) agree that it is 'conducive to conflicts of interest' provoking suspicion, if not worse; for while 'parliamentarians as such are not subject to solicitation by powerful industrial and financial groups, they cannot avoid entering into contact with them when they are concurrently managers of local collectivities'. Yet the idea of prohibiting parliamentarians from simultaneously exercising 'local executive functions' was 'strongly contested by certain members of the [working] group'. Consequently, no agreement could be reached on a total ban of 'accumulation'.<sup>75</sup>

As for the Rozès commission, it specifically recommended the prohibition of all business funding of political activities. Such funding, it argued, even when done openly, 'gives rise to suspicion as to an eventual return of favours'. ('Enterprises do not provide gifts', as the assembly's working group puts it, 'without expecting something in return, in one form or another'.) The Balladur government voted to prohibit such funding, after some leading executives had announced that they would cease all further contributions. The 'central service', in turn, concentrated on the disturbing increase in lobbying activities as well as corruption in professional sport and foreign trade.<sup>76</sup>

There are, however, signs of improvement. The most blatant of the 'insider trading' scandals of the 1980s—the Pechiney affair, implicating a financier close to President Mitterrand—has resulted, according to *Le Monde* of 28 October 1995, in much stricter monitoring and transparency of the stock exchange. Moreover, the Association of Mayors of France—who are responsible for most public works contracts—resolved in November 1995 to set up a body of experts to advise them in their dealings with large private companies.

Nevertheless, the reformers consider that control mechanisms are ineffective or insufficient. As one expert succinctly reported on the problems of decentralization before the working group: 'legal controls—too few; budgetary controls—too late; financial controls—too gentle'. Another witness, formerly head of the commission to prevent corruption, noted revealingly that prefects 'sometimes hesitate to inconvenience a locally elected member...especially if that person is not only powerful locally, but also at the national level'.

Even more symptomatic of the nature of the problem is the criticism levelled by the head of the 'central service', that, 'in general, corruption remains taboo in the administration and does not seem to be a priority'. As a result, corrupt elements continue to exploit 'the uncertainties and weaknesses of the various control mechanisms'. Despite the recommendation of 'a resolute and sustained' policy of prevention of corruption, bringing together all the actors in public life and in the world of business, the central service complained that the administration is impervious (to advice). The service also denounced the 'ill will' of politicians, who are little disposed to accept administrative controls.

So long as these attitudes persist in high places, modified only (and often in a token sense) in response to the outbreak of scandals, then Mény's strictures are justified. For collusion (with its potential for corruption) reflects the fundamental characteristics of the French political system:

Narrowness of the leading group, poor differentiation of political, administrative and economic elites, tendency to concentration of power, weakness of controls...French democracy sins both by the absence of pluralism (ensuring separation of tasks and functions) and by the indifference of political elites in regard to these imbalances (from which, of course, the elites benefit most).<sup>77</sup>

Corrupt 'affairs' are the 'unacceptable face' of such an unusually collusive economic-political system. For all its effectiveness as a 'marketable agency' in a remarkably successful economic environment, such a system, because of its elitist distance from ordinary people, does run the risk of taking a downward course; decline in social responsibility, decline in political legitimacy.

## CONCLUSION

The pessimistic 'lessons' of the Third Republic for today's modernizing societies can be summarized as follows; the exhaustion of the 'republican virtues' as a result of economic, demographic and military crises (the enormous sacrifices of World War I) and moral disillusion; the selfish and narrow outlook of the 'political class', which in time alienated the majority of the people; the unwillingness, indeed the refusal, of the ruling middle class (with business) to tax itself effectively in order to finance the social reforms that were desperately needed, and which were duly accepted—but in rhetoric; and finally the demoralizing impact of corruption, symbolizing the rottenness of the regime.

And yet the optimistic lessons for modernizing societies are no less significant, even if obscured for so long by the trauma of defeat. For elements of economic dynamism were present under the Third Republic, but were held back by the political need to propitiate the conservative, small-scale, provincial business and peasantry. These dynamic elements revived after World War II and triumphed in the following decades. Indeed, a more representative democracy and a more productive capitalism express the achievement (although tainted by scandal) of modern France.

Paradoxically, in this respect, French trends are the reverse of those in Britain. At the time of the founding of the Third Republic, Britain was at the height of its economic prosperity, political probity and parliamentary democracy. But while integrity in public life continued to provide a model of behaviour for other countries in the decades to come, Britain's economy was already starting on the slow but inexorable process of decline. To what extent, it may be asked, did the 'exceptional' virtues of public integrity in Britain contribute to subsequent economic deterioration? Nevertheless, such a disturbing question should not detract from the inspirational achievement in Britain of transformation from 'old corruption' to new probity.

## NOTES

- 1 Fernand Braudel, *L'identité de la France: les hommes et les choses* (Paris: Arthaud-Flammarion, 1986) on the peasant universe widely known for its 'habits, intimate knowledge of the land, limited needs and profound moderation', p. 15; Jean-Marie Mayeur, *Les débuts de la Troisième République 1871-1898* (Paris: Seuil, 1973) pp. 51-52; Dominique Borne et Henri Dubief, *La crise des années 30, 1929-1938* (Paris: Seuil, 1976, 1989) 'The rural world', pp. 217-28; Jean-Charles Asselain, *Histoire économique de la France* (Paris: Seuil, 1984) vol. I, pp. 117, 134. (My translation, as for the following works.)
- 2 Jacques Bainville, *Histoire de France* (Paris: Plon, 1933) vol. 2: by 1879 the 'bourgeoisie, lawyers, and businessmen' were installed, p. 238; Mayeur, *Les débuts*, on the alliance between a fraction of the big bourgeoisie, the 'new (middle class) strata', and the people of towns and countryside as the secret of Republican success, p. 51; and on the ideological divisions within the grande bourgeoisie, p. 89; see also Madeleine Rebérioux, *La République radicale? 1898-1914* (Paris: Seuil, 1975) on the continuing effectiveness of this coalition of interests: pp. 59-60, 119-23.
- 3 Mayeur, *Les débuts*, pp. 52-53.
- 4 Borne et Dubief, *La crise*, pp. 26-7, 43, 180.
- 5 *Ibid.* pp. 288, 292. See also Léon Blum, *A l'échelle humaine* (Paris: Gallimard, 1945) p. 71. For ten years the bourgeoisie had no reserve of energy or imagination or renewal, to overcome the economic swamp. Blum was writing, in prison, in 1941.

- 6 Ibid. p. 13.
- 7 Marc Bloch, *L'étrange défaite: Témoignage écrit en 1940* (Paris: Gallimard, 1990 edn) pp. 66–67, 168–69, 171–73, 180–83, 189, 194–98, 200, 206.
- 8 Blum, *A l'échelle humaine*, pp. 35–37.
- 9 Asselain, *Histoire économique*, vol. 1, pp. 142–48, 176–78; see also vol. 2 for present economic developments.
- 10 Braudel, *L'identité*, pp. 13, 15, 181–82 (quoting André Gavron), 247, 306 (quoting Hervé Le Bras).
- 11 Asselain, *Histoire économique*, vol. 1, p. 117; also pp. 139, 161–62.
- 12 David Thomson, *Democracy in France since 1870* (Oxford: Oxford University Press with Royal Institute of International Affairs, 1969 edn) p. 53; see also Mayeur, *Les débuts*, pp. 32–48.
- 13 Quoted in Thomson, *Democracy*, pp. 119–20.
- 14 Mayeur, *Les débuts*, pp. 49–52.
- 15 Ibid. p. 52
- 16 On the importance of education policy in the early years of the Third Republic in forming appropriate values: Mayeur, *Les débuts*, pp. 112–13, 153; Thomson, *Democracy*, pp. 144–46, quoting Jules Ferry's official programme of moral education in schools, including respect for justice, liberty and property, 'probity, equity, loyalty' and so on. On the organization of the Chambers of Commerce, p. 56.
- 17 Mayeur, *Les débuts*, pp. 204–5.
- 18 Ibid. pp. 121, 123; on the Freycinet scheme, see also Theodore Zeldin, *France 1848–1945: Politics and Anger* (Oxford: Oxford University Press, 1979) pp. 269–74.
- 19 Mayeur, *Les débuts*, pp. 204–8.
- 20 *Democracy*, p. 52.
- 21 *Les débuts*, pp. 46, 49.
- 22 Reberieux, *République radicale?*, pp. 4–13; see also Alfred Cobban, *A History of Modern France* (Harmondsworth: Penguin, 1965) vol. 3 (1871–1962) pp. 48–57.
- 23 Thomson, *Democracy*, pp. 158–59.
- 24 Reberieux, *République radicale?*, pp. 22–23. The threat to the Republic posed in the 1880s by the demagogue and super-patriot, Gen. Boulanger, had been only too recent a reminder: Mayeur, *Les débuts*, pp. 165–79.
- 25 *Notre jeunesse* (Paris: Gallimard, 1957 edn) orig. 1910. Péguy, as Christian and patriot, castigated the anti-clerical consequences of the Dreyfusard campaign.
- 26 Reberieux, *République radicale?*, p. 39.
- 27 Cobban, *Modern France*, pp. 53–4.
- 28 Ibid. pp. 86–90; see also Reberieux, *République radicale?*, pp. 159–60. On the extreme-right 'Leagues', such as the Cagouards and Col. de la Roque's Croix-de-Feu, see Borne et Dubief, *La crise*, pp. 92–96, 126, 178–187.
- 29 *Mémoires* (Paris: Julliard, 1983), pp. 101, 145. Blum himself had narrowly escaped being lynched by a right-wing mob in 1936.
- 30 Zeldin, *Politics and Anger*, pp. 334, 341.
- 31 Borne et Dubief, *La crise*, pp. 160–65.
- 32 Ibid. pp. 243–46.
- 33 *Democracy*, pp. 109–10.
- 34 *A l'échelle humaine*, pp. 46–48, 55–57.

- 35 Jean-Jacques Becker et Serge Berstein, *Victoire et frustrations 1914-1929* (Paris: Seuil, 1990) pp. 241, 276-77.
- 36 *Ibid.* pp. 223-25.
- 37 *Ibid.* pp. 223-25; also Borne et Dubief, *La crise*, p. 29.
- 38 Becker et Berstein, *Victoire et frustrations*, pp. 264-66.
- 39 *Ibid.* pp. 268, 274-76.
- 40 Mayeur, *Les débuts*, p. 217.
- 41 Rebérioux, *République radicale?*, pp. 80, 134.
- 42 Jean-Noël Jeanneney, *L'argent caché: milieux d'affaires et pouvoirs politiques dans la France du xx<sup>e</sup> siècle* (Paris: Fayard, 1984 edn) pp. 201-2. The left, this time, won the vote. The Senate, however, quashed the application of disclosure to parliamentarians: pp. 203-4.
- 43 Zeldin, *Politics and Anger*, pp. 301-5.
- 44 *Ibid.* pp. 345-47.
- 45 Asselain, *Histoire économique*, vol. 2, pp. 75-76.
- 46 Becker et Berstein, *Victoire et frustrations*, pp. 330-39; for the 1930s, see Borne et Dubief, *La crise*, pp. 8, 16-17, 26-29, 232-42. Governments are the prisoners of the social categories they aim to represent: p. 31.
- 47 Thomson, *Democracy*, pp. 66-67; also pp. 68-71. The Finance Committee of the Chamber of Deputies declared in its report of 16 July 1936: 'The Bank is in the hands of an oligarchy which has succeeded in ruling the country over the heads of its chosen representatives': p. 71. In Anatole France's well-known satire: 'La démocratie pingouine ne se gouvernait point par elle-même; elle obéissait à une oligarchie financière qui faisait l'opinion par les journaux, et tenait dans sa main les députés, les ministres et le président': *L'Île des pingouins* (Paris: Calmann-Lévy, 1908) p. 194; see also p. 267.
- 48 *République radicale?*, p. 133.
- 49 *La crise*, pp. 7, 29; on the financial and industrial oligarchy dominating the French economy, p. 234.
- 50 *Ibid.* p. 177 on the difficulties facing the popular front.
- 51 *A l'échelle humaine*, pp. 65-66.
- 52 *Ibid.* pp. 69-71, 86, 94.
- 53 *François de Wendel en République* (Paris: Seuil, 1976).
- 54 Debate in the Chamber of Deputies, quoted *ibid.* pp. 507-8.
- 55 From a series of articles, February to March 1936: *ibid.* p. 557.
- 56 Speech, 29 November 1923: quoted *ibid.* p. 180.
- 57 *Ibid.* p. 215.
- 58 De Wendel, 14 March 1925: *ibid.* p. 229.
- 59 Marin's letter to Billiet, 27 August 1927: quoted *ibid.* p. 446.
- 60 De Wendel, 21 February 1935: quoted *ibid.* pp. 523-4.
- 61 Details in *ibid.* pp. 456-57.
- 62 *L'étrange défaite*, pp. 193-4. Bloch, an ardent patriot, joined the resistance, and was arrested and shot by the Germans.
- 63 Yves Mény, *La Corruption de la République* (Paris: Fayard, 1992) Introduction, pp. 13-17.
- 64 Volker Wolff, *Wirtschaftswoche*: trans. *Courrier International*, 8-14 December 1994.
- 65 Mény, *La Corruption*, pp. 17-18, 20-21. There has been an extraordinary increase in 'accumulating' public offices: from about one-third of deputies also holding a local 'mandate' at the end of the Third Republic to 70

per cent in 1973 and 96 per cent in 1988: *ibid.* p. 70. According to the national assembly's working group on corruption, presided over by Philippe Séguin, 'the cumul des mandats is conducive...to conflicts of interest, which may provoke suspicion, if not lead to reprehensible conduct': *Le Monde*, 25 November 1994. Yet another significant example of French elitist 'specificity' is revealed in the contrast in the careers of French and German directors of large enterprises. A detailed investigation shows that directors who have 'parachuted' into industry directly from state employment are six times more frequent in France than in Germany. Two of the elite 'grandes écoles' produce more than 45 per cent of France's economic bosses; but, in Germany, more than 70 per cent of directors started their working life in industry: B. Bertin-Mouroit and M. Bauer, 'Les 200 en France et en Allemagne', quoted in *Le Monde*, 20 May 1992.

- 66 Mény, *La Corruption*, p. 13.
- 67 Report of the commission, presided over by Simone Rozès, first honorary president of the Cour de Cassation (court of appeal): *Le Monde*, 3 December 1994.
- 68 Commission report, *ibid.*
- 69 'From Schneider to Saint-Gobain, from Alcatel to the Comptoir des entrepreneurs, from Crédit lyonnais to the GMF, from the Générale des eaux to the Lyonnaise des eaux, these big enterprises are in the firing line.' Yet the impressive size of the list cannot hide the extreme variety of offences, including economic as well as political corruption [with examples]: Pierre-Angel Gay, 'The Judicial Saga of the Big Bosses', *Le Monde*, 27 September 1994.
- 70 Mény, *La Corruption*, p. 95. Clientelism is a direct product of the *cumul des mandats*. Obviously a deputy in the National Assembly who is also mayor of a large city cannot perform effectively in both functions. He therefore delegates much of the practical work to formal or informal advisers, whose career loyalty is to the deputy/mayor rather than to the 'public service'.
- 71 First report of the Service central de prevention de la corruption, headed by Bernard Challe: *Le Monde*, 20 October 1994. Challe was at the centre of a political storm in September 1995 over allegations of the abuse of authority by Prime Minister Juppé when deputy (to Chirac) as mayor of Paris (allocating apartments). Yet another 'housing' scandal implicated Chirac's successor as mayor in July 1996.
- 72 Mény, *La Corruption*, p. 317.
- 73 Simone Rozès, interviewed by Edwy Plenel and Pascale Robert-Diard: *Le Monde*, 3 December 1994.
- 74 As a well-regarded American analyst, Ezra N. Suleiman, notes in his recent book, *France: The Transformation of a Society*, French elites no longer serve the state, but they make use of it to preserve their privileges and to make money. Corruption is only the visible part of the iceberg: review by Philippe Simonnot of the French edition (Seuil, 1995) in *Le Monde*, 19 September 1995. See also Erik Izraelewicz, comparing France with 'the return of the German model'. He reports 'the view from abroad that the origin of the blockages in French society is to be found in the divorce between leaders and their constituents'; and that reforms in France should start with reform of the elites: *Le Monde*, 19 September 1995.

75 Report of the working group; *Le Monde*, 25 November 1994.

76 Reports, as cited; *Le Monde*.

77 Mény, *La Corruption*, p. 322.

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## 4 Normative strengths

### CASE STUDY: BRITAIN

British ‘exceptionalism’ in regard to the collusion-corruption process is characterized by the ‘pursuit of virtue’ motivating leading elements of British society. Even so, such normative strengths only gradually eliminated the canker of corruption—just as representative government was only gradually extended to the entire adult population. It was well into the Victorian era before appointment and promotion by merit (and not by favouritism, birth or wealth) was institutionalized in the civil service, later to become the greatest source of pride in the British establishment. And it was not for another twenty years that legislation against electoral bribery was finally enacted.

Yet the normative strengths imbued in Victorian public life, whatever their inhibition of economic dynamism later on, were truly remarkable: faith in freedom, the rule of law, religious tolerance, lofty moral standards, encouragement of education, uplift of the poor, and so on.

Indeed, for a brief moment (historically speaking) one country pioneered the reconciliation of the individualist ‘morality of wealth’ (during the early maturity of the Industrial Revolution) with the ‘morality of power’ (expressed in terms of social uplift): a fusion that resulted in the unprecedented integrity of public life. This exceptional state of affairs can be attributed to a number of factors: the ‘gentlemanly’ ideal (in contrast to ‘money-making’); the administrative requirements of empire; utilitarian standards of efficiency and rationality; an age of high moral seriousness; and the *laissez-faire* regime of free trade, peace and prosperity, under which capitalist enterprise flourished without influencing politicians corruptly.

### EMINENT VICTORIANS

Britain, by the mid-nineteenth century, was not only the ‘first industrial nation’ but also the greatest imperial power and the financial centre of the world. ‘This was a point when Britain dominated the world economy,



with over 40 per cent of the entire world output of traded manufactured goods produced within the country and about a quarter of the world's international trade passing through British ports.... As Britain assumed this dominant role in the international economy, exploiting the unique advantages of a unique position, so the prime dynamic in the economy became the industrial sector.<sup>1</sup>

Yet in spite of this extraordinary economic transformation, including the fundamental redeployment of resources away from agriculture,<sup>2</sup> it was still the British landowning aristocracy in the early nineteenth century (as throughout the previous century) which dominated parliament by 'property and patronage'.<sup>3</sup> Not until the 1832 Reform Act were the industrial and urban middle classes enfranchised (although aristocratic rule continued); only in 1846, with the decisive repeal of the Corn Laws, protecting agriculture, did industry and finance power triumph over aristocratic landed interests.<sup>4</sup>

The defeat of rural protectionism then opened the way to the era of free trade. The general increase in prosperity resulting from mass production and consumption (filtering down to the 'respectable' working class)<sup>5</sup> facilitated much-needed social legislation (factory acts, health, housing, education, trade unions) as well as further extensions of the electorate (Disraeli in 1867, Gladstone in the 1880s).

Free trade, *laissez-faire* and prosperity were both causes and consequences of the growth of capital:

The capital [according to Adam Smith] ...has been silently and gradually accumulated by the private frugality and good conduct of individuals, by their universal, continual and uninterrupted effort to better their own conditions. It is this effort, protected by law and allowed by liberty to exert itself in the manner that is most advantageous, which has maintained the progress of England towards opulence and improvement.<sup>6</sup>

The 'bourgeois ethic' in Britain, expounded by Adam Smith and his followers, had four characteristic features. First, it signified a distinctive code of middle-class 'honour'—integrity, seriousness, hard work, thrift—in contrast to the aristocratic code of pride, luxury, amateurishness and frivolity. Second, it reflected a boundless drive for economic growth, in contrast to the restricted and finite world of feudalism and mercantilism. In the third place, it was an avowal of freedom in defiance of state power and economic regulation. And finally it denoted the moral ascendancy—foreshadowing political domination—of the bourgeoisie over an 'unproductive' aristocracy.<sup>7</sup>

As Richard Cobden, spokesman for the industrial middle class, insisted, even a parliament dominated by the aristocracy must govern 'through the bona fide representatives of the middle class'. Some man must of necessity 'rule the State through its [new] governing class', he urged in 1846 during his successful anti-Corn Law campaign. The [1832] Reform Bill decreed it; the passing of the [repeal of the] Corn Bill has realized it'.<sup>8</sup> 'If industry did not bring its own reward, and indolence its punishment', asserted the Rev. Thomas Malthus himself, author of the *Essay on the Principle of Population* (2nd edn 1803), 'we could not hope to see that animated activity in bettering our own condition which now forms the master-spring of public prosperity.'<sup>9</sup> As for Matthew Arnold, relentless critic of the 'Philistine' middle class (as of the 'Barbarian' aristocracy and the 'raw and half-developed Populace'), the ethic of achievement was the hallmark of the 'great middle class liberalism, which had for the cardinal points of its belief the Reform Bill of 1832, and local self-government, in politics; in the social sphere, free trade, unrestricted competition, and the making of large industrial fortunes'. (In Arnold's view, however, the middle-class 'pursuit of free trade, as of so many other things, has been too mechanical'; so bound up with the production of wealth and the increase of manufacture and commerce as to lose sight of human perfectibility and cultural values.)<sup>10</sup>

The 'inevitability' of free trade, political progress and social prosperity typified the optimistic outlook of mid-Victorians. Pragmatic conservatism (when reconciled to free trade) and moderate liberalism alternated in government without endangering the social equilibrium. The violent passions of the early decades of the century—'mob' uprisings and harsh repression, evoking the prospect of revolution—were displaced, thanks to political and economic progress, on to important, but nonetheless peripheral, issues: the role of the Established Church and of religious Dissent, the perennial problem of Ireland, the expansion of Empire, the support for freedom and nationalism in Europe, and the maintenance of the 'balance of power'.

Not until the last years of the nineteenth century was the Victorian consensus shaken, when 'peripheral' issues moved centre stage. Then, in a new and unstable world, late Victorian Britain found it could no longer maintain security by 'splendid isolation'. The divisive issue of Ireland inflamed conservative hostility to the liberals' insistence on Home Rule; even the sacrosanct canons of *laissez-faire* and free trade were increasingly challenged by protectionist interests, facing competition from the more dynamic economies of the USA and Germany, as well as from the growing militancy of sections of the British working class, exacerbated by the 'Great Depression' of these last decades. No longer were there confident expectations of continuing progress, but rather a sense of unease, anxiety,

even fear of the future, reflecting the situation of a country whose economy was in decline.<sup>11</sup>

How did the ‘high’ Victorian age of ‘evolutionary progress’—with its gloomy aftermath—bring about the remarkable integrity of public life in Britain, so different from the contemporary condition of France (under Second Empire and Third Republic) and indeed from the ‘gilded age’ of American capitalism? In early Victorian Britain, the industrialist free-trader victory over agricultural protection clearly demonstrated the emergence of middle-class power, in substance, even though (unlike Republican France or the USA) the aristocracy still ‘ruled’. But in Britain, above all, the ascendant middle-class values of responsibility, enterprise, calculation, sobriety, thrift and probity marked a conscious rejection of aristocratic patronage and privilege, which were identified with ‘jobbery’, amateurishness and incompetence.

Under the pressure of social problems not new but of unprecedented scale... [exponents of middle-class professional and entrepreneurial ideals] demanded and obtained the creation of a series of administrative agencies staffed by experts capable of solving them. In these and the existing Government departments they demanded, and to a large extent obtained, the abolition of patronage and ‘corruption’, of amateurism and inefficiency, extravagance and waste, secrecy and lack of accountability, and their replacement by selection and promotion by merit, by professional efficiency, retrenchment and economy, publicity and full financial accountability.<sup>12</sup>

‘Correspondent to discovery and improvement in the material world’, so Jeremy Bentham had envisaged in 1776, ‘is reformation in the moral’.<sup>13</sup> Indeed, the British model of an impartial, expert and incorrupt civil service was to dominate British administration and politics, and was even exported overseas. The result of this evolution’, according to an observation typical of later times (1930s), ‘is a Civil Service which is rightly the envy of the world, for it combines technical efficiency with humane serviceability as no other Civil Service does’.<sup>14</sup> Two recent analysts have also emphasized the ‘personal integrity’ of individuals ‘both in their private and public behaviours’ in Victorian Britain, as well as the ‘attraction to public service’, which was rewarded by status rather than financial gain. British standards of honesty, they add, have not fully survived two world wars and a social revolution; but their influence persists, especially in the public service.<sup>15</sup>

The impartial, meritocratic civil service in Britain, reflecting the moral standards of eminent Victorians, is an unusual state of affairs: for it is contrary in both respects (government as well as administration) to the

situation that presently obtains in most countries of the world, just as it was contrary to the 'property and patronage' practices of the British ruling class a century before. Such an unusual state of affairs prompts an unusual explanation: that is, a search for the specific factors which distinguish British experience in the Victorian era from the 'normal' conditions.

Uncorrupt societies are achieved through the pursuit of virtue. In the case of Victorian Britain this pursuit takes various, and not entirely consistent, forms: the revival of the 'gentlemanly' image; the imperial role (emphasizing paternalism and power, rather than wealth); the moral earnestness of great public figures (ranging from the Tory Lord Ashley to the Liberal Gladstone and the radical Bright); the Utilitarian doctrine of justice, rationality and efficiency; and the *laissez-faire* separation of government and business—in practice as well as principle—in an era of social stability, political consensus and material prosperity.

### **'Gentleman' ideal**

The gentlemanly ideal of political and social leadership contributed as much as any other factor to prevent British material success from 'corrupting' the approved standards of public behaviour. In imparting an idealistic character to the education of the 'whole English gentry', the pioneering role of Thomas Arnold, father of Matthew Arnold and famous headmaster of Rugby School in the early nineteenth century, was unparalleled. Arnold's priorities were: 'first...religious and moral principles; secondly, a gentlemanly conduct; thirdly, intellectual ability'.<sup>16</sup> Accordingly the school, and particularly the elitist 'public school', did much to set the attitudes and determine the values of the leaders of society.<sup>17</sup>

Arnold, indeed, set the standard of moral earnestness and practical conduct required for the transformation of the sons of the gentry and the wealthier members of the emerging middle class into 'Christian gentlemen', imbued with 'character' and 'manliness', and in this way, morally and socially fit to rule: 'thought and manliness united with faith and goodness', as Arnold himself believed.<sup>18</sup>

The future of England, in Arnold's view, absolutely depended upon Christian, property-owning, educated citizens. Christianity would supply the institutional framework and a moral basis for rule, since the mass of the nation was, as yet, uneducated and therefore irresponsible. The country needed leadership— 'and the world never yet saw a race of men better fitted to win it than the nobility and gentry of England, if once roused from the carelessness of an undisputed ascendancy'.<sup>19</sup> To Arnold, then, the task of the public schools was to educate a new elite,

imbued with moral principles—a task that was all the more necessary at a time of rapid economic change. Yet Arnold himself was also concerned with the plight of the poor, and spoke out against the ‘insolence and want of sympathy too frequently shown by the children of the wealthier classes towards the lower orders’.<sup>20</sup> But in this respect he was virtually alone among public school headmasters. ‘Arnold was the only one to be vitally concerned with wide social issues...as a champion of lower-class rights’ and the need for liberal reforms.<sup>21</sup>

The socio-political function of the public schools, as a historian of mid-Victorian Britain puts it, was one that they have performed ever since: ‘preserving the quasi-hereditary social elite and satisfying the status ambitions of variously talented or wealthy professional and “business” families, by endowing their children with a sense of shared superiority to everyone else’. Indeed, the extension and clarification of the ‘gentleman’ idea was to be of immense importance in the history of British society, as Best points out, because it represented a kind of bargain or *modus vivendi* between the traditional ruling class and their potential (middle-class) rivals. More generally, the notion of ‘gentleman’ added weight and respectability to the upper strata of society as ‘natural rulers’, to which the middle and lower orders would customarily defer.<sup>22</sup> The virtues of honour, dignity, integrity, courtesy and civility were essential to a gentleman, who generally subordinated money matters to their more important considerations.<sup>23</sup>

Arnold’s exemplary work bore fruit in the report of the government commission on the nine ‘old public schools’ (Eton, Harrow, Winchester and newer creations like Rugby) a generation later. The commission welcomed competitive examinations, especially as a means of obtaining capable recruits for the civil service. But it particularly praised the schools, in Arnoldian terms, for cultivating the essential English qualities— ‘their capacity to govern others and to control themselves, their aptitude for combining freedom with order, their public spirit, their vigour and manliness of character, their strong but not slavish respect for public opinion, their love of healthy sports and exercise’.<sup>24</sup> Such great public schools, according to the commission, were:

the chief nurseries of our statesmen; in them, and in schools modelled after them, men of all the various classes that make up English society, destined for every profession and career, have been brought up on a feeling of social equality, and have contracted the most enduring friendships, and some of the ruling habits, of their lives; and they

have had perhaps the largest share in moulding the character of an English gentleman.<sup>25</sup>

The 'social equality' of public schoolmen referred to by the commission was of course the privilege of upper-class 'society', which disdained 'tradespeople' and the 'lower orders'. For, despite the economic transformation brought about by the industrial revolution, the Victorian ruling elite remained an amalgam of aristocratic families, country gentry and the upper strata of the industrial, financial and professional middle class. But in substance, following the repeal of the Corn Laws in 1846, parliamentary legislation served to underpin economic expansion at home and abroad, driven by middle-class enterprise.

Moreover, the course of economic growth, ushering in the era of free trade, peace (for the most part) and widespread prosperity, benefited a large part of the community—the landed interest, manufacture and commerce, the professions, the service sector and the 'respectable' artisans and skilled workers. The 'entrepreneurial ideal', in Harold Perkin's phrase, had triumphed over the aristocratic ideal in policy, not in form. Aristocratic families and 'neo-aristocrats' like Peel and Gladstone—indeed, all 'gentlemen'—continued to dominate parliament and government throughout the century.<sup>26</sup>

How was it that Britain had not become a 'business society' like the USA? A Quaker industrialist like the radical John Bright, as Briggs points out, was still cut off from many of the streams of national life. An apologist of occupational success like Samuel Smiles (author of the vastly popular *Self-Help*, as well as *Character, Thrift and Duty*, from the 1850s to the 1870s) never succeeded in making the creed of self-help the unchallenged gospel of his age. The failure was crucial in the subsequent development of English society and politics.<sup>27</sup>

Resistance to the power of the businessman, Briggs argues, came from three different directions: from the small gentry, who through institutions like the public schools and universities, taught their sons a traditional code of behaviour; from the new civil servant, usually a product of the same institutions, who was expected to be a 'gentleman'; from the new model trade unions, which organized in opposition to the employers, rather than accommodation; and finally from businessmen themselves. 'Many of them were deferential rather than rebellious, snobbish rather than independent', men who could reasonably expect that their children, educated in the new public schools and marrying sons or daughters of the gentry, would become 'ladies' and 'gentlemen'.<sup>28</sup>

It is the thesis of Martin Wiener, significantly entitled *English Culture and the Decline of the Industrial Spirit* that in a curious involution ‘gentry’ values actually prevailed over the entrepreneurial. The rentier aristocracy, he claims, succeeded to a large extent in maintaining its cultural hegemony and consequently in reshaping the industrial bourgeoisie in its own image. The earlier zeal for work, production and money-making was replaced by emphasis on style, leisure and political service. The rise of professional men, in particular, was accompanied by overt distaste for ‘money-grubbing’. Wiener quotes Matthew Arnold (son of the Rugby headmaster) for the view that in Britain the professions, including the emerging civil service, were ‘separate, to a degree unknown on the Continent, from the commercial and industrial class with which in social standing they are naturally on a level’. Hence there developed that crucial split in the middle class between the professionals, sharing the ideas of the aristocracy (‘the spirit of feudalism’ to Cobden) and the ‘immense business class’, cut off from the former, and without governing ideas.<sup>29</sup>

It was the professional associations in particular, which were becoming increasingly influential in early nineteenth-century industrializing Britain, that sought to distance themselves from their ‘craft’ or ‘skilled tradesman’ origins by achieving ‘gentlemanly’ status. Lawyers had led the way in the previous century by forming their own voluntary professional association, known as ‘the Society of Gentleman Practitioners in the Courts of Law and Equity’. Their lead has since been followed by most occupational groups seeking to raise themselves to professional status—doctors, architects, engineers, and so on.<sup>30</sup> It was naturally assumed that all of them would be gentlemen, holding the same code of conduct—a code of honor, far above commercial money-grubbing,<sup>31</sup> and brought up on the same kind of liberal education.

What was really significant about British development, as Reader explains, was that the new professional man brought one scale of values—the gentleman’s—to bear upon the other—the tradesman’s—and produced a specialized variety of business morality, which came to be known as ‘professional ethics’ or ‘etiquette’. For unless a client could rely on his professional adviser’s honesty, exertion and devotion the transaction between them would collapse. It followed that ‘any professional man must cultivate and deserve a reputation for probity’.<sup>32</sup>

The Victorian connection between professionalism and honesty (‘the word of a gentlemen’) is even more strikingly demonstrated in the reformed civil service, after nepotism and patronage appointments had been repudiated in the 1850s and 1860s and replaced by open examinations and promotion by merit. In his reply to one of the objectors to reform, Sir Charles Trevelyan (co-author with Sir Stafford Northcliffe of the civil service commission

report) put an unarguable case. 'Who are so successful in gaining entry?' he asked. Almost invariably [they are] the sons of gentlemen, or those who by force of cultivation, good training and good society have acquired the feeling and habits of gentlemen'.<sup>33</sup>

### **Imperial role**

Public school education, the insistence on character-building activities, and the inculcation of moral standards of gentlemanly behaviour were highly appropriate forms of training for an imperial career. Once more, Dr Arnold had been the pioneer. For he, in Dean Stanley's words, 'governed the school precisely on the same principles as he would have governed a great empire'.<sup>34</sup> These were the principles of discipline, obedience, respect and responsibility, developed by the public school system, and consciously forming a parallel to the imperial system of hierarchy and authority.

The disciplinary 'power given by the supreme authorities of the school' to the most senior boys, Arnold explained, was to be exercised on their juniors 'for the sake of securing a regular government amongst the boys themselves, and avoiding the evils of anarchy'. He argued that this relation between superiors and subordinates not only created respect among the latter for 'moral and intellectual excellence' but also made the seniors aware of the 'enormous influence you possess... for good or evil, on all below you'.<sup>35</sup> As Stanley put it, senior boys 'found themselves invested with functions of government great beyond their age, yet naturally growing out of their position'. Their superior role was justifiable on the 'ground of solemn responsibility, on which they were constantly taught that their authority rested'.

The public schools commission, reporting in 1864, drew the same conclusion: 'their welfare and progress', referring to such 'great seminaries of learning', concerns 'in the highest degree the Empire itself'.<sup>36</sup> For latter-day empire-building and empire-holding, as Reader points out, were congenial activities: 'much more congenial, to the mind of the ruling classes, than running an industrial economy'. The pursuit of empire, he continues, gave British public life a spaciousness and a sense of purpose which it subsequently lost. For upper-class boys in the public school tradition were brought up to a sense of duty; they were expected to sacrifice themselves for their country's good; and they had a strong sense of personal loyalty towards those who came under their authority.<sup>37</sup>

A more romantic, if less high-minded, ethos of empire was epitomized in Disraeli's own 'fierce and ravening ambition, a consuming thirst for power and greatness', as his biographer puts it: 'Destiny is our will'.<sup>38</sup>



Applauding the ‘destinies of the British Empire’ in 1863, Disraeli declared that the ‘statesmen who construct, and the warriors who achieve, are only influenced by the instinct of power, and animated by the love of country. Those are the feelings and those are the methods which form empires’.<sup>39</sup> Such feelings were fervently expressed by such as Edward Dicey, who objected (along with Disraeli) to Gladstone’s reluctance to extend the empire. The empire, he repeated, was one over which the sun never sets; ‘Wherever the Union Jack floats, there the English race rules; English laws prevail; English ideas are dominant’.<sup>40</sup> It was Dicey who also asserted that ‘England, like Rome, is the corner-stone of an imperial fabric such as it has fallen to the lot of no other country to erect’—a historic parallel much favoured by empire builders. ‘More than any other institution’, as A.P.Thornton writes, ‘empire depends...on the type of success that is so spectacular as to convince its beneficiaries that they are indeed a chosen people...Rome’s history still magnetizes our respect, because of the men and deeds it records.’<sup>41</sup>

The mystique of empire, the belief that power has been entrusted into the hands of a ‘natural aristocracy’ and is therefore ‘morally valid’,<sup>42</sup> imbues the trusteeship notion of superior ‘Guardians’, ruling over the welfare of subject races. It is such a notion that inspires the record of ‘men and ideas’ in the work of an eminent member of the civil service in India, that ‘Jewel in the Crown of England’ made famous by Disraeli. Philip Mason [writing as Philip Woodruff] affirms that most ICS members were ‘brought up directly or indirectly in the tradition of Arnold of Rugby and *Tom Brown’s Schooldays* and they were used to the ‘ideal of hard work and hard play’ as well as to a life of loneliness and heavy responsibility. It was these ‘individual officers’, rather than the centralized administration, who in Mason’s view, were ‘far more certain of England’s imperial destiny...conscious too of a moral rectitude that no one else seemed to possess in quite the same degree as themselves’. The men of the service, he relates, were chosen and trained on Plato’s principles as Guardians: ‘Such a system aims at producing confidence and certainty, virtues in a ruler which may degenerate into arrogance towards the ruled.’ Indeed, such ‘power for good and evil is almost unlimited’, Mason cites the report of a British district officer in the 1860s. ‘He is the member of an official aristocracy...Each generation [of which] ...is more simple, more hardy, more Christian than the last’.<sup>43</sup>

The irony is that these ‘aristocratic’ Guardians, characterized by a ‘fundamental antipathy induced by public school education to everything commercial’,<sup>44</sup> were of course operating in the context of a Britain which had become the ‘workshop of the world’, and was still by mid-century the dominant economic power.<sup>45</sup> In this way, the public school and imperial

ethos, emphasizing character before intelligence, and a classical education instead of scientific and technical formation, contributed to Britain's economic decline—a decline that was apparent by the last decades of the nineteenth century<sup>46</sup>—precisely the 'age of imperialism'.<sup>47</sup>

### **Moral regeneration**

The 'White Man's Burden' and 'civilizing mission' were imperialist manifestations of the Victorian commitment to moral 'uplift'. They formed part of the widespread assumption that Christianity, commerce and civilization went together. It was entirely in keeping that David Livingstone, the famous explorer, lecturing at Oxford and Cambridge, should have pressed upon his audience the duty of spreading among the Africans 'those two pioneers of civilisation—Christianity and commerce'.<sup>48</sup> Even Gladstone, the model of moral earnestness in politics, answered 'deliberately...in the negative' to the question whether the 'system of modern industry' was at variance with the gospels. Accumulation, the division of labour and the multiplication of productive power 'became a beneficial and laudable use of faculties given by God'.<sup>49</sup>

Just as Gladstone accommodated the need for practical financial mastery with intense religious fervour, so the Victorian harmony of interests could include the contrapuntal effect of the 'gentleman' ideal, with its disdain for money, on the one hand, along with the belief in political economy as a providential force, on the other. 'My two lines of reading', as a Whig leader earlier in the century affirmed, 'are divinity and political economy; the first to do myself good; the other, to enable me to do good to others.'<sup>50</sup> Parallel to the 'civilizing' mission overseas, therefore, went the similar domestication of the 'lower orders' at home. Now, the Victorian working class, like the native population of the empire, was an object both of exploitation and of welfare (so long as there was no conflict with economic dogma); for, like all other strata of society, it was endowed with the potential for moral regeneration.

Moral earnestness, belief in progress, and expectation of uplift were held in common throughout Victorian 'respectable' society. As the Whiggish Prime Minister Lord Palmerston (liberal abroad but conservative at home) announced with jaunty optimism in 1850:

We have shown the example of a nation in which every class of society accepts with cheerfulness the lot which providence has assigned to it; while at the same time each individual of each class is constantly trying to raise himself in the social scale, not by violence

and illegality, but by persevering good conduct and by the steady and energetic exertion of the moral and intellectual faculties with which his creator has endowed him.<sup>51</sup>

Sir Robert Peel, founder of modern conservatism, insisted no less fervently before a working men's audience in 1837 that the 'fluctuations' of society—God's wonderful 'system of social retribution'—were above all moral influences: 'Industry, sobriety, honesty, and intelligence will as assuredly elevate the low, as idleness, profligacy, and vice will depress, and justly depress, those who are in high stations.' The moral mechanism of government, he reminded a middle-class audience during the same visit to Glasgow, was like a 'great machine', beating with a regular motion, 'animating industry, encouraging production, rewarding toil, correcting what is irregular, purifying what is stagnant or corrupt'.<sup>52</sup>

Religious inspiration, whether Evangelical (implicitly, in the case of Peel), Methodist (influencing many businessmen and sections of the working class), 'Old Dissent' (such as the Quaker John Bright), or High Anglicanism (as with Gladstone) played a dominant role in Victorian sensibilities. 'Evangelicalism', observes G.M. Young, 'had imposed on society, even on classes which were indifferent to its religious basis and unaffected by its economic appeal, its code of Sunday observance, responsibility and philanthropy; of discipline in the home, regularity in affairs.' The Evangelical discipline, secularized as respectability, was the strongest binding force in the nation.<sup>53</sup>

In addition to prominent figures like Bishop Wilberforce, the moving spirit in the emancipation of the slaves ('God Almighty has set before me two great objects, the Suppression of the Slave Trade and the reformation of manners')<sup>54</sup> and Ashley (later Lord Shaftesbury) 'the good Earl' to Gladstone, 'serving God by honouring his fellow men', and celebrated for his philanthropy and social reforms,<sup>55</sup> there was a host of 'moderate Evangelicals', active in the 'Society for Bettering the Condition of the Poor', who ceaselessly campaigned for such moral improvements as the suppression of vice, the encouragement of industry, economy, frugality and self-discipline. For, as one of their members explained, the poor first need moral regeneration, and afterwards financial relief.<sup>56</sup>

'In working out our political problem', intoned John Bright, 'we should take for our foundation that which recommends itself to our conscience as just and moral.'<sup>57</sup> Similarly, in working out our economic problem, the work ethic of industriousness, character, thrift and probity was invoked by that great popularizer of middle-class morality, Samuel Smiles. *Self-Help*, his best known work, sold 20,000 copies in its first year (1859) and over quarter of a million by 1905. These sales were far in excess of the

great nineteenth-century novels. A 'steady application to work', according to Smiles, is the best training for individuals as well as the best discipline for a state. 'Honourable industry travels the same road with duty; and Providence has closely linked both with happiness.'<sup>58</sup>

It was in keeping with the Smilesian principle of self-help that working men were to be admitted, in a subordinate capacity, to the middle-class enterprise of improvement and advancement. All groups in the community, as one scholar argues, were devoted to a common purpose: social, moral and intellectual improvement. Within that framework there would be considerable variation from class to class. The middle class would assist members of the working class to advance themselves, so long as they did not disturb established power and status. The prevalent cultural ideal of reasonable, respectable and deferential working men was appropriately expounded by the *Manchester Guardian*, organ of free trade liberalism, in 1858. Its editorial concluded that exposure to education had 'made the lower classes more intelligent, more self-reliant, more energetic... [Even when on strike] moderation and order are generally manifested in their proceedings, and there is a better appreciation of the laws that govern the rise and fall of wages.'<sup>59</sup>

The Liberal leader Gladstone personified the mid-Victorian embrace of morality and material improvement, progress and uplift, liberal democracy and political economy. He it was, in the admiring testimony of his biographer John Morley, who 'clearly united fervour and capacity for practical improvements in government to broad and glowing sympathies, alike with the needs and the elemental instincts of the labouring mass'.<sup>60</sup>

Gladstone yearned after some lofty conception of the world; his insistent attempt was both to define it as true and at the same time applicable to the realities of British public life.<sup>61</sup> No matter was too small to fit into his grand moral conception of society. Thus tariff reform in minute detail, rejection of waste and profusion, accurate accounting and continuous scrutiny, were not merely the attraction of a methodical and thrifty man for habits of business, as Morley puts it: 'They were directly associated in him with the amelioration of the hard lot of the toiling mass, and sprang from an ardent concern in improving human well-being, and raising the moral ideals of mankind.' Indeed, from Gladstone's own experience he could fittingly avow that that financial arrangement works best which is adapted 'to the wants of the greatest number'.<sup>62</sup>

To Gladstone, accordingly, 'religion and Christian virtue' held the first place in political economy, as a means of creating and preserving wealth. The policy of free trade was itself invested with a moral role in the nation's ethical progress: 'fiscal probity became the new morality'.<sup>63</sup> Now, it was precisely in fulfilment of these normative goals that the welfare of all

citizens (whether in Gladstonian terms or those of Disraeli's Tory democracy) was linked with the need to eliminate the corrupt, arbitrary and inefficient vestiges of the aristocratic past.<sup>54</sup>

The political counterpart of fiscal probity, following on the reform of the civil service a decade earlier, was the Gladstone government's *Corrupt and Illegal Practices Bill* of 1881. The *Bill*, according to *The Times*, can 'scarcely fail to effect something like a revolution', by rooting out the 'foul and noisome weed' of electoral corruption.<sup>55</sup> This remarkable change in ethical standards was now reflected in the press and public opinion. Bribery (of the electorate), like drunkenness, was coming to be looked at as a social evil. Previously, as O'Leary points out, parliamentary candidates, party agents and voters alike had refused to believe that there was any moral evil in using money and other forms of influence for political ends. 'But the almost imperceptible tightening-up of personal moral standards and social conscience that went with increased prosperity and more widely diffused education must inevitably have driven the old-fashioned malpractices out of existence.'<sup>56</sup>

Victorian political leadership, according to Wraith and Simpkins, aided by the growth of responsible political parties communicating a 'serious sense of purpose', by the spread of mass education, the reform of the civil service and the legal system, and the high standards of professional associations, all played a role in eliminating corruption.<sup>57</sup>

### **Utilitarian calculus**

Extirpation of aristocratic privilege, corruption and inefficiency was no less the aim of the Utilitarians—but from a 'scientific' or humanist, rather than religious or 'sentimental' perspective. The Utilitarians had emerged at the beginning of the century to challenge a society in which, as G.M. Young puts it, 'medieval prejudice, Tudor law, Stuart economics and Hanoverian patronage still luxuriated in wild confusion'.<sup>58</sup> John Stuart Mill, brought up by his father James in the strict doctrine, recalls reading Bentham's works as 'a turning point' in his development. All previous morality had been superseded; it was a 'new era in thought'. Bentham's 'scientific classification' of legislation, based on the 'scientific form of happiness principle', provided the 'most inspiring prospects of practical improvements in human affairs'.<sup>59</sup>

Bentham's originality, as David Roberts confirms, lay in the bold claim that customary beliefs, whether expressed in Lockean natural law (invoked by the Whigs), or Evangelical conscience, or radical 'Rights of Man, only confused the issue: there was but one yardstick for the public good, namely,

whether an act or law brought about the greatest happiness to the greatest number. Thus, for the thoroughgoing Utilitarian, all moral judgements were based on a sound (scientific) understanding of human nature and on a rigorous concern for practical consequences.<sup>70</sup>

Bentham's genius for the logical arrangement of ideas around a single unifying principle—the Utilitarian 'calculus' of pleasure and pain—when applied to established institutions and practices became a powerful instrument of reform. According to the Utilitarians, in Elie Halévy's masterly account, the whole of society was 'constituted by rules which, in order to be efficacious, must assume the form of written laws, and in order to include the sum total of social phenomena, must be systematised into a code. The legislator is the great dispenser of pleasures and pains in society. It is he who creates the moral order, the equilibrium of interests.'<sup>71</sup>

This formidable apparatus of social inquiry and control was directed to achieve three major goals; first, liberty and democracy, by eliminating the obstacles of aristocratic privilege, power and 'sinister' interests;<sup>72</sup> second, freeing economic development from 'harmful' state regulation or restraint of trade by associations (whether employers or workers); and finally, legislation for much needed social reforms, especially in the antiquated and obscurantist legal system, in education, public health, factory conditions, tariff reform leading to free trade, local government and the democratic extension of the franchise.<sup>73</sup>

Now, there is an evident contrast, emphasized by Halévy, between the 'artificial' identification of interests by the legislator in the sphere of politics and administration, and the 'natural' harmony of interests, derived from the *laissez-faire* doctrine of Adam Smith, in economics. In the first case, the Utilitarian emphasis on rationality—essential to the calculus of individual interests—their insistence on classification in accordance with first principles (replacing the existing jumble of arbitrary practices and outmoded customs) and their concern for efficiency were expressly designed to produce social harmony through the artificial, that is the administered, regulation of interests. The Utilitarian calculus, in the second case, was no less applicable to the new market economy, in which profit maximization (the pleasure principle) provided the competitive incentive in the business of buying and selling, subject to the laws of supply and demand.<sup>74</sup> Contrary to the political sphere, however, the market economy demonstrated a natural harmony of interests; the selfish interest of each, as Adam Smith revealed, resulted in the material advantage of all; low prices for the consumer and an efficient allocation of resources.

In the Utilitarian scheme, both the unregulated economy and the 'calculating' legislator were required to achieve the 'greatest good of the greatest number'. Progress, with the fulfilment of these conditions, was

axiomatic. The ‘Bentham school’, as John Stuart Mill recorded in his *Autobiography*, had unbounded confidence in the power of reason, the general progress of improvement, and the good which the individual could do by judicious effort.<sup>75</sup>

The duality of political action and economic inaction proved to be remarkably effective in the context of an ‘unfettered’ British economy, which was rapidly expanding and indeed dominated world markets. Appropriately, the resulting increase in prosperity and in government revenue provided the resources to enlarge the scope of government and to deal with urgent cases of need. In this respect, Utilitarians and other radicals (as well as Evangelical and Tory reformers) not only focused attention on the prevalent ills of poverty, crime, drunkenness, squalor and disease, but they proposed and utilized the mechanisms by which they could be resolved.

Bentham and his followers became identified with a systematic method of dealing with social problems: that is, by a carefully planned programme of Inquiry, Report, Legislation, Administration and Inspection. Fact-finding inquiries carried out by professional staff would lead to an official report (usually by a royal commission) which would then result in appropriate legislation. Policies would then be carried out by specially created government agencies, with salaried inspectors to ensure that regulations were complied with.<sup>76</sup> The Utilitarian system of social planning was made famous by Benthamite officials, such as Edwin Chadwick, James Kay-Shuttleworth and Southwood Smith. Such professionalization of government, in Perkin’s view, was the greatest political achievement of nineteenth-century Britain.<sup>77</sup>

Chadwick’s career exemplifies the new professionalism at work (as well as the Utilitarian duality of political ‘legislator’ and belief in *laissez-faire*). ‘Chadwick was instantly fired by any and every feature that caused unnecessary suffering, disease and economic waste’, as his biographer Samuel Finer relates; he was ‘enthusiastic for all suggestions that promised to increase efficiency, wealth, and well-being... [as well as] an ardent crusader in other people’s causes, moving ruthlessly and fanatically to his own preconception of what he thought was good for them’.<sup>78</sup>

Chadwick’s most controversial action was his work on the New Poor Law, designed to deal with the mounting problem of poverty (the ‘paupers’) along Benthamite lines: ‘the first great piece of legislation based upon scientific or economical lines’, according to Chadwick.<sup>79</sup> His deliberate insistence on ‘unpleasant’ workhouse conditions—relying thereby on the Utilitarian calculus—was designed to force paupers back on to the labour market, and so make pauper relief, paid by local rates, less attractive. The workhouse regime of silence at meals, humiliating tasks and separation

of family members was widely condemned by contemporaries as harsh and unfeeling. This aspect of the New Poor Law reform accordingly represents the negative side of the Utilitarian duality; the authoritarian character of the legislator combined with the dogmatic requirements of *laissez-faire*, that is, non-interference with market forces.

To Chadwick and other Utilitarians, however, the rigour of the proposed solution was merely the application of scientific principles to a social problem, which must result (in time) in a general state of improvement. Chadwick vehemently opposed the old system of subsidizing the poor (from local rates) on cost-benefit grounds: every year, he wrote, the costs were increasing—the ‘evils’, in his words, were becoming more overwhelming and less susceptible to a cure. Nevertheless, the problem was not just one of ever greater payments of rates; this was ‘trifling’ when ‘compared to the moral effects which I am deploring’, meaning the way they undermined the work ethic. Chadwick castigated the existing system of welfare payments as ‘destructive of the industry, forethought and honesty of the labourers; to the wealth and morality of the employers of labour and of the owners of property; and the mutual goodwill and happiness of all’.<sup>80</sup>

Chadwick realized, however, that the Utilitarian solution—imposing pain now to achieve pleasure later—would not be willingly carried out by elected overseers of the poor law administration. Therefore, he argued, it must be implemented by salaried officials under the general superintendence of a central government agency, armed with extensive powers. As Chadwick put it, ‘a rigid administration and contract management’ must be substituted for the existing procedure involving ‘neglect, extravagance, jobbing and fraud’. The less the ‘Central Board’ of management left to local discretion, Chadwick opined, ‘the greater will be the security of the independent labourer and of the public at large against the warps of local interest and passion’.<sup>81</sup>

The second major work of reform associated with Chadwick is his report on the heavy costs of illness to the community and the corresponding need to ensure a healthy environment. His investigation culminated in the 1842 Sanitary Report, which inspired later legislation, as a major step forward in overcoming preventable misery. The methods used by Chadwick and his Benthamite circle to develop the public health movement were ‘a calculated and finely engineered effort to give purpose and direction, a coherent philosophy, to the role of the state in the life of the nation’.<sup>82</sup>

Health concern shows the positive side of the Utilitarian calculus: state intervention to preserve a decent social environment, undeterred by powerful vested interests and unaffected by economic dogma. Crucial, in this latter respect, is the proof established in Chadwick’s report that the individual



clearly had no control over the urban or industrial environment in which he or she had to live. By demonstrating this fact, the remedy was lifted from the regime of private initiative (the sphere of self-reliance, characteristic of the Victorian social ethic) to that of public administration.<sup>83</sup>

Chadwick demonstrated that it was actually 'good economy' to prevent such evils as sickness and destitution, in so far as they were ascribable to physical causes, such as the poor condition of tenement houses, the massive overcrowding of industrial cities and the lack of drainage and sewerage. 'In general', he wrote in 1838, 'all epidemics and all infectious diseases are attended with charges, immediate and ultimate on the Poor Rates.' Labourers made destitute have to be given immediate relief. 'In the case of death, the widow and the children are thrown as paupers on the parish.'<sup>84</sup>

Chadwick and his professional investigating staff were the first to reveal the link between squalid and insanitary conditions and infectious disease. Yet although Chadwick's masterly 1842 report sold widely, its prescriptions—and particularly the need for 'central control' by skilled, responsible and uncorrupt officials—were successively watered down and rendered nugatory. Only after the outbreak of cholera in 1848–9, which killed some 14,000 people in London alone, did the disgraceful neglect of public health measures and the callous disregard of suffering arouse such a storm of indignation that the reforms could not be prevented.<sup>85</sup> Within twenty years of Chadwick's report, major improvements had been made in urban drainage, water supply and removal of refuse; within forty years the sanitary standards of all the largest cities had undergone radical improvement. It is indisputable, Wohl concludes, that at the end of Victoria's reign, England was a much healthier place to live in.<sup>86</sup>

## **SOCIAL CONSENSUS**

The probity of public life in Victorian Britain was of course not only the accomplishment of Utilitarian benevolent authoritarianism (and of moral uplift), underpinned as they were by scientific progress and economic expansion, but of the social consensus they engendered. The moral self-righteousness and the material self-interest of the Victorian middle class happily coincided at this time; and the ethos of 'improvement' prevailed both among the upper and the lower orders of society.

Thus, for the 'lower orders', manly self-respect and the 'responsibility' and ambition to rise in the community were the themes stressed by liberal free traders like Cobden. He aimed to inculcate in the minds of the labouring classes 'the love of independence, the desire of self-

respect, the disdain of being patronised or patted, the desire to accumulate and the ambition to rise'—typical middle-class virtues.<sup>87</sup> That they had been absorbed was shown by the attitude of a workmen's delegation received by Gladstone in 1863. Since the abolition of the Corn Laws, as its leaders told the Chancellor of the Exchequer, 'we have given up political agitation; we felt we might place confidence in parliament; instead of political action, we tried to spend our evenings in the improvement of our minds'.<sup>88</sup>

Indeed, it was the middle classes, declared Lord Brougham as early as 1831, who were the 'wealth and intelligence of the country, the glory of the British name'. They alone had 'given us our eminence among nations', confirmed James Mill. The middle class was 'both the most wise and the most virtuous part of the community'.<sup>89</sup> As for the aristocratic leaders who remained conspicuous in politics throughout the century, and beyond, they functioned more as the 'dignified' than as the 'efficient' part of the constitution, in Bagehot's familiar phrase.<sup>90</sup>

The 'efficient' part was enshrined in the concept of 'political economy', derived from the Industrial Revolution—the laws governing the production and distribution of wealth. In this respect, the ('dignified') landlords, in John Stuart Mill's estimation, 'grow richer as they were in their sleep, without working, risking or economising'.<sup>91</sup> By contrast, the manufacturing middle class (in the words of Nassau Senior, from the Chair of Political Economy at Oxford) practised accumulation for future use as the source of moral improvement, sobriety, frugality and law-abidingness.<sup>92</sup>

Thus, the utility of the maximization of wealth and the virtue of the calculations of profit and loss came to be combined in Victorian Britain with the pursuit of public probity. The Victorian 'new morality' promoted fiscal responsibility as a form of enlightened self-interest. Sir Robert Peel, for example, justified his imposition of the income tax in 1842, which meant sacrifices for the wealthy classes, as being a reasonable way to raise revenue, and which conformed to the principles of political economy: effective in operation, predictable in yield and equitable in incidence. But it took courage to revive a tax, as Norman Gash points out, which was identified with the dictatorial powers of a state at war (the original tax had been imposed as a necessity during the Napoleonic Wars) and which was unique in its inquisitorial basis of assessment. In a long explanation of policy Peel argued, however, that capitalists would be serving their own interests by submitting to the income tax, for it would enable the government, in return, to reduce tariffs—foreshadowing the repeal of the Corn Laws and the inauguration of free trade. 'Instead of looking to taxation on consumption', and imposing more burdens on the poorer classes,

so Peel declared in parliament, 'it is my duty to make an earnest appeal to the possessors of property, for the purpose of repairing this mighty evil.'<sup>93</sup>

With the triumph of the Cobdenite manufacturing and commercial interests, following the repeal of the Corn Laws, Peel himself drew the appropriate moral and material conclusion. 'I shall leave a name execrated by every monopolist who, from less honourable motives, clamours for protection because it conduces to his own individual benefit', he ended his resignation speech. But, he added, he might well be remembered with 'good will' by those 'whose lot it is to labour, and to earn their daily bread by the sweat of their brow', when they regain their strength 'with abundant and untaxed food, the sweeter because it is no longer leavened by a sense of injustice'.<sup>94</sup>

Peel's conservative appeal to a general, rather than sectional, interest—deliberately so as to prevent social dislocation and violence—bore fruit in the years that followed. It was then that the Tory protectionists, under Disraeli's guidance, reconciled themselves to free trade. In the ensuing decades of prosperity and social reform a viable middle-class society took shape: marking the evolution, as Perkin emphasizes, from class conflict to the recognition of interdependency, by a process of mutual bargaining. There had been a profound change in the national character, he argues. England ceased to be one of the most aggressive, brutal, riotous, cruel nations—in the early years of the Industrial Revolution—and became one of the most inhibited, polite, orderly, tender, prudish and hypocritical ones. Such a 'moral revolution', Perkin concludes, is usually attributed to the Evangelicals; but Dissenters and Benthamites were equally important in creating a 'new morality designed to support a new society'.<sup>95</sup>

To look forward: even though the social consensus of the high Victorian era was shaken by the 'Great Depression' of the last decades of the century, characterized by renewed social and political antagonism (protectionism, imperialism, militant unionism and feminism) yet the ethos of integrity has persisted—in the civil service if, to a much lesser extent, in recent politics—long after the economic and political conditions that gave rise to it have disappeared.<sup>96</sup>

## CONCLUSION

Three characteristics of the 'moral revolution' of the Victorians are: ascendancy of the bourgeois ethic; the imposition of professional standards; and moral earnestness and regeneration. The 'work ethic' of integrity, seriousness, thrift, industry and accumulation denoted the moral and practical superiority of the new middle class over an effete, corrupt and unproductive

aristocracy. (Such, too, is characteristic of present 'newly industrializing countries'.)

The imposition of professional standards, in the second place, involved the abolition of amateurism and waste, patronage and corruption, from government and administration alike. The Utilitarians, in particular, formulated a systematic rationale for practical improvements combined with social reforms. Here, too, there are parallels with the efforts of technocrats in the modernizing world to eradicate corrupt and arbitrary practices for the sake of economy and efficiency. Finally, 'moral regeneration' inspired Victorians with a deep sense of responsibility, duty and reliance on honesty in all kinds of transactions, whether business or administrative. Prominent members of the emerging civil societies in developing countries take the same moral stance.

Now, the Victorian 'pursuit of virtue' fortunately coincided with (and perhaps reflected) an era of peace, progress and prosperity. It was through this coincidence that Gladstone could combine (without contradiction) the urge for material improvement of 'human well-being' with elevation of the 'moral ideals of mankind'. Whether such welfare improvements are still compatible with the bourgeois ethic is an important question. No less important is the broader question whether humanistic concerns for others (paternalistic or democratic) impede capitalist entrepreneurship, seeking as the latter does to be free of moral or legalistic restraints on economic growth. The British experience suggests that such concerns do; but Britain's economic decline may also be attributable to other causes.<sup>97</sup> In either case, the pursuit of virtue is not without cost.

## NOTES

- 1 Peter Matthias, *The First Industrial Nation: An Economic History of Britain 1700–1914* (London: Methuen, 1969) pp. 250, 252. Britain in the 1850s was by far the richest country in the world; per capita incomes of the UK, France and Germany, in 1860, have been estimated at pounds sterling 32.6, 21.1 and 13.3, respectively; Geoffrey Best, *Mid-Victorian Britain 1851–1875* (London: Weidenfeld & Nicolson, 1971) p. 3. The number of power looms in Britain's vital cotton industry, for example, increased from 2,400 in 1813 to 224,000 in 1850. Such mechanized factory labour imposed a regularity, routine and monotony quite unlike pre-industrial rhythms of work; E.J. Hobsbawm, *Industry and Empire* (Harmondsworth: Penguin, 1969) pp. 64, 85.
- 2 Matthias, *First Industrial Nation*, pp. 2–3.
- 3 The principle of our constitution', Arthur Young wrote in 1794, 'is the representation of property, imperfectly in theory, but efficiently in practice.' Three-quarters of Members of Parliament in the century from 1734 to 1832 were landowners or their near relatives; the rest were rich businessmen

and professionals. The administration of the country, from the national down to the local level, operated under a system of patronage, run by landowners and their clients. Political parties, which manipulated majorities in the Cabinet and the House of Commons, were groupings of 'friends' around leading aristocratic patrons, held together by the hope and the expectation of 'place': Harold Perkin, *The Origins of Modern English Society, 1780-1880* (London: Routledge & Kegan Paul, 1969) pp. 39-40, 49-50.

- 4 See E.P.Thompson, 'The peculiarities of the English' in *The Poverty of Theory* (London: Merlin, 1978) pp. 52-54.
- 5 Real national income per head rose four times during the nineteenth century; incomes continued to rise for the working class generally from the 1840s to the end of the century (despite persistent poverty, sickness and squalor affecting up to two-fifths or more of the working class even in the 1890s); Perkin, *Origins*, pp. 134-35, 144-48. See also F.M.L.Thompson, *The Rise of Respectable Society: A Social History of Victorian Britain, 1830-1900* (London: Fontana, 1988) on the Industrial Revolution, pp. 22-24; the making of the working class, pp. 30-48; and the 'respectable' working man as the key mid-Victorian figure, p. 198.
- 6 Adam Smith, *The Wealth of Nations* (1776) ed. Andrew Skinner (Harmondsworth: Penguin, 1973) p. 446.
- 7 John Girling, *Capital and Power: Political Economy and Social Transformation* (London: Croom, Helm, 1987) p. 71. Yet the English aristocracy, in contrast to most of the European nobility, was reputed for its commercial aptitude and agrarian improvements. As well, the English rule of primogeniture (entailing land on the eldest son), again in contrast to much of Europe, 'set younger sons looking for careers in business, in the civil service, in the army, in the navy, the colonies': Christopher Hill, *Reformation to Industrial Revolution* (Harmondsworth: Penguin, 1969) pp. 146-47.
- 8 Cobden in June 1846 to Sir Robert Peel, the Prime Minister, whose decision to repeal the Corn Laws in response to the Irish famine and the pleas of freetraders split the Tory Party: quoted by Donald Read, *Cobden and Bright: A Victorian Political Partnership* (London: Edward Arnold, 1967) p. 107.
- 9 Quoted by Perkin, *Origins*, p. 85; see also the 'entrepreneurial ideal' of capital-entrepreneurship kept active by competition, guaranteeing success to the most meritorious, with its powerful appeal to self-righteousness and the material self-interest of the middle class: pp. 223-24.
- 10 Matthew Arnold, *Culture and Anarchy*, original edn, 1869, ed. by Dover Wilson (Cambridge University Press, 1960) pp. 62, 105, 189.
- 11 Matthias, *First Industrial Nation*, on American and German competition, pp. 254-57; on British rentier capitalism and failure to innovate: pp. 331-33, 400, 404-7. See also the interpretation of nineteenth- and twentieth-century Britain—'the illusion of progress'—in John Girling, *Myths and Politics in Western Societies: Evaluating the Crisis of Modernity in the United States, Germany, and Great Britain* (New Brunswick: Transaction, 1993).
- 12 Perkin, *Origins*, p. 320.
- 13 Bentham, *Fragment on Government*, quoted by Herman Finer, *The British Civil Service* (London: Allen & Unwin, 1937) p. 34.
- 14 *Ibid.* p. 50.

- 15 Ronald Wraith and Edgar Simpkins, *Corruption in Developing Countries* (London: George Allen & Unwin, 1963) p. 62. Part II discusses corruption and integrity in Britain.
- 16 A.P. Stanley, *The Life and Correspondence of Thomas Arnold, D.D.* (London: Ward, Lock, n.d.: reprinted from 1846 ed.) pp. 56, 69.
- 17 Asa Briggs, *Victorian People: A Reassessment of Persons and the Interplay of Men, Ideas and Events as Themes, 1851-1867* (New York: Harper Colophon, 1963) p. 140.
- 18 Stanley, *Thomas Arnold*, p. 75. The teaching staff of Rugby also had to be Christians and gentlemen, and boys and masters alike had to sustain the 'character and reputation' of members of the same great institution, both 'trusting in their honour as a gentleman' and cultivating 'true manliness': *ibid.* pp. 61, 65-66.
- 19 Writing in May 1831: quoted by T.W. Bamford, *Thomas Arnold on Education* (Cambridge University Press, 1970) p. 17.
- 20 Stanley, *Thomas Arnold*, p. 57.
- 21 T.W. Bamford, *Rise of the Public Schools* (London: Nelson, 1967) p. 248. Arnold inveighed against the injustice generally perpetrated by the higher orders against the lower; he also considered the Corn Laws to be 'a great evil'. All the same, their removal was necessitated by 'sound economic principles': Stanley, *Thomas Arnold*, pp. 109-10.
- 22 Best, *Mid-Victorian Britain*, p. 254; also p. 165.
- 23 F.M.L. Thompson, *English Landed Society in the Nineteenth Century* (London: Routledge & Kegan Paul, 1963) pp. 16, 24; also pp. 95-96, 184-86.
- 24 1864 report of the 'Clarendon Commission', quoted by Briggs, *Victorian People*, pp. 158-59.
- 25 *Loc. cit.*
- 26 Old Etonians, for example, comprised more than a quarter of Cabinet members from 1801 to 1924; Bamford, *Public Schools*, p. 230, table p. 231. Landed families in general formed a substantial majority in the House of Commons up to 1868 and a slight majority to 1880; only in 1885 was the number of commercial and manufacturing MPs greater than those of landowners: Thompson, *English Landed Society*, pp. 276, 278.
- 27 Briggs, *Victorian People*, pp. 10-11. But Smiles' titles indicate the characteristic Victorian virtues.
- 28 *Ibid.* pp. 11-12.
- 29 Martin J. Wiener, *English Culture and the Decline of the Industrial Spirit, 1850-1980* (Cambridge: Cambridge University Press, 1981) pp. 8-16, quoting Cobden in 1863, Arnold in 1868. Wiener also refers to the late Victorian 'country' ideal, or rural myth, of village community, 'squire' and 'peasant', revived in the 1920s by Stanley Baldwin: appraising the rural scene for its humane pace of work and measure of security (the gentry ideal). 'The greatest peril of our age', he declared in 1930, '[is] the peril of materialism': pp. 48-57, 100-4. Nevertheless, by quoting selectively, Wiener pushes his thesis too far. Indeed, W.D. Rubinstein in *Capitalism, Culture and Decline in Britain: 1750-1950* (London: Routledge, 1993) severely criticizes Wiener for exaggerating the importance of manufacturing industry and thus overlooking Britain's comparative advantage in finance and services. Nevertheless, manufacturing was central to the 'first industrial nation' and its decline has undoubtedly had serious

social repercussions. The decline of manufacturing, moreover, is surely related to the decline in Britain's overall rating (in terms of GNP per head) among the economically advanced nations.

- 30 W.J.Reader, *Professional Men: The Rise of the Professional Classes in Nineteenth Century Britain* (London: Weidenfeld & Nicolson, 1966) pp. 28, 32.
- 31 'The gentleman was by definition above the mercenary money-grubbing pursuits of the commercial classes': Perkin, *Origins*, p. 275.
- 32 Reader, *Professional Men*, pp. 158–9.
- 33 Quoted by Edward Hughes, 'Sir Charles Trevelyan and Civil Service Reform', *Economic History Review* (1949); from W.D.Rubinstein, 'The end of 'Old Corruption' in Britain 1780–1860', *Past and Present*, 101, 1983, p. 78. On the 'purification of methods of recruitment', which owed much to public reaction to 'callous official incompetence' during the Crimean War, see G.Kitson Clark, "'Statesmen in disguise": reflections on the history of the neutrality of the civil service', in Peter Slansky (ed.) *The Victorian Revolution: Government and Society in Victoria's Britain* (New York: New Viewpoints, 1973) pp. 63–73.
- 34 *Thomas Arnold*, pp. 58, 70.
- 35 *Arnold's Journal*, quoted *ibid.* pp. 68–69.
- 36 Briggs, *Victorian People*, p. 158.
- 37 Reader, *Professional Men*, pp. 204–5.
- 38 The reference is to Disraeli's Contarini Fleming, perhaps the most self-revealing of all his books: F.W.Monypenny [and G.W.Buckle], *The Life of Benjamin Disraeli, Earl of Beaconsfield* (London: John Murray, 1910) vol. I, pp. 166, 181–82, 186.
- 39 Buckle, *Disraeli*, vol. IV, pp. 334–35.
- 40 Dicey, 'Mr Gladstone and our Empire' (September 1877) in Michael Goodwin (ed.) *Nineteenth Century Opinion: An Anthology of Extracts from the First Fifty Volumes of The Nineteenth Century 1877–1900* (Harmondsworth: Penguin, 1951) pp. 259–61.
- 41 A.P.Thornton, *Doctrines of Imperialism* (New York: Wiley, 1965) pp. 29–30.
- 42 Eric Stokes, *The Political Ideas of English Imperialism* (Oxford, 1960) p. 10; quoted by Thornton, p. 36.
- 43 Philip Woodruff, *The Men Who Ruled India* (London: Cape, 1965 edn) vol. II, 'The Guardians', pp. 14–15, 180; the district officer is G.O. Trevelyan, son of Charles Trevelyan, Macaulay's brother-in-law; pp. 94–95. See also Clive Dewey, *Anglo-Indian Attitudes: The Mind of the Indian Civil Service* (Hambleton Press, 1994) reviewed by Philip Mason in the *Guardian Weekly*, 20 February 1994.
- 44 Reader, *Professional Men*, p. 205.
- 45 Ronald Hyam, *Britain's Imperial Century 1815–1914: A Study of Empire and Expansion* (New York: Harper & Row, 1976) pp. 21, 25–28.
- 46 The least favoured occupations of boys leaving Harrow and Rugby, surveyed from 1830 to 1880, were science, engineering and medicine; the most popular was to join the armed forces. While religion was losing its hold, occupationally, there was an increase in the number going overseas 'connected with the growth and glamour of empire': Bamford, *Public Schools*, pp. 210–16.

- 47 For example, Curzon, Viceroy of India, would not have 'Onward Christian Soldiers' sung at the Imperial Durbar of 1903, because it contained the lines 'Crowns and Thrones may perish, Kingdoms rise and wane': Hyam, *Imperial Century*, p. 95; and on Britain's economic retardation, pp. 99–102. As Matthew Arnold had complained, the upper ranks of Victorian society had their backs turned towards the industrial economy. The educational system of the upper and middle classes inculcated values that elevated service to the state and the liberal professions, while depressing the status of trade and manufacture: Matthias, *First Industrial Nation*, pp. 422–23.
- 48 Quoted by J.W. Davidson, 'The idea of empire', in the BBC publication *Ideas and Beliefs of the Victorians* (London: Sylvan Press, 1949) p. 323.
- 49 Gladstone Papers, quoted by Richard Shannon, *Gladstone* (London: Methuen, 1982) vol. I, p. 198.
- 50 Lord Althorp, Evangelical Whig politician in 1818: quoted by Boyd Hilton, *The Age of Atonement: The Influence of Evangelicalism on Social and Economic Thought, 1795–1865* (Oxford: Clarendon Press, 1988) p. 240.
- 51 The 'Don Pacifico' speech of 25 June 1850: quoted by Best, *Mid-Victorian Britain*, p. 233.
- 52 Speeches at Glasgow, 1837: quoted by Hilton, *Age of Atonement*, p. 231. Peel's conservatism, with its emphasis on public order and prosperity, depended not only on a mixed and balanced constitution, but also on the correction of proved abuses, the application of safe remedies, and the abolition of patronage and sinecures: speech at the City of London, May 1835, quoted by Norman Gash, *Sir Robert Peel* (London: Longman, 1972) p. 130.
- 53 G.M. Young, *Victorian England: Portrait of an Age* (London: Oxford University Press, 1953) p. 5.
- 54 Quoted by Canon Charles Smyth, 'The Evangelical Discipline', *Ideas and Beliefs*, p. 97.
- 55 *Ibid.* p. 99.
- 56 Hilton, *Age of Atonement*, pp. 98–99. Hilton points out the enormous amount of private charity undertaken by Evangelicals: p. 101.
- 57 Quoted by Briggs, *Victorian People*, p. 203.
- 58 *Ibid.* pp. 116–18. Although many of Smiles' arguments on frugality and competitiveness resemble those of the Evangelicals, according to Hilton, he differs from them in his relish for social mobility: *Age of Atonement*, p. 330.
- 59 Trygve R. Tholfsen, 'The transition to democracy in Victorian England' in Peter Stansky (ed.) *Victorian Revolution*, pp. 172–75. See also Briggs, *Victorian People*, 'Robert Applegarth and the Trade Unions', on the unions' 'uplifting influence', raising the 'less fortunate to their proper position', and the respect won among non-unionists by Applegarth's 'moderation': pp. 180, 185.
- 60 John Morley, *The Life of William Ewart Gladstone* (London: Macmillan, 1903) vol. II, p. 123. It was Gladstone in 1864 who 'ventured' to say that every man is 'morally entitled' to the franchise: p. 126.
- 61 H.C.G. Matthew, *The Gladstone Diaries 1840–1847* (Oxford: Clarendon Press, 1974) vol. III, Introduction, p. xxv.
- 62 Morley, *Gladstone*, vol. II, pp. 56–57, 60. See also Shannon, *Gladstone*, vol. I, p. 116; also pp. 267, 272, 319; and Deryck Schreuder, 'Gladstone and the conscience of the state' in Peter Marsh (ed.) *The Conscience of the Victorian State* (Syracuse, New York: Syracuse University Press, 1979) on the Christian purpose in politics, pp. 82–88, 91, 114.



- 63 Matthew, *Gladstone Diaries*, Intro., pp. xxiv, xxxvii.
- 64 Victorian moral self-righteousness and material self-interest, Perkin notes, were seen in contrast to the 'monopoly', 'privilege' and 'restriction' of the old system: *Origins*, pp. 223–4; see also Thompson, 'Peculiarities of the English', p. 48.
- 65 *The Times*, 8 January 1881. The Bill became law in 1883; Cornelius O'Leary, *The Elimination of Corrupt Practices in British Elections, 1868–1911* (Oxford: Clarendon Press, 1962) p. 161.
- 66 *Ibid.* p. 178. Corruption became increasingly intolerable and unacceptable for fundamental ideological and cultural reasons, according to Rubinstein; yet much about the ending of corrupt practices is mysterious and obscure: 'End of "Old Corruption"', pp. 73–75, 78.
- 67 *Corruption in Developing Countries*, pp. 69–76.
- 68 Young, *Victorian England*, p. 10.
- 69 J.S. Mill, *Autobiography* (New York: Columbia University Press, 1924, from the original 1873 edn) p. 45. Mill adds that he now had opinions, a creed, a doctrine, a philosophy, a religion: p. 46.
- 70 David Roberts, 'The Utilitarian Conscience' in Marsh (ed.) *Conscience of the Victorian State*, p. 40.
- 71 Elie Halévy, *The Growth of Philosophic Radicalism*, trans. Mary Morris (London: Faber & Faber, 1928) p. 487.
- 72 The 'philosophic Radicals', disciples of Bentham, were anti-aristocratic, and most other radicals shared this sentiment, attacking patronage appointments, the Corn Laws, the Church of England Establishment, and the power of the local magistracy: Joseph Hamburger, *Intellectuals in Politics: John Stuart Mill and the Philosophic Radicals* (New Haven: Yale University Press, 1965) pp. 30–31; many of the activities of the aristocratic dominated governments, before and after the 1832 Reform Act, were considered to be the result of 'sinister interests', perverting the true end of government: p. 40; see also pp. 57–58, 68–69 on the Utilitarian rationale for economic reform.
- 73 In 1818 Bentham had appealed to parliament to establish universal adult male suffrage, the secret ballot, yearly elections in more or less equal electoral districts. This was nearly half a century before Gladstone 'ventured' that every man was morally entitled to the vote.
- 74 The Radical leader, Richard Cobden, spokesman for the industrial middle class, emphasized the principle of competition as the 'silent arbiter of our fate, rewarding the industrial, frugal and honest' and punishing the wasteful and wicked: Read, *Cobden and Bright*, p. 114.
- 75 *Autobiography*, pp. 71–2.
- 76 Perkin, *Origins*, p. 269; David Thomson, *England in the Nineteenth Century* (Harmondsworth: Penguin, 1969 edn) provides a useful summary of the most important measures, pp. 63–75, 115–16, 130–36. See also Oliver MacDonagh, 'Revolution in government: a reappraisal', on the changed conception of the role of the state: in Stansky (ed.) *Victorian Revolution*, p. 12–24.
- 77 *Origins*, p. 270.
- 78 S.E. Finer, *The Life and Times of Edwin Chadwick* (London: Methuen, 1952) p. 3.
- 79 *Ibid.* p. 69.
- 80 E. Chadwick, 'Principles and Progress of the Poor Law Amendment Act', *Edinburgh Review*, 1836: quoted *ibid.* p. 47.

- 81 Ibid. pp. 45, 47, 79. See also Finer's critique: pp. 81–83, 94.
- 82 Anthony S. Wohl, *Endangered Lives: Public Health in Victorian Britain* (Cambridge, Mass.: Harvard University Press, 1983) p. 143; see also pp. 45, 111, 146–49, 307–8.
- 83 Finer, *Chadwick*, p. 217.
- 84 Quoted, *ibid.* pp. 155–56.
- 85 Ibid. pp. 160–61, 209–10, 322–23, 344–46.
- 86 *Endangered Lives*, pp. 115–16.
- 87 John Morley's *Life of Cobden*, quoted by Perkin, *Origins*, pp. 224–25.
- 88 Morley, *Gladstone*, vol. II, p. 125. The end of Chartism, E.P. Thompson argues, brought about a far-reaching change in the working class; he underlines the 'deep sociological roots of reformism': 'Peculiarities of the English', pp. 70–71.
- 89 Quoted by Perkin, *Origins*, pp. 230, 276.
- 90 The 'dignified' parts were 'retained, not for intrinsic use, but for their imaginative attraction upon an uncultured and rude population', thus safeguarding parliamentary government by an elite: Bagehot's *English Constitution* (1867, 1872), quoted by Briggs, *Victorian People*, p. 91.
- 91 J.S. Mill, *Principles of Political Economy*, quoted by Perkin, *Origins*, p. 227.
- 92 Introductory Lecture on Political Economy (1827): quoted by Hilton, *Age of Atonement*, pp. 36–37, 45–46, 50.
- 93 The evil of a massive budget deficit: quoted by Gash, *Sir Robert Peel*, pp. 318–19; see also pp. 298, 304.
- 94 This statement should not be dismissed as sentimental rhetoric, coming from a man such as Peel, known for his dignified and 'cold' demeanour. Extracts from Peel's resignation speech: *ibid.* p. 604.
- 95 *Origins*, pp. 280–81, 340–42. Hilton, too, notes the influence of social reform and the 'gentler' mood (from Kitson Clark) in the 'softening' of evangelical Christianity and the decline of the old eschatology of sin, trial and judgement: after 1850, the Incarnation, the exemplary life of Jesus, began to replace the Atonement (the 'eternal and absolute law that sin deserves punishment'): *Age of Atonement*, pp. 267–68, 273–74, 281–82, 299. On the decline of evangelicalism and its fascination with failure, see Richard Helmstadter, 'The Nonconformist conscience' in Marsh (ed.) *Conscience of the Victorian State*, pp. 158–60.
- 96 Nevertheless, the 'tradition' of disinterested government and public service has been challenged by the work of G.R. Searle, *Corruption in British Politics 1895–1930* (Oxford University Press, 1987), ranging from insider dealing in the stock exchange, through war profiteering, to misuse of government patronage and sale of honours: review by John Bourne, *Corruption and Reform*, 6 (2), 1991. In the post-World War II era, John Poulson, who had built up the biggest architectural practice in Europe, was jailed in 1974 for corruption, having bribed civil servants to secure housing contracts: *Guardian Weekly*, 14 February 1993. Critics of the Thatcher government argue, moreover, that when 'the pursuit of self-interest becomes the rule and standards of behaviour... sink to those of the capitalist economy', the standards of the civil service as an institution are undermined: Fred Ridley, review of B.J.O'Toole, *Private Gain and Public Service* (Routledge, 1989) in *Corruption and Reform*, 6 (2), 1991. See also Robin Theobald, *Corruption, Development and Underdevelopment* (London: Macmillan, 1990) on Britain,

from Poulson to the police, pp. 57–75. Meanwhile, the Nadir affair (a fugitive from massive fraud charges) brings to light the issue of political party funding—an issue hitherto ignored by both major political parties: *Guardian Weekly*, 4 July 1993. In addition, the loose appointments to quangos—managing nearly a quarter of public expenditure—have often been a way of rewarding political friends and supporters, leading in some cases to corruption. Finally, the sex and financial scandals erupting under the Major government prompted the Prime Minister in self-defence to appoint the Nolan Committee to inquire into standards of public life. Lord Nolan himself noted in March 1995 that the Poulson scandal—twenty years before—was seen to be an isolated incident, and that standards generally remained high. ‘That public perception’, he said, ‘no longer exists.’ Reporting in May 1995, the Nolan Committee proposed ‘seven principles of public life’, notably integrity, accountability and openness, to prevent conflicts of interest; it also recommended that MPs should undertake no paid parliamentary services for lobbyists and that the behaviour of MPs should be subject to independent investigation: *Guardian Weekly*, 21 May 1995. In a stunning rebuff to Major, parliament adopted in November 1995 a Labour motion obliging MPs to make public their extra-parliamentary earnings.

- 97 Discussed in John Girling, *Myths and Politics in Western Societies*: ‘Britain: The Illusion of Progress’.

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## Conclusion

### Corruption—structural, symbolic

Corruption is structural: the end stage of a systemic process generated by the capitalist-democracy-society nexus. Now, the structure of a given society, as Pierre Bourdieu states, can be analysed in terms of hierarchical divisions, patterned behaviour of individuals and groups, and production of knowledge. This is ‘objectivism’: an intellectual orientation to the social world seeking to construct objective relations that structure practices and representations.<sup>1</sup>

Corruption is symbolic: it is the way in which corruption is perceived by members of society—most intensely by the poor, the alienated and the rejected, in ‘normal’ times, and by increasing numbers of ‘ordinary’ citizens in times of crisis. This is Bourdieu’s ‘subjectivism’: an intellectual orientation to the social world, which seeks to grasp the way the world appears to the individuals situated within it. Thus, as in Blumer’s ‘symbolic interactionism’, objects are ‘social constructs’ formed and defined in the process of interaction among people.

Corruption symbolizes to the alienated and to the crisis-ridden the ‘rotteness’ of politics, or the state, or even society itself. But ‘corruption’ cannot be conceived without its opposite: that is, what it is a corruption of, or what it has deviated from. Corruption denotes the perversion of an original state of purity or perfection (whether it has actually existed or is imagined). The ‘good society’ provides the standard by which the ‘bad’ society is judged. Without normative standards there can be no conception of corruption.

In Victorian Britain, for example, the symbolic appeal of a good society was powerfully projected either in Christian terms (‘moral regeneration’) or in rationalist, Utilitarian terms (‘the greatest good of the greatest number’). Conversely, in the France of the Third Republic, the symbolic appeal of the ‘Republican virtues’ came to be undermined both by the debilitating confrontation with ‘traditional’ values (the military representing the ‘honour’ of the nation, the Catholic Church its soul) and by the experience of republican practice: that is, political collusion with big business and finance,

the selfish refusal of the elite to provide much needed social reforms, and the conservative and inward-looking behaviour of 'small-town' and rural France.

In the modernizing world, too, the clash of opposites explains the power of symbolic ideas. Thus, the technocratic reformer in Thailand (Anand Panyarachun) heading the 1991–92 caretaker governments staked 'the reputation of the government... and the interests of the state and the people' on abiding by the principles of 'transparency, honesty, and justice'. He publicly denounced the perversion of these principles and exposed their consequences. Thus, in a speech inaugurating a revised communications project, he emphasized the structural implications of corruption, referring to his government's rejection of the dubious contract drawn up by the previous regime. As he put it, the revised contract alone would save the country many millions of baht:

This figure should be remembered by all Thais and serve as a caution that some state officials, who work for their own benefits, assisted some business groups to win the concessions [under the previous contract] in an obscure and dishonest manner.... While state officials, who were used by the private sector, benefited very little compared to the damage done to the country, the private business would benefit greatly from the plundering and exploitation committed, without public awareness.<sup>2</sup>

But before examining the symbolic role of normative alternatives (in the above case, the technocratic values of integrity, rationality and efficiency) it is important first to re-examine the structural conditions of corruption—the capitalist-democracy nexus—and under such conditions to consider the crucial issue as to what democracy can do, and what it cannot do, to realize the 'good society'.

Orientation to these two dimensions—the structural and the symbolic—is referred to by Bourdieu as objectivism and subjectivism. As he correctly states, objectivism creates a break with the immediate experience of individuals in society, their everyday life, and the words and concepts they use. This 'break' is a prerequisite for social-scientific enquiry, by elucidating the underlying structures and principles upon which primary experience depends but which it cannot directly grasp. Nevertheless, objectivism provides an inadequate explanation because it does not link its theoretical structures with the practical activities of individuals who make up the social world.<sup>3</sup> Indeed, it is the 'subjectivism' of individuals—their normative alternatives—that make possible radical changes in objective



practices. This is the line I follow in evaluating both the structural conditions of corruption and the normative potential for change.

### **CAPITALISM-DEMOCRACY-SOCIETY NEXUS**

The first problem is how to conceptualize the triangular relationship of economy, politics and society in the absence or disuse of ‘grand theory’ or ‘universal laws’ of social development (such as Marxism, on the one hand, ‘Modernization theory’, on the other). One way of conceptualizing has already been suggested; the comparativist perspective of Weberian ‘ideal-type’ models—here, the collusion-corruption thesis—in terms of which specific variations (functional, dysfunctional, etc.) can be understood.

Another way, complementing the first, is for ‘history’ to provide the organizing principle.<sup>4</sup> In this sense: historical investigation over a sufficiently lengthy period of time—from decades to a century or more—reveals, in the first place, dominant patterns of activity, such as the spread of capitalism, the establishment of representative institutions (in one form or another), the provision of ‘mass education’ (preparing subjects to take their place in industrializing, increasingly urbanized societies), and so on.

Such an investigation, in the second place, indicates ‘constants’—of which the expansion of capitalism, from its original location in the ‘Protestant’ West to worldwide acceptance today, is most striking—and also ‘ruptures’: notably the volatile, spasmodic development of representative institutions, interspersed with authoritarian rule, in Europe and the Third World; and discordant strands in mass culture, varying from hedonistic consumerism to strident nationalism.

Examination of the historical process, third, brings out the interplay of constants and ruptures, crystallizing at certain times and in certain places into distinctive forms, such as the currently significant ‘East Asian model’. Here, time and space produce their own ‘ordering’ principles: that is, perceived levels of development, such that the most advanced country (Japan) has the most fully evolved features—economic, political and social—while those at the next level (Korea and Taiwan) are at a halfway stage (the new forces are still struggling to overcome the old), and those at the lowest level (most Southeast Asian countries) reveal the potential for higher development. To illuminate this conception, I suggest an adaptation of Braudel’s threefold perspective of history—long duration, ‘conjuncture’ and event.<sup>5</sup>

First, in this adaptation, is the *longue durée*—more than two centuries—of economic development, characteristic of the age of capitalism; second is the historical conjuncture—one or two decades to a generation or more—of economic, political and social interaction, evoking a certain theme or themes; and finally, there is the ‘event’, or immediate occasion: a ministerial declaration, a monetary crisis, an international summit, for example, which loom large at the time, but are soon overtaken by other events.

In the long term, economic development is pre-eminent. At the intermediate level, ‘generational’ social changes—such as the reversal of the ratio of rural to urban population, from say 75 per cent to 25 per cent—are obviously important factors. Changes of regime, too, say from military to civilian, which reflect economic, political and social transformations over a decade or more, also fit this category. Finally, changes of government (from one party to another) or of leadership (within a party) are usually no more than ‘events’.

Capitalist expansion, to repeat, is the factor of continuity; its political counterpart—at the intermediate level—represents the element of fluctuation and rupture. Consider, in historical perspective, the period of World War II. This conjunctural feature—war—had a horrifying impact on people’s lives and caused massive destruction of cities and towns, ports and factories, transport and communications. Yet within two or three decades even the most catastrophically affected among the losing countries had not only recovered economically, but was making even better progress than the victors.

Thus, the conjunctures of two world wars and the Great Slump, to continue the argument, appear from the perspective of a century of economic development more as ‘interruptions’ than as ‘breakdowns’ (as they seemed at the time) in the extraordinary advance of capitalism. In this long-term context, the collapse of communist centrally controlled ‘command’ economies, seen as an alternative to capitalism, only reinforces the conclusion. Similarly, the deterioration in power and status of Britain as a direct consequence of structural economic decline, in contrast to the renewed economic vigour of Germany and Japan, all point in the same direction.

General theories and predictive models represent this long-term perspective by emphasizing commonalities and excluding specificities: economic models of development are a typical example; but so are—or perhaps were—such influential general theories as Marxism and Modernization theory. Both, significantly, are theories of (stages of) economic development, one as a model of conflict, the other of cooperation; thus proposing entirely different though equally predetermined outcomes. But neither of these general theories has been capable of explaining

substantial deviations from the predicted process; although Modernization theory has gained a new lease of life with the recent transformations in Latin America and Eastern Europe. (Modernization theory, however, uncritically relates the spread of capitalism to democracy.)

For there is a dialectical relationship between the three dimensions: long term, conjunctural and event. The fatal flaw in general theory—particularly in the case of orthodox Marxism—is that even the long-term economic perspective cannot exclude feedback from specific (conjunctural) factors. It is precisely concentration on the common economic pattern that tends to divert attention from different levels of political and cultural development. Such differences are likely to persist over the short to intermediate term; they will only be ‘ironed out’ in the long-term perspective if or when the various countries attain fully ‘developed’ status.

For it is reasonable to suppose that political and cultural specificities of this kind will gradually even out as capitalist practices—among disciplined, skilled employees as among technically proficient executives and calculating profit-motivated entrepreneurs—as well as capitalist values—the ‘work ethic’, consumer culture, materialistic standards—increasingly come to prevail.

### **Capitalism and collusion**

Capitalism’s productive and distributive structure, on the one hand, and its diffusion of commercialized values, on the other, penetrate other, supposedly autonomous, spheres, notably the political and the cultural. Yet, as Michael Walzer persuasively argues, the very principle of an autonomous political sphere is that ‘social goods’ be distributed according to the political conceptions prevailing in a particular society—and not according to other forms of distributing goods, such as market forces. It follows that in a liberal democracy public policy should be decided by the citizens, and not by the powerful or the wealthy.<sup>6</sup>

But to guarantee the just distribution of social goods according to democratic principles, it is necessary to fix boundaries between the different spheres, so that civic and political rights stand outside the cash nexus; that human beings are not to be bought and sold (as if they were animals—or commodities); that political power is not for sale; and that bribery is illegal. Yet all these boundaries are continually violated in practice, and especially by the wealthy. For in capitalist society, as Walzer states, capital is dominant and is readily convertible into prestige and power. It is precisely the dominance of money ‘outside its sphere’ that enables the wealthy to purchase offices, to corrupt the courts and to exercise political power.<sup>7</sup>

For capitalism structures society, dictating how people work and what they have to live on, according to the assets they have (or do not have) to exchange in the 'free market'. The political system also structures society—but indirectly and intermittently. Indeed, political equality (in a democratic society) is contrasted with economic inequality. It is the inequality of economic assets combined with the requirement for any political system to sustain itself materially that form the basis for capitalist penetration of ostensibly autonomous spheres.

The interaction of political and economic spheres results in collusion, that is, the 're-confusion' of public and private. Yet it is a crucial feature of modernity, as two social scientists point out, that in 'no other political arrangement [than liberal democracy] is the separation of the public and private realms so essential to the vitality of the political system'; for the most important constraint on power is the clear separation of public and private. Any violation is a frontal attack on the very nature of the liberal democratic system.<sup>8</sup> The collusion of business and politics is precisely such a violation.

Moving to traditional societies, patronage was the normal form of collusion. Political patrons required large funds (extracted from business or agriculture) to build up a 'following' to serve their purposes and be suitably rewarded. The patronage system continues to flourish during the process of democratization, when patrons (through intermediaries, or 'fixers') buy votes and provide faithful constituencies with material inducements. The present situation in the Philippines and in rural Thailand is an example.

Collusion is the intermediate stage between the incompatibility in important respects of capitalism and democracy, as demonstrated above, and the 'excess' of corruption. The experience of François de Wendel in the latter period of the French Third Republic illustrates this well. De Wendel, the great industrialist and banker, 'uncrowned king of France', was relentlessly accused by his critics of corruption, that is, of abusing his public position (as a deputy) to serve his private interests. But the critics missed the point. De Wendel in his parliamentary dealings was not corrupt—abusing public trust for private gain—but collusive.

De Wendel strove at all costs to persuade government to facilitate the development of capitalism through policies of social conservatism, fiscal orthodoxy and economic rationalism. This was not, at critical times, what the electorate wanted (the democratic principle). But the populist vote was thwarted by the 'wall of money'—not so much corruptly, to benefit particular interests, but to sustain the 'general interest' of 'responsible' economic policy, that is to say, collusion (the capitalist principle).

What was corrupt in the latter years of the Third Republic was the way in which business interests—and foreign governments—hired politicians and bought the press: a degrading situation which eventually proved fatal to the Republic, if not to capitalism.

### **Democracy**

Given the inherent conditions of collusion (and its corrupt potential) it is absurd to believe that the establishment and maintenance of democracy, whatever its very real merits, represents some state of perfection, or 'end of history', because there is no alternative legitimating conception of society than liberal democracy.<sup>9</sup> Democracy is not a static conception, but is a product of social forces—economic, political and cultural. Democracy, once established, does not persist in unchanging perfection, but continues to be shaped (and mis-shaped) by the forces that brought it into being.

Undoubtedly, the extraordinary changes in Latin America and Eastern Europe have engendered a feeling of euphoria about democracy. Many Western commentators claim that as a result of the overthrow of communism in Europe (and the prior defeat of fascism) no rival system remains to challenge democratic rule. Admittedly, authoritarian regimes persist in parts of the Third World; but these are believed to be transitional (characteristic of 'developing' status) and, in any case, are not seen as a legitimate alternative. Even if a sense of uneasiness is aroused by the movement of Islamic 'fundamentalism', such a revival of faith is (too easily) dismissed in secular countries as an 'irrational' throwback to the past.<sup>10</sup>

And yet, despite the sweeping advance of democracy over large areas of the globe, and its undoubted inspiration to popular movements elsewhere, the early feelings of triumph have been overshadowed by hesitation and doubt. The ominous struggle for power in Russia—in the context of economic crisis—as well as the 'shock treatment' in Eastern Europe in the transition from state-controlled to market economy have been matched, even in prosperous Western Europe, by a mood of apathy and alienation, expressing the 'democratic deficit'. Governments and political parties alike are blamed, not only for being unable to prevent serious economic recession, but above all for their 'loss of vision'.

Which of these trends will prevail? The optimistic surge of further democratization? Or the pessimistic spread of despondency and decline?

A realistic analysis must avoid both extremes. The illusion of optimism results from concentrating too closely on the political; the pervading sense of pessimism derives from focusing too much on the social. A reconciling

synthesis is needed, embracing both aspects, but in a wider conceptual framework. Here, there are two basic issues: substantively, the values ('the vision') of democracy; and procedurally, the means to realize these values. Procedure without values is sterile; values without procedure are futile. Both issues relate to two further considerations: an assessment of what democracy can do; and what democracy cannot do.

First, the values or 'inspiration' of democracy, which were summarized in Lincoln's famous 'government of the people, by the people, and for the people', can be divided into two main types: the individualist notion of democracy, derived from Locke and reformulated by John Stuart Mill; and the collectivist notion of the 'general will' proclaimed by Rousseau. Both notions reflect the political and social conditions of their times.

Such are the two strands of modern democracy: the more individualist or 'pluralist' Anglo-American type, and the more collectively oriented, or social-democratic type. Both types, however, share certain key features, discussed below, which distinguish them from other claimants to democracy. Indeed, the irony is that Western 'bourgeois' democracy, long condemned by supporters of 'people's' democracy as a sham, has proved to be the authentic version, while 'people's' democracy has turned out to be the sham.

The second issue concerns the 'procedures' of democracy, that is, the means by which substantive values are to be implemented. Both pluralist and social-democratic conceptions require an elected assembly 'representing' the popular will. (In practice, of course, democratic government depends upon the will of the majority.) The precondition of the democratic system, therefore, is freedom of thought, speech, movement, and so on, if the system is to be truly representative of popular opinion. The latter in turn is expressed by regular, free and fair elections, based on universal adult franchise. Most importantly, however, the 'rule of law'—an impartial, independent system of justice—is required to sustain these functions.

The third issue is an assessment of what democracy can do. Perhaps its major achievement is that both the substantive values and procedural institutions of democracy create an essential mechanism for peacefully resolving social conflicts. The will of the majority, in effect, adjudicates contentious measures; the minority accepts the majority opinion in the expectation (or hope) that it will be able in time to persuade most citizens that its views are justified. Further, the crucial problem of succession from one leadership to another, which bedevils authoritarian systems (whether communist or otherwise), is resolved by general elections, or by vote of parliament or congress, and not by coup or on the battleground. Such, to repeat, is the major virtue of democracies. It follows that only

under liberal or social democracy can human rights be most secured, by definition: for every citizen must be free from arbitrary arrest or intimidation to express his or her will in free elections.

The fourth issue is what democracy cannot do. Here there are two related aspects. The first is that democracy is representative and not direct (as in ancient Greece). Yet in practice ordinary citizens cannot choose precisely who will 'represent' them; for they cannot select the person they most prefer, if they are to have any chance of success, but only those who have already been made available by organized political parties or interest groups. The practical result is the formation of a 'political class' of more or less professional politicians, whether in government or opposition, with interests that increasingly diverge from those who 'elect' them. (Bourdieu's study, referred to above, is an excellent critique.) This divergence of interests is one of the reasons for the 'democratic deficit'.

The second limitation of democracy is the overconcentration of democratic theorizing on politics—in part due to its historic origins—and consequent neglect of economics. Democracy emerged in the course of political struggle against absolutism, at a time when economic concerns were subsidiary. The situation is very different today. As a result, democratic theorists and practitioners find great difficulty in coping with the economic system. Moreover, in theory the two systems are mutually exclusive: democracy—the sovereign 'will of the people'—is all-powerful, indeed absolute. In practice, it is the other way round.

To adapt Orwell: all interest groups are equal—in democratic pluralist theory—but some are more equal than others. For the evidence is abundant that democratically elected governments are obliged to defer in important respects to business interests (national or international) simply to keep the system going. The resulting contradiction between electoral pledges and government practices—in order to maintain business 'confidence' and ensure international 'competitiveness', often at the expense of citizens' interests—is a second, major reason for the democratic deficit.

It follows that in any realistic assessment of democracy both the 'assets'—its reconciling social mechanism and its guarantee of individual rights—as well as the 'deficits' (largely in the economic field) have to be taken into account. Democracy as an emanation of civil society (discussed in the next section) forms one part of the social system. Government and state power (effective or ineffective) are the second. And the economic system is the third. It is in this triangular relationship that democracy must be judged. For instance, in a severely undeveloped country, where the mass of the people lives in poverty, it could appropriately be argued that economic growth should be a priority, to be facilitated by effective government, which maintains stability.

But this is a static conception. For the very process of economic development is one that transforms society, creating new social forces that seek to assert themselves in the context of the existing system. Among these changes is the emergence of civil society. It is civil society that provides the possibility—by expressing alternative values—of realizing democracy.

### ALTERNATIVE VALUES

The ambiguity inherent in the capitalist-democratic nexus is evident from the previous discussion. Thus, the relationship is critical—from the standpoint of popular sovereignty—but also collusive, because of the practical need to make the political-economic system function. The same ambiguity characterizes the three main ‘symbolic’ alternatives considered below. Such an ambiguity is acutely reflected in the radical alternative of social democracy; it is muted in respect of alternative forms of capitalism (*laissez-faire* and state interventionist); and it is variable in civil society itself, which combines elements of political idealism and economic realism.

Social democracy, in principle, is perceived as an alternative to the capitalist system; *laissez-faire* and state-interventionism are seen as alternatives within the system; and civil society comprises features of both. Social-democratic theory is strictly opposed to collusion, and *a fortiori* to corruption; but *laissez-faire* capitalism also maintains symbolic boundaries between the two; as for state-interventionist capitalism it is itself a collusive arrangement. Civil society embraces the three variables.

It follows that social democracy should be most immune to the ‘excess’ of corruption (stemming from collusion), while state-interventionist capitalism should be most prone to it. The latter is borne out in practice. The social democratic experience, however, does not correlate so well (nor does *laissez-faire*). Certain social democratic regimes, despite initial integrity, have become mired in corruption, while others have remained largely unaffected. Here, the presence or absence of normative strengths elsewhere in society is almost certainly the decisive factor. The same factor explains integrity or corruption in civil society.

It is appropriate, then, to begin with social democracy and end with civil society.



## 160 *Conclusion*

The history of social democracy is a history of compromise: first, as an alternative to capitalism; second as a self-proclaimed bastion of integrity against corruption. Social democracy, initially, symbolized the commitment to replace the private appropriation of social production by the public ownership of the 'commanding heights' of the economy. In reality, the experience of working within the democratic electoral system and of forming governments (or becoming partners in coalition governments) sooner or later tempered the early militant vision. Social democracy, instead of pressing for change of the capitalist system, lowered its sights to change within the system.<sup>11</sup> Socialist pragmatism was denounced as 'reformism' instead of 'revolution' in the critique of rival communists; yet they, too, were to undergo a similar, but more painful, conversion.

As for social democracy as bastion of integrity, the practical experience of government in a capitalist society has, to a greater or lesser extent, been disillusioning. The integrity of social democratic regimes (for the most part) in Scandinavia, and to a declining extent in Britain, is offset by serious deterioration in standards of government and administration in other countries.

Consider the experience of socialism in Britain and France, both as an alternative to capitalism and as a bastion of integrity. Undoubtedly, the high tide of social democracy in Britain was the birth of the welfare state under the post-World War II Labour government. In those enthusiastic years the belief prevailed that capitalism could effectively be mastered through the nationalization of major industries (and transport and communications), by extensive state regulation, official policies of 'full employment', and a more equitable distribution of wealth. It required three decades of recurrent economic crises—heavy balance of payments deficits, pressures for devaluation, runs on sterling, crises of international 'confidence', massive unemployment accompanied by high inflation, politically inspired booms (under both parties) followed by abrupt reversals, and continuing economic decline relative to other West European countries—before the Labour Party gave up the unequal struggle.

An even more climactic reversal took place in France. François Mitterand, elected First Secretary of the new Socialist Party at its first congress in 1971, seized the occasion to castigate the 'adversary' that had to be overcome: 'What we must dislodge is monopoly—indeed all the powers of money, money which kills, which buys, which destroys, and which corrupts even the conscience of men.' Ten years later, Mitterand was President of France and his Socialist Party had achieved an extraordinary election victory. Socialist policies alone, Mitterand

assured his exuberant supporters, could resolve the crisis of capitalism. Nationalization of leading industries, banks and financial institutions went hand in hand with an expansionary economic programme, including increased government expenditure, extra employment in the public sector and measures to stimulate consumer demand.

The result, a year later, was devastating. Mitterand recognized that his bold economic programme had failed. Consumer demand, boosted by large wage increases for the lower paid and by improved social security benefits, had as a result grown during the first nine months of 1981, but then faltered. France's industrial production fell to the 'pre-socialist' level. What was worse, the initial consumer boom, instead of revitalizing domestic industry, drew in imports, especially from Germany. France's trade deficit by mid-1982 amounted to nearly \$2 billion, the worst monthly figure in fourteen years. The budget deficit was nearly twice that of the previous year. The newly nationalized industries had also failed to live up to their expected role as 'motor' of the entire economy. As industrial production fell, so unemployment (about 7 per cent in 1981) rose to over 10 per cent and continued at a high level. Moreover, inflation had scarcely been reduced from its alarmingly high level (13 per cent), three times that of Germany. Mitterand was forced to abandon his socialist programme in favour of a freeze on wages and a policy of austerity. The experiment has not been renewed.<sup>12</sup>

Both British and French socialist attempts to bring about 'economic democracy' as a counterpart to political democracy, and the disillusioning outcomes, demonstrate effective limitations on popular will, even in a Western democracy. As noted (i) the 'representative' mechanism itself interposes a barrier between popular choice and the ruling 'political class'; (ii) democratically elected governments defer, especially at times of crisis, to the needs of the economy (domestic and international) as determined by the most powerful business/transnational interests.

The accommodation of democratic theory to economic practice follows—for British Labour as for French socialists. 'Mitterand is the man', pointed out *Le Monde's* political correspondent in November 1991, 'who has given the left a long lease of life by not only smoothing out its subversive roughness but also by reducing its functions to managing a capitalist democracy and preserving acquired rights.' But during the time that this accommodation was taking place, the newspaper added, scandals were piling up, with 'whispers of insider trading, allegations of party slush funds, talk of corruption in high places'.<sup>13</sup>

The second alternative represents a range of choice within the capitalist system, from *laissez-faire* to 'industrial policy', that is, forms of state intervention to 'guide' capitalist development and supplement market mechanisms in socially or economically desirable ways. Here, the USA and Japan would seem to be polar opposites. But it must be remembered that in nineteenth-century America, despite the symbolic 'arm's length' appeal of *laissez-faire* to the puritan as well as the liberal conscience, emerging capitalists were not in the least inhibited in taking full advantage of government grants and other inducements in their task of transforming the newly opened continent. By the time of the 'Gilded Age' of capitalism, *laissez-faire* had become little more than a screen, behind which all kinds of collusive practices took place between businessmen and politicians. As a result, huge enterprises were formed, whose monopolistic ambitions were only fitfully checked by anti-trust legislation.

It was not until the Great Depression of the 1930s that the Roosevelt administration was compelled to 'save' capitalism from its excesses through pragmatic state intervention. Following World War II, however, the appeal of *laissez-faire* revived, but for different reasons. For American capitalism had emerged triumphant from the devastation of a war that had ruined or crippled its former rivals. Under conditions of outright economic and military supremacy, the USA—like Britain in the previous century—had little or no need to 'protect' or guide American capitalism. *Laissez-faire* then provided the desired normative justification for American economic expansion. Now, however, as a result of growing competition with Europe and Japan, the demand in the USA for an 'industrial policy' is asserted.

The Japanese postwar situation is entirely different. For Japan—like the European capitalist powers—had historically experienced the active role of a powerful state and an efficient centralized bureaucracy. State intervention in the economy was required both to protect 'infant industries' from more advanced competitors and to channel credit and stimulate investment towards sectors of 'national interest'. Accordingly, government-business-bureaucratic relations in Japan were, and still are, highly collusive.

One result is the recurrence of scandals, followed by the ritual purge of offenders, so that 'the system' (van Wolferen's apt expression)<sup>14</sup> can proceed unscathed. Even now, following the downfall of the Miyazawa government in 1993 and the Hosokawa government's electoral reform in 1994, it is debatable whether corrupt practices have been eliminated; just as it is improbable—given the extraordinary influence

retained by bureaucrats and businesspeople—that ‘the system’ of collusion is no longer effective.<sup>15</sup>

All the same, public hostility to the scandal-prone Liberal Democrats only became politically significant as a result of the economic plight or anxiety of large numbers of ‘ordinary’ Japanese, following the collapse of the 1980s ‘bubble economy’. So long as the economy was flourishing, Japanese consumers had little reason to complain. It is possible, then, and it is no doubt the expectation of the political class, that a return to ‘business as usual’ will once again divert public opinion from scrutinizing too closely the payoffs to politicians required by the system.

Whatever the cynicism engendered by collusion and corruption, often on a massive scale, it is important to recognize that such practices have been offset by normative strengths elsewhere in society. The significance of private and interpersonal morality has long been attested to by Japanese and foreign observers, from Ruth Benedict to Chalmers Johnson. As the latter points out, ‘the ethical principles involved in *on* [debts or favours given by superiors], *giri* [social obligations] and *ninjo* [friendship, sympathy] are as ubiquitous in Japan as any set of ethics can ever be in a given society’.<sup>16</sup> More broadly, but also with normative connotations, Japanese capitalism is itself oriented toward labour-employer collaboration (rather than antagonism, as in more class-conscious societies), including lifetime employment in the larger enterprises, promotion of company loyalty, encouragement of group (and individual) productivity improvements, effective quality control, and so on.<sup>17</sup>

There is far greater economic equality in Japan than in most other advanced capitalist countries, and particularly in the ‘*laissez-faire*’ USA, where, for example, the top 10 per cent of households accounted in 1986 for more than two-thirds of the nation’s wealth; the top 0.5 per cent alone for nearly 27 per cent.<sup>18</sup> By contrast, in Japan in the 1980s, the top 10 per cent accounted for 22.4 per cent of private income, and even the top 20 per cent for not much more than one-third.<sup>19</sup>

Evidently, then, crass materialism is not the only outcome of economic dynamism on politics and society. To the contrary, while old normative goals persist, new ones are being created. The USA as ‘land of opportunity’ and ‘home of freedom’ symbolizes its traditional appeal: an appeal that still holds out promise to many in the developing world today. Moreover, in spite of the truly scandalous drug abuse, crime, poverty, welfare neglect and run-down public services (including education), there are still deep reserves of energy, idealism and public spirit in the USA, waiting to be tapped.

## 164 *Conclusion*

To conclude this discussion of alternatives within the system; whatever the alternative forms of capitalism (from the USA to Japan) and the presence or absence of normative inspiration, political-bureaucratic-business relations continue to provide the ground rules of a modern political economy. A British economist has stipulated the four basic rules.

First, on the political front, the government must be pro-business and pro-economic development. But 'if the system is to have a strong government which intervenes in the economy then it helps not to be subject to normal democratic processes'. [The role of technocrats, who strive for administrative efficiency and economic rationality, whether under democratic or authoritarian regimes, and whether interventionist or not, is an ambiguous illustration of the author's last comment.] On the economic front, 'a decent monetary system' is essential, not only to deal with inflation but, above all, to allow the 'exercise of the basic functions of exchange and wealth accumulation'.

The second rule is a 'compliant and hard-working labour force'. This may be achieved through a natural sense of shared self-interest and pursuit of national advancement (Japan), mutual determination to recover from a national disaster (Germany) or through powerful state control (Korea and other newly industrialized countries).

The third requirement is a management cadre determined and ambitious for success in wider terms than mere material advancement. (They think and act globally.)

'Fourth, you need an educational system which attains high standards and works in sympathy with business and industry.'<sup>20</sup>

Such is the economist's blueprint. Nevertheless, the dividing line between the allocation of goods and services in accordance with democratic principles and their allocation according to wealth and market forces remains ambiguous. For in the real world (rather than the economist's) it depends upon the balance between political exigencies (the need to retain government legitimacy) and economic imperatives (asserted above).

Civil society provides the third alternative, combining inspirational norms and collusive practices, but in a varying pattern, corresponding to the general level of economic development, on the one hand, and to highly specific (conjunctural) features of a given society, on the other.

Writing in general terms (for the role of specific factors, see case studies) civil society includes members of the liberal professions, civic associations, religious bodies, political parties, educational institutions, the media, trade unions, peasant associations and, not least, non-governmental organizations. As a result of economic growth, there is

a corresponding growth in these 'intermediate' forces of civil society—notably in their capacity as professionals, organizers and intellectuals—who form a new layer of society.

Hence, the threefold, progressive characteristic of civil society: it is a product of economic development; an emerging civil society reacts to the existing form of state power and of the economic system; finally, although starting from a position of dependence on state and economy, it increasingly asserts its autonomy.

It is precisely in this intermediary role that civil society is most affected by the attitude of the state; that is, the controllers of state power in its coercive, fiscal, legal, administrative and cultural (educational) aspects; and by the way in which power is manifested at any given time. In so far as the state has a unifying impact (its apparatuses are coordinated by a sense of class interest or discipline, status or public service) it will react to the challenge of civil society with a variety of methods: ranging from intimidation or manipulation, to indifference or contempt, or even the offer of cooperation in a new division of labour.

Just as the state is a mechanism for organizing individuals and groups according to a hierarchical principle (allocating order, providing arbitration or justice, extracting and distributing wealth, insuring social conformity through education and propaganda), so the capitalist system of production, distribution and exchange also structures members of society, each day and every day, for a major part of their existence, either as workers or managers, producers or consumers: all bringing to the marketplace the assets that they have, or do not have. Civil society is a (symbolic) intruder into these two great organized spheres of existence.

Hence the contradictory nature of civil society. Professionals, organizers and intellectuals were brought into being to serve the direct or indirect needs of an expanding and ever more complex economy and polity. But the changed society brought about by their entry becomes all the more different—and distant—from the old patterns of power and wealth, which persist, uneasily or contradictorily, with the new.

In addition, the more successful are the professionals, organizers and intellectuals in 'modernizing' society, polity and economy, the more the different components of civil society themselves tend to diverge. So long as 'citizens' had a common interest in struggling against the old order the solidarity of civil society was assured: for it was inspired by a vision of a society that was not dominated by the traditional elite and was not exploited by capitalists at the 'primitive' stage of accumulation.

But with the effective assertion of autonomy—the recognition of a role for civil society by the more ‘liberal’ state and the more ‘mature’ capitalism—new material interests in civil society come to the fore. The more conservative professionals and organizers increasingly identify themselves with the political and economic structures that sustain them; the more progressive organizers and intellectuals increasingly identify themselves with the struggle of the poor and the powerless—either for a better stake in society (reformers) or for a total change of society (revolutionaries).

Nevertheless, despite the centrifugal forces of right and left a substantial intermediate group remains. New activities in civil society led by this group (or by the reformers) may be non-political in objective (such as protection of the environment, or women’s rights) but require political action or influence to be effective. Indeed, such activities bring in the participatory element of democracy in a far more direct way than is possible in the representative style of democracy, with its docile or intermittent participation of citizens (i.e. during elections).

Such new elements are needed to renew the inspiration of civil society. Intermediate between state apparatus and economic system, their activities are defined in relation to (often in opposition to) state and economy. It is in the formation of such a ‘definition’ that arguments and debates—the creative side of democracy—take place.

Thus, members of civil society are united as citizens—seeking to express their beliefs through a fair, regular and representative process—but they are divided in their interests, aims and values as members of a social class or interest group. The tendency, notably when facing the antagonism of the state, is one of solidarity among members; but differences arise when those who belong to submerged or subordinate groups in society struggle to make their voices heard. And yet, despite the unavoidable ambiguity of civil society—a ‘new’ element, united in asserting its place, yet always subject to the sway or inducement of state and economic power—it is this forum that gives urgency to debate, and to awareness of the need for action, so that the inspirational norms of democracy may have a significant impact both on the capitalist structure of collusion and its potential for corruption.

It is only realistic, however, to emphasize in conclusion the very real threat of corruption in an imperfect democracy. For, despite the claims of democratic theory, the ‘people’ are not sovereign. First, they have only intermittent control over their elected representatives, who tend to form a distinct political class. Second, the function of the ‘elect’ is not so much to carry out the wishes of the electorate as to mediate the interests of society and the interests of the economy. To satisfy the

former is desirable (more than desirable during elections); to satisfy the latter, essential. Such 'collusion' between political and economic elites is the normal practice of affairs.

Now, whatever its 'developmental' capacity, corruption disturbs this precarious exchange relationship, established by democratic institutions, between wealth and power. When corruption—going beyond collusion—is 'normalized' by the political class it signifies the perversion of this relationship. As a result, citizens are either alienated from the 'system' or, what is worse, also seek to benefit, to the degree available to them, from the opportunities of corruption ('everybody does it'). When such a state of corruption is accepted as normal in society then the crucial institutional mediation between people, politicians and business—however imperfect a form of democratic practice—is destroyed.

## **POLICY PRESCRIPTIONS**

Corruption is the illegitimate reminder of the values of the market place (everything can be bought and sold) that in the age of capitalism increasingly, even legitimately, permeate formerly autonomous political and social spheres.

The significance of corruption is that it reveals, to excess, that permeating process, which is so contrary to the democratic ethos. Corruption dramatizes the 'social fracture' resulting from the closely knit partnership between economic and political elites and their indifference to the mass of ordinary people—whose interests and demands politicians are supposed to represent.

Measures to counter corruption, therefore, can only be effective if they attack the roots of the problem: the collusion of economic and political elites resulting in 'social fracture'. Policy prescriptions, accordingly, consist of two parts: legal 'repression' of corruption (identification and control); and social 'prevention' (to overcome the collusive practices conducive to corruption). Such measures of repression and reform are, in principle, universal; but they operate (or fail to operate) under specific conditions.

The Southeast Asian countries discussed in Chapter 2 illustrate both prescriptions and practices in the context of 'development'. As a result of such an analysis it is possible then to compare what is common to the treatment of corruption both in developing and in economically advanced countries (Europe, North America and Japan) and what is specific to particular regions and communities.



### **Power and Political economy**

Two major types of corruption are prevalent in the developing countries: 'traditional' power corruption (in Acton's sense of power itself tending to corrupt); and 'modern' political-economy corruption—that is, derived from the interaction of capitalism and democracy or 'democratization'.

Power corruption is the most obvious feature of countries like Indonesia, where military power penetrates virtually every institution; but it also characterized the 'bureaucratic polity' era of Thailand, which is still not extinct, as it did the Philippines under Marcos.

Power corruption is increasingly linked, however, with political-economy corruption, corresponding to the rate of development. This is because expanding economic opportunities further the rise of new entrepreneurs, operating a strange and heady mix of legal and illegal activities, characteristic of 'wild' capitalism. At the same time, these entrepreneurs act as 'fixers' or intermediaries between ordinary people, bewildered by the pace of change, and the various bureaucratic agencies; and they also act as 'brokers' between political candidates in the search for votes (especially in rural areas) and the newly 'democratized' electorate. Such practices, in effect, represent economic, political and social exchanges of goods and services, operating according to the laws of supply and demand.

Now, these types of (continuing) power corruption and (growing) political-economy corruption—the exuberant 'excess' of dynamic capitalism's partnership with traditional or new elites—are common to all, or most, developing countries; but they are rooted in particular contexts, moulded by cultural attitudes and historical change, which may radically alter the forms of economic, political or social development, from which corruption emerges. Corruption and collusion in particular countries cannot therefore be identified, let alone 'controlled', in terms of general principles (commonality) without an awareness of specificity.

The developmental context in Indonesia, for example, includes the highly specific role of ethnic Chinese business. The latter acts in an environment shaped by indigenous resentment of 'alien' profiteers, on the one hand, and by pervasive military control, on the other. Accordingly, the collusive partnership between ethnic Chinese businesspeople with the Indonesian power elite takes on an unusually secretive and ambiguous form, remarkably conducive to corruption. (According to one recent survey, Indonesia is the most corrupt country in the world, in terms of business practices.)

Meanwhile, another, contrary feature of the Indonesian scene cannot be overlooked; the influence of the Western-backed technocrats, who have been surprisingly effective in implementing reforms—financial deregulation,

devaluation, privatization, transparency, free competition and encouragement of foreign investment—particularly in response to economic crises, whether external (falling oil prices) or internal (bankruptcies of powerful state corporations).

There are similarly highly specific features of development (and undevelopment) in the Philippines, especially the socially irresponsible power of regional elites; and also in Thailand, demonstrated by the electoral importance of rural areas, where economic conditions are far inferior to those of towns and cities. Here the state of corruption—villagers receiving ‘gifts’ in return for voting for certain politicians—represents one pragmatic way of redressing the economic imbalance.

Whatever the economic advantages, the effect of corruption, however, is to discredit democratic institutions (and ideals) thus endangering their crucial representative function. (The arbitrary largesse of patrons and bosses, flowing from corrupt practices, is no substitute for sustained institutional responsibility.)

But, to repeat, effective policies to counter corruption in developing countries—in terms of identification, repression and prevention—depend to a great extent on specific conditions. (It is only in the developed countries, where both capitalism and democracy have ‘matured’ and where their opposition is more acute, that common ‘structural’ conditions exist more or less independent of specificity.)

In Thailand, for example, no significant results may be possible (apart from token gestures) until the demographic situation changes: when the majority of rural dwellers, susceptible (because of their relative poverty) to corrupt inducements, is transformed by the process of economic development into a minority.

As for Indonesia, power corruption can hardly be eliminated without a drastic change in the military—from unchallenged arbiter of national life into an institution under civilian control. This is evidently a long-term prospect (as is the situation in Thailand); but it could be hastened, after Soeharto leaves the scene, by faction fighting within a weakened army, leading to some sort of military-civilian coalition. Restraint of political-economy corruption, in turn, depends basically on regularizing the status of ethnic Chinese, as well as bringing the ‘freewheeling’ economic activities of leading officers and officials under technocratic civilian control; again, a solution for the long term.

To recapitulate: a ‘general theory’ of corruption is essential in order to understand the nature of the problem; but the general-theoretical ‘core’ of corruption, common to all or most countries, needs to be supplemented by recognition of specificity—the way in which the opportunities for, or restraints on, corruption vary country by country.

**The Singapore model?**

Another Southeast Asian state, Singapore, does provide a bridge between generality and specificity, on the one hand, and between developing and developed status, on the other. A generation ago, Singapore was a typical 'Third World' country, with poor and precarious employment, lacking financial facilities and with an insufficiently educated population. Now, Singapore has a standard of living comparable with the West. Singapore's leaders were committed to honest government, partly on technocratic grounds so as to attract foreign investment and manufacturing plants to a 'dependable' economic and administrative environment, partly because of the personal puritanical morality of its long-serving leader.

'I'm suggesting our way, moving with the market, is an honest, open, defensible and workable system', as Lee Kuan Yew puts it.<sup>21</sup> Does Singapore's success on both counts (public integrity and economic achievement) vindicate neo-liberal therapy: transparency, limitation of government intervention, reducing protection, deregulating financial and labour markets, and privatizing (nepotistic) state enterprises? Not exactly. Singapore, rather, demonstrates 'social engineering' in a big way. For this one-party state maintains important public utilities, it controls the work-force through subservient unions, and it provides housing, welfare and medical care for virtually all its citizens. Singapore is not so much a model of liberalism as of enlightened despotism.

Yet, in principle, Singapore's methods are transferable to its Third World neighbours. Higher civil service pay and recruitment by merit, for example, have often been recommended as a way of providing capable officials who are less likely to succumb to the temptation offered by wealth.<sup>22</sup> Yet in many developing countries, to the contrary, employment in the civil service represents a form of welfare: staff rolls are padded far beyond efficiency, and pay is poor, but at least jobs are available for numerous relatives, friends and sympathisers of the ruling group. Under such conditions, it would require a radical change of mentality and would upset powerful vested interests, to adopt Singaporean methods.

What of the commonality of collusion and corruption in 'developed' countries, which share Singapore's 'achievement' ethos but usually without its public integrity? So long as economic growth is a priority—indispensable in the age of capitalism—then corruption will prosper as its 'excess'. Singapore, the Scandinavian countries and a few others are clearly exceptions to the rule. They demonstrate the importance of specificity: personal leadership, principled distinction between public and private, bureaucratic *esprit de corps*, strong political parties, regulated election expenses, and so on. (French specificity, on the other hand, tends to work in the opposite

direction; strong local notables and weak national parties. Italian specificity, in turn, reflected throughout the Cold War period the overwhelming strategic importance of countering communism—resulting in a virtual monopoly of political and administrative power, highly conducive to corruption; and so it goes.)

### **Collusion of elites**

Nevertheless, capitalism and the collusion of economic and political elites are a ‘constant’ (while democratic institutions are variable; and ‘normative strengths’, as above, are often highly specific). It is this structural condition—the collusion of elites, overcoming the ‘misfit’ of conflicting imperatives of capitalism and democracy, that is characteristic of countries in Western Europe, North America and Japan. Consider, as a not untypical example, the ‘succession of affairs’ in Spain:

To understand the situation it is necessary to start with the closely interwoven links between the spheres of political power (monarchy, state, autonomous regions, municipalities) and the world of business. Such links served originally to finance political parties. But, as recent inquiries have revealed, the interests at play are far from being limited to such financial activities (which, on human and political grounds, would be less to blame) but essentially respond to the desire for gain and the will to personal enrichment...if no such measures [purifying Spanish public life] are undertaken at all levels, including the highest, then democracy itself could be in danger, however incredible this may seem.... In conclusion; either the parties act once and for all in the way that the Constitution demands, that is to say, as institutional actors around which political representation is articulated—while those who have yielded to corruption, whether illegally or not, have no longer any place [in the system] —or else we will experience an institutional and political crisis whose consequences cannot be foreseen.<sup>23</sup>

The same closely interwoven links between economic and political elites, intended to ‘make the system work’ for the benefit of private interests, as in France and elsewhere, illustrate the common condition of collusion conducive to corruption. What is perhaps surprising is that Germany, too, despite its religiosity and the inheritance of Prussian bureaucratic integrity, should also be vulnerable. Yet, to the leading economic weekly, *Wirtschaftswoche*, ‘Germany has the same problems as its neighbours.

The differences, for the moment, are only ones of degree.' The still-isolated cases of 'affairs' nevertheless 'prove that also in our country all the conditions of a dangerous convergence of politics and economics are leading to corruption... [because of] the network of relations, concentration of power and ever-present attraction of money'.<sup>24</sup>

The 'common condition' of convergence exists throughout the advanced world: only the 'differences' specific to particular countries (such as the 'concurrence of elected mandates' and the unusual versatility of administrative elites in France) provide more or less incentives— or obstacles—to corruption. It is only by taking account of this structural condition—reflecting, as is to be expected in 'developed' countries, the competing demands of capitalism and democracy—that effective policy prescriptions—repressive and preventive<sup>25</sup>—can be framed.

### **Repression and prevention**

Even in regard to 'repression'—which is technically more feasible than prevention because more narrowly defined—the judges (according to a French analyst) find themselves intellectually constrained in 'applying rigid and incomplete penal laws, which are poorly adapted to the supple flow of economic life'. Instead of applying the 'reason of law', judges feel obliged to approach the situation according to equity: 'to weigh the intentions of actors, discern the true collective interest, come and go between the letter and the spirit, between new financial techniques and [the need for] regulation. But, above all, not to kill the life of business and not to harm the dynamism of the managers of enterprises.'<sup>26</sup>

Thus, while repressive policies are more readily framed than measures of prevention (and, in political terms, appear more conspicuously to be indicators of the will to reform) yet they, too, must pay heed to the demands of 'equity', that is, bow to economic expediency.

Preventive policies, conforming to the 'social' definition of corruption, go more closely to the heart of the matter: the underlying relationship between the ideals and practices of democracy and capitalism, a relationship that is 'dramatized' by corruption.

The solution is not more neo-liberalism, but more democracy. This is so because the stronger and more closely knit the collusive circle of economic and political elites—reflecting the imperatives of capitalism, expressed by the need for economic growth in an internationally competitive environment—the greater is the distance from the concerns of ordinary people—precisely contrary to the 'representative' theory animating democracy. The elites are acting according to market values, not democratic

values. Only the regeneration of democratic values— through the ‘remoralization’ of society, with renewed integrity of professional standards,<sup>27</sup> can re-establish the autonomy of political and social spheres, making them more resistant to the encroachment of market forces, strengthening the distinction between public and private, and restoring democracy’s vital representative function.

## NOTES

- 1 Pierre Bourdieu, *Language and Symbolic Power* (Cambridge: Polity Press, 1991) trans. Gino Raymond and Matthew Adamson (ed.) and intro. John B.Thompson. From Thompson’s introduction to Bourdieu’s ideas, p. 11. See also Herbert Blumer, *Symbolic Interactionism: Perspective and Method* (Englewood Cliffs, NJ: Prentice Hall, 1969) pp. 4–5, 11, 63.
- 2 Speech by Prime Minister Anand, 2 July 1992; note by Anand on the project, 11 March 1992; quoted by Sakkarin Niyomsilpa, draft chapter, ‘The Politics of Build-Transfer-Operate Concessions’, for Ph.D. dissertation, Australian National University (1994).
- 3 Bourdieu, *Language and Symbolic Power*, Thompson’s introduction.
- 4 Adapted from the introductory chapter, ‘Economy, state, civil society’, of John Girling, *Interpreting Development: Thailand and the East Asian Model* (1994), project for the Institute of Southeast Asian Studies, Singapore.
- 5 Fernand Braudel, author of *The Mediterranean and the Mediterranean World in the Age of Philip II, Civilization and Capitalism, 15th–18th Century, On History*, etc.
- 6 Michael Walzer, *Spheres of Justice* (Oxford: Martin Robertson, 1983) pp. 3, 6, 10, 15–16, 100, 110.
- 7 Ibid. pp. 11, 19, 22, 100, 120, 122, 282–83.
- 8 Andrei S.Markovits and Mark Silverstein, ‘Introduction: power and process in liberal democracies’, in Markovits and Silverstein (eds) *The Politics of Scandal* (New York: Holmes and Meier, 1988) pp. 4–5.
- 9 Francis Fukuyama, *The End of History and the Last Man* (London: Hamish Hamilton, 1992).
- 10 See Girling, ‘Economy, state, civil society’.
- 11 For a persuasive exposition of reformist social democracy, see Walzer, *Spheres of Justice*, urging decentralized democratic society, a strong welfare state, open civil service, constrained market (not invading other spheres), protection of religion and family life, and workers’ control of companies: p. 318; see also, pp. 282–83, 285, 302–3.
- 12 Reported in *The Economist*, 27 February and 31 July 1982; *European Economy* (Commission of the European Communities) Supplement B, August–September 1985.
- 13 Jean-Marie Colombani, ‘Mitterand keeps his opponents guessing’, *Le Monde*, 12 November 1991 (trans. *Guardian Weekly*, 24 November 1991). See also Edwy Plenel, *La Part d’Ombre* (Paris: Stock, 1992) analysing a decade of socialist government—and its ‘affairs’. But the Socialist government did bring in a bill, in October 1992, to prevent corruption and ensure ‘transparency’

in economic matters and public procedures. As the Minister of Economy and Finance had previously argued, the problem of corruption is not specific to politicians, but is a much wider social problem: 'What is needed today is to clarify the relations between money and every layer of society. Money which creates, yes. Money which corrupts, no': interview, *Le Monde*, 17 July 1992 (my trans.). Nevertheless, the Socialist Party, blamed for the recession and high unemployment (and tarnished by the 'affairs') lost heavily in the 1993 elections. Next year it was the turn of the conservatives to be afflicted by affairs.

- 14 See Karel van Wolferen, *The Enigma of Japanese Power* (New York: Vintage Books, 1990 ed.) for a controversial but sustained critique of the system (pp. 5, 42–49) and its money politics (pp. 117–20, 127–38, 140). Because of the author's concentration on politics and power he tends to overlook the extraordinary economic achievements of contemporary Japan.
- 15 See Terry MacDougall, 'The Lockheed scandal and politics in Japan' in Markovits and Silverstein (eds), *Politics of Scandal*, for an analysis of the role of electoral koenkai (personal support associations), of Keidanren's allocation of quotas for individual companies to contribute funds, especially to the Liberal Democratic Party, and of politicians as brokers in Japan's 'bureaucratic capitalism': pp. 198–210, 218. Kenichi Ohmae, a reforming businessman, refers to the 'iron triangle' of 'bureaucrats, who run this system in collusion with politicians and special interests': *New Perspectives Quarterly*, reprinted by *Straits Times*, 15 August 1993.
- 16 Johnson, 'History restarted: Japanese-American relations at the end of the century', paper for Fulbright Symposium on Managing International Economic relations in the Pacific in the 1990s: Australian National University, 16–17 December 1991, p. 31. See also Ian Buruma, *A Japanese Mirror* (London: Cape, 1984) on the conflict between *giri* and *ninjo*, duty and humanity, one of the basic cultural themes in Japan: pp. 50–53.
- 17 Shijuro Ogata, 'Capitalism, the market mechanism and the state in economic development', paper for conference on Asian and American Perspectives on Capitalism and Democracy, Singapore, 28–30 January 1993. See also Philip Daniels on consensual forms of labor-management decision-making in Japan: 'Industrial Policy', in Martin Harrup (ed.) *Power and Policy in Liberal Democracies* (Cambridge: Cambridge University Press, 1992) p. 136.
- 18 Kevin Phillips, *The Politics of Rich and Poor: Wealth and the American Electorate in the Reagan Aftermath* (New York: Random House, 1990) p. 11.
- 19 Shinichi Ichimura and James W. Morley, 'Introduction: the varieties of Asia-Pacific experience', in Morley (ed.) *Driven by Growth: Political Change in the Asia-Pacific Region* (New York: M.E. Sharpe with Columbia University, 1993) table, p. 25.
- 20 Roger Bootle, chief economist at Midland Montagu, 'Economic Commentary', *The Independent*, 12 August 1991.
- 21 See Jon S.T. Quah, 'Singapore's experience in curbing corruption', in Arnold J. Heidenheimer, Michael Johnston and Victor T. LeVine (eds) *Political Corruption: A Handbook* (New Brunswick: Transaction, 1990) pp. 847–49.
- 22 Ibid. See also Susan Rose-Ackerman, 'Which Bureaucracies are less Corruptible', *Handbook*, p. 816: reformers, having identified the critical spots in each [bureaucratic] system, must move on to propose more particularized

- structure—closer monitoring, higher pay, nonvested pension rights, etc. — that will increase the costs of speculation at the critical soft spots.
- 23 Fermin Morales Prats, university jurist, and Francese Jufresa Patau, lawyer, in *La Vanguardia*: trans. *Courrier International*, 8–14 December 1994.
- 24 Volker Wolff, *Wirtschaftswoche*: trans. *ibid*.
- 25 Noted by Bernard Challe, head of the 'central service for prevention of corruption': *Le Monde*, 25 November 1994.
- 26 'When policing and justice are intermingled': *Le Monde*, 5 July 1994.
- 27 Exemplified in the Nolan Committee's report on guaranteeing standards in public life in Britain. These are the seven principles: (1) Selflessness: holders of public office should take decisions solely in terms of the public interest. (2) Integrity: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organizations that might influence them in the performance of their duties. (3) Objectivity: In carrying out public business, including making public appointments and awarding contracts, holders of public office should make choices on merit. (4) Accountability: Public office-holders are accountable for their decisions and actions to the public and must submit to appropriate scrutiny. (5) Openness: They should be as open as possible about all the decisions and actions they take. They should give reasons for their decisions and only restrict information when the wider public interest demands. (6) Honesty: They have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts that may arise in a way that protects the public interest. (7) Leadership: Holders of public office should promote and support these principles by leadership and example. Reported in *Guardian Weekly*, 21 May 1995. These recommendations could be seen to be in line with neo-liberal as well as democratic principles—except that neo-liberal priority to market forces operates to the detriment of public values.

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