HOW CORRUPT IS BRITAIN?

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PlutoPress
www.plutobooks.com

First published 2015 by Pluto Press
345 Archway Road, London N6 5AA

www.plutobooks.com

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN 978 0 7453 3529 2 Hardback
ISBN 978 0 7453 3530 8 Paperback
ISBN 978 1 7837 1284 7 PDF eBook
ISBN 978 1 7837 1286 1 Kindle eBook
ISBN 978 1 7837 1285 4 EPUB eBook

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10 9 8 7 6 5 4 3 2 1

Typeset by Stanford DTP Services, Northampton, England
Text design by Melanie Patrick
Simultaneously printed by CPI Antony Rowe, Chippenham, UK
and
Edwards Bros in the United States of America

Contents

Introduction: A Very British Corruption

David Whyte

'We Are Not Afghanistan or Russia!' Or Are We?

The idea that British institutions are fair and democratic is one of the foundation stones of our self-imagined national heritage. Historically we have construed corruption as something that is exclusively a problem in developing or economically 'primitive' societies, rather than our own. Yet the almost daily reporting of all manner of corruption cases in our most prominent and powerful institutions is beginning to unravel the idea the British establishment is predicated on civilised values of 'fairness', 'openness' and 'transparency'. As the façade shatters, it reveals the residual racism in the claim that we are not corrupt like other countries in the Global South, or indeed that we are not like our Southern European counterparts. If we have corruption in British public life, we have always been led to believe, it is only found at the margins.

It seems that the margins are getting wider. In the past couple of years alone we have seen several national newspapers involved in routine phone-tapping and payoffs to police officers; we have seen allegations of systematic price-fixing in the energy supply industry; and a major European Commission investigation into the alleged role in price manipulation by key corporate players in the oil industry, including BP and Shell. In the food retail industry, we have had a major meat labelling scandal in which horsemeat was sold as 'beef' by supermarkets and major brands in Britain. As this book goes to press, GlaxoSmithKline (GSK) has just been fined £297 million – and senior executives given suspended jail sentences and deportation orders for bribing Chinese officials. An investigation into similar conduct by Rolls-Royce executives in Indonesia and China is ongoing.[1] The banking sector has been mired in all manner of grand corruption scandals. Low-end estimates show that LIBOR and related rate-fixing alone involved frauds that were comparable to the combined losses of WorldCom and Enron.[2] Those frauds led to fines of £290 million being imposed on Barclays and over £700 million on the Royal Bank of Scotland. In a different set of cases, HSBC, Lloyds and Barclays have collectively been made to pay fines of well over $3 billion for money-laundering and sanctions-busting offences in the United States.[3] In November 2014, the Royal Bank of Scotland and HSBC were among five banks fined hundreds of millions of pounds for fixing foreign exchange markets. Barclays awaits news of its fine for the same offence.[4]

A seemingly endless catalogue of police evidence-falsification cases has been exposed in recent years. Some of the evidence that has reached the public domain relates to historical cases, such as the fabrication of statements that were used against striking miners the 1980s, an alleged police whitewash of the Jimmy Savile case, fabricated evidence *en masse* following the Hillsborough disaster, and a review of the Stephen Lawrence case by Mark Ellison QC that revealed corruption in the original investigation. Further, there have been recent revelations of illegal covert operations used to target, infiltrate and smear other community campaign groups, including the friends and family of Stephen Lawrence.[5] A great deal of reported evidence relates to contemporary cases. A Scotland Yard investigation into the fabrication of police evidence surrounding the so-called 'plebgate' incident involving former government chief whip Andrew Mitchell led to one officer being convicted and a public apology by the commissioner of the Metropolitan Police. The Met's sexual assault unit, Sapphire Command, has been condemned by the Independent Police Complaints Commission for encouraging victims to withdraw rape allegations to boost detection rates through 'criminality or neglect'.[6] There is even evidence of corruption at the heart of the Met's own dedicated anti-corruption unit.[7] Yet what we know now represents only a fraction of what we could know about police corruption. The BBC has reported Metropolitan Police insiders admitting that a major four-year investigation into Met corruption ended in the shredding of a 'lorry-load' of evidence.[8]

In recent months, we have also witnessed a steady stream of lobbying scandals inside Parliament which include boasts by former Conservative MP Tim Collins, now an executive at public relations firm Bell Pottinger that his company could access the highest levels of government;[9] former Conservative Party co-treasurer Peter Cruddas who allegedly promised access to the prime minister in exchange for regular corporate donations to the party;[10] and Lord Laird, Lord Cunningham, Lord Mackenzie and Patrick Mercer all offering to conduct parliamentary work in exchange for payment.[11]

A particular concern about corruption in politics has been focused on the development of health policy and the personal gains accrued by some politicians. One investigation by Social Investigations has noted that 142 peers with close links to private healthcare companies were eligible to vote on the government's Health and Social Care Act 2012, the law that opened up the NHS to further private outsourcing. Such links included owning shares, occupying positions on the boards of private healthcare companies, being paid as consultants and working as senior advisers to health investment groups.[12] This type of work is now business as usual for many senior politicians. The former health secretary Patricia Hewitt, for example, after standing down as an MP, was recruited as a special consultant to Boots UK Limited and as a senior adviser to Cinven Ltd, the same company that bought 25 private hospitals from BUPA in 2008.[13] Other recent beneficiaries of the private healthcare sector include former health secretary Alan Milburn[14] and former chancellor of the Exchequer Alistair Darling, who has also been on Cinven's payroll.[15]

Amidst the apparently routine accusations of parliamentary corruption, it is easy to forget that the two most recent changes of party in UK government took place against a backdrop of parliamentary corruption. Labour's election victory in 1997 took place following a major 'cash for questions' scandal in parliament; and an expenses fraud involving MPs from all of the major political parties provided the backdrop to the 2010 general election.

And so it goes on and on: endless case after case; endless scandal after scandal. In a recent interview, a spokesperson for the anti-corruption NGO Transparency International (TI) told listeners to Radio 4's *Today* programme that although a string of corruption cases reflects badly on the British system of government: 'we are not Afghanistan or Russia'.[16] Perhaps he had not been following the news for a while. Certainly his comments seemed a little complacent given the spectacular litany of corruption cases involving British public institutions and corporations that are reported almost every day.

Perhaps his own perceptions had simply been informed by his own organisation's index of corruption. The *TI Corruptions Perception Index* for 2013 places the United Kingdom at 14th out of 177 countries, Russia is placed at 127th and Afghanistan at 176th. It sounds like a pretty good record. Indeed it sounds like conclusive evidence that we are not Afghanistan or Russia. However, when this headline figure is reported in the newspapers (as it is every year), the methods that the survey uses are generally not acknowledged. This is not merely a pedantic or petty academic point, but is a point that is crucial to our understanding of what the *Index* is: a measure of corruption that is not objective, but subjective. The *TI Perception Index* merely measures the impressions of a large group of observers and experts around the world that TI selects for the survey. In the sense that it is based on 'perceptions' of groups of people who are 'perceived' to be experts, the *Index* can be said to be doubly subjective.

League tables like the *TI Index* can make us complacent. The cherished idea that we are a country of fair play, open politics and clean business has been remarkably resilient as the pile of corruption scandals grows higher and higher. Although elite corruption is apparently threatening to become a national stereotype, the assumption that 'we are not Afghanistan or Russia' is a persistent one. The assumption normally follows two lines of argument. The first is that there is no routine bribery in the police or in other public services. The second is that we have relatively robust mechanisms of accountability built into the system, in the form of checks and balances and strong independent regulators.

Perhaps bribery is not everyday in British police forces, public services or in government; money does not change hands to avoid a discretionary traffic violation or to secure the statutory protection of the police. We do know, however, that it does exist: money does change hands at some times for some purposes. We do not know how wide a practice it is in the Metropolitan Police, thanks to the destruction of the 'lorry load' of evidence referred to earlier in this Introduction. Yet there is more than enough evidence from parliamentary inquiries into the role of News International and other media groups into 'phone-hacking' to show that private investigators and journalists have in a very wide range of circumstances regularly made payments for information to former and serving police officers, and to other public officials. The phone-hacking scandal is essentially a bribery scandal. The pursuit of individual interest in the form of bribing of public officials is the corruption that the most prominent experts[17] and watchdog organisations such as TI tend to focus on, but it is probably a relatively peripheral part of a much larger problem of institutional corruption in the United Kingdom.

Certainly, countless faceless and nameless individuals will have benefited indirectly as a result of their involvement in corruption, and some no doubt have been paid, as part of the various forms of corruption that this book explores. Yet the British corruption problem, as we shall see in this book, is much bigger than this: it is the pursuit of institutional interests that characterises British corruption.

Indeed, it is the pursuit of *institutional* interests that, as we shall see later in this Introduction, also undermines our system of checks and balances, and the autonomy and independence of regulatory agencies and processes. As the contributors to this book collectively explore, the watchdogs that are supposed to guard against corruption have been fatally weakened as a result of the slow and pernicious onward march of a neoliberal political economy.

The evidence gathered here will show us that corruption is not merely a minor accidental flaw of the political and economic systems that we live in, but is actually a routine practice that is used for maintaining and extending the power of corporations, governments and public institutions. The weight of this evidence fundamentally questions the extent to which the current rulers of the United Kingdom can be trusted to make decisions that are in the public interest. The cumulative force of the chapters in this book impels us to ask: can we now say that we are entering an era of 'turbo-corruption'?[18] At the very least, it is time we started talking openly and seriously about our very own, quintessentially British, brand of corruption.

The Corruption of the 'Weak'

Britain is probably not alone in its apparent unwillingness to concede that we have a corruption problem. The cracks in the claims that Western states make about their relative clean and transparent ways of doing business and politics have been widening for some time. Following the collapse of Enron and WorldCom, anthropologists Dieter Haller and Cris Shore declared that:

> Europeans and Americans cannot assume that grand corruption is something that belongs primarily to the non-Western 'Other' or to public-sector officials in defective state bureaucracies [but] can also be found in the very heart of the regulated world capitalist system.[19]

Narratives of 'corruption' and economic backwardness (normally presented as the polar opposites of civilised, enlightened values of 'fairness', 'openness' and 'transparency') have endured in the historical narratives of the European colonial powers. Those narratives typically invoke the primitiveness of less-developed states as a justification for political or military domination.[20] Non-British ways of trading and doing business and so on were, in British colonial mythology, plagued by corruption, cheating and subterfuge; foreigners never play by the rules (meaning they don't play by our rules).[21] In British history, the notion was mediated to provide a narrative of morality that underpinned colonial strategy and allowed the British Empire to claim the pursuit of virtue as its rationale for colonial domination.[22] International financial institutions (IFIs)[23] currently invest a lot of time and effort on initiatives that are not fundamentally different from colonial counter-corruption narratives,[24] and alert us to the possibility that our perception of corruption is shaped by an enduring prejudice.[25]

Guarantees that counter-corruption measures are in place are now used prescriptively as a precondition of grant aid, debt relief or of membership of international bodies. Counter-corruption policy in this form is often imposed by the same international institutions (such as the World Bank and the United Nations Development Programme)[26] that impose structural adjustment polices demanding the removal of protective economic policies and encourage privatisation and 'market' reform. This contemporary counter-corruption movement therefore involves a much larger enterprise that goes beyond the eradication of corruption in business and political life as such. Increasingly, this movement can be understood as a moral crusade which organises international opposition to non-mainstream or deviant economic practices. The world of anti-corruption is therefore a 'stage in which moral projects are intertwined with money and power'.[27] (See also Chapter 12.)

A central idea that is found in contemporary counter-corruption narratives is that corruption is predominantly a public sector problem, precipitated by the unnecessary concentration of economic decision making in the hands of governments. The World Bank definition of corruption is simply 'the abuse of public office for private gain'. The World Bank definition explicitly covers bribery, as well as 'patronage and nepotism, the theft of state assets, or the diversion of state revenues'. Chapter 1 sets out a different approach to defining corruption that locates the problem not in the 'public' or 'private' sector as such, but in the distortion of the public realm by private interest.

In so far as the World Bank definition is preoccupied with 'public' policies, revenues and bureaucracies, the 'private' sector is conveniently distanced from the definitional terrain of corruption; private sector corruption should only become a matter of concern if its corruption encroaches on the public sector. The formal separation between the 'public' and 'private' domains here is therefore reduced to the problem of public officials colluding in the capture of state assets. The problem is pathological: that is, corruption occurs when states deviate from the normal path of economic development. And this pathology is generally explained by the presence of a core of corrupt state officials.

A key World Bank document on 'state capture' summarised this position:

> the capture economy is trapped in a vicious circle in which the policy and institutional reforms necessary to improve governance are undermined by collusion between powerful firms and state officials who reap substantial private gains from the continuation of weak governance.[28]

It is clearly the case that many governments are vulnerable to predatory attempts to 'capture' public policy-making processes. However, the presumption made in the 'state capture' perspective is that corruption results from 'weak governance'. Indeed, this very same starting point is shared almost unanimously across opinion makers in the field of corruption. TI notes 'the highest levels of corruption are in countries plagued by conflict and poverty.'[29] In so far as this perspective explains corruption as a problem that is created by poor governance in 'weak' developing states (and undoubtedly this is part of the story, but it is certainly not the full story), it obscures any possibility that World Bank policies themselves might influence the conditions in which corruption can exist. It also obscures the possibility that corruption is a problem that also pervades the 'strong' governments of the Global North.[30]

The IFI agenda on corruption should therefore be read with caution, since it can be understood as an attempt to organise a consensus around the need to reform 'weak' states with economies that are targeted for structural adjustment. It is a strategy that has been neatly summed up by Sampson: '[i]n the world of anti-corruption, one can pursue virtue and integrity while being ruthless and partisan'.[31] Being against 'corruption' allows state officials to construct a moral narrative that legitimates all manner of political interventions at local and national levels, as well as globally.[32] It is a contradiction that this book will unravel further in the context of the British system of government, which still claims to uphold a formal division between public and private while at the same time progressively breaching this division.

The Corruption of the 'Strong'

The location of corruption in the transgression of the 'public' and 'private' divide in 'weak states' leads to very prescriptive ways of dealing with the problem. From a perspective that is preoccupied with corruption as a public sector problem, it is the public sector itself that becomes the problem. Corruption of the market can, from the perspective generally accepted in the counter-corruption policies of the IFIs, be eradicated by encouraging more open competition, expressed in the decisions of competing, self-interested market participants. This is a distinctly neoliberal perspective. From the neoliberal perspective, competition and deregulation, rather than overbearing state controls on capital, are likely to reduce corruption. Thus, as the influential corruption scholar Susan Rose-Ackerman has noted, privatisation can reduce corruption by removing certain prohibitions from state control. The eradication of corruption is not *necessarily* guaranteed by 'deregulation'. However, if such measures stimulate market mechanisms, then corruption is gradually removed from an economic system. In other words: '[I]f the economy is fully competitive, then no corruption can occur.'[33]

There is a certain logic to this, albeit one that is tautological: if there are fewer rules, then the rules will be broken less. The idea that the capitalist markets can rid societies of corruption simply by outsourcing, however, is at best a chimera, and at worst a cynical 'moral deflection device',[34] a crude ideological sledgehammer of an argument.

One location where this strategy was most clearly discernible in recent years was during the occupation of Iraq following the 2003 invasion. It was hardly reported or analysed in any of the 'embedded' mass media coverage at the time, but in the wake of the invasion, the language and practice of counter-corruption for a brief moment dominated the US-led coalition's moral justification for occupation. Just after Saddam Hussein fled Baghdad, George W. Bush proclaimed to the Iraqi public: 'You will be free to build a better life, instead of building more palaces for Saddam and his sons …. You deserve better than tyranny and corruption….'[35] Central to the core economic project of the government of occupation, the Coalition Provisional Authority (CPA),[36] was the promise to end government theft and corruption.[37] The problem of corruption in Iraq was defined by the occupiers as resulting from 'the centrally planned economy, nationalisation of the oil sector and the intrusion of the state into economic life'.[38] The post-invasion rhetoric that proselytised about Saddam's corruption in fact became a means to condemn the previous regime's rejection of a liberal market economy and champion the neoliberal transformation of the post-Saddam economy.

It is now well documented that the 'reconstruction' process in Iraq was based explicitly on a crude application of a trickle-down economic model. The strategy – to stimulate development by ensuring the speedy entry of foreign capital into the economy – is comparable to the classic neoliberal 'shock therapy' experiments in Chile and Indonesia. Indeed, as

Naomi Klein has documented in her book *The Shock Doctrine*,[39] the cynical use of mass public disorientation to impose new economic settlements that ultimately transfer power from the populace to elites is a common neoliberal strategy. In a series of key economic experiments, new market rules and political settlements, and the launch of huge public privatisations, have occurred in the midst of emergencies and conflict situations. Naomi Klein's conclusion is that the orchestration of 'disaster capitalism' is profoundly undemocratic. Her conclusion is without doubt an accurate one. Indeed, the examples she discusses to illuminate her case, from the opening-up of the Iraqi economy to post-Katrina New Orleans, are predicated upon various forms of corporate cronyism and corruption.

In those contexts we generally find the protagonists of economic reform railing against the 'inefficiency' or 'corruption' of the system which must be eradicated to pave the way for 'democratic' or 'market' reforms. And time and time again, we find even more profoundly corrupt economic systems put in their place, which generally bear little resemblance to either democracy or a 'free' market system.

In Iraq, the key effect of sudden economic transformation was the creation of a system of government procurement in which both public and private sector actors were free to engage in embezzlement, bribery and fraud. According to the monitoring group Iraq Revenue Watch, the lack of accounting, auditing or rudimentary controls on expenditure by the CPA paved the way for corruption and waste of billions of dollars of oil revenues.[40] US government sources identified a total of $8.8 billion of Iraqi oil revenue that disappeared, unaccounted for, in this period.[41] The real figure of cash that flowed, unrecorded, into the pockets of contractors and officials is certain to be much larger. Those funds were very deliberately used to establish a form of corruption that provided the necessary incentives for a remarkable corporate invasion. The corruption that flourished under the auspices of the temporary government of occupation provided a structural advantage for Western firms seeking to penetrate the Iraqi economy. The corruption of the reconstruction economy was thus not merely a result of aberrations or flaws in the system, but a central and constituent part of the panoply of domination.[42]

In other contexts we can read an almost identical story. In his analysis of sub-Saharan Africa, politics professor Richard Robison leaves no doubt that in the parts of Africa that have experienced the most fundamental reforms, the corruption of the economy 'has been integral to the way economic and social oligarchies and state elites, the agents and beneficiaries of the new market societies, have established their ascendancy'.[43]

A detailed study of the restructuring of the Indonesian economy shows that market reforms were used by incumbent networks of power to consolidate predatory state and private oligarchies.[44] In Russia, the development of corruption, in the form of the immense political influence held by the oligarchies and the immediate and widespread graft that characterised the post-1991 public sector, enabled the formation and consolidation of an elite that remains dominant. The case of Argentina's economic restructuring following the 2002 economic crisis is vastly different from those already noted, but the routine corruption in the organisation of the state and the private sector has close similarities to the Russian case. Most obviously, the speed and scale of privatisation led to a concentration of power among elites.[45]

There is, therefore, a growing, persuasive body of evidence which shows clearly that the seeds of corruption in the Global South are sown in the 'neoliberal' structural adjustment strategies imposed by key IFIs including the World Bank. Corruption can be understood as part of 'the neo-liberal harvest',[46] in which unrestrained self-interest and aggressive economic self-maximisation are constructed as the logical aims of economic policies. IFI structural adjustment strategies pursue such aims through the imposition of privatisation and so-called 'open' markets in forms that render developing economies vulnerable to predatory foreign corporations.

Those same conditions of structural adjustment blur any distinctions between the interests of 'public' and 'private' elites. Imposing the kinds of market reform that bring an economy in line with the neoliberal order invariably means that the dividing line between 'public' and 'private' becomes more and more blurred. There is a contradiction, then, in strategies of counter-corruption which seek to tackle what anthropologist Tone Sissener has called 'the non-respect of the distinction between public and private',[47] while at the same time designing policies and strategies that encourage the incursion of private wealth accumulation into the public sphere. It should not be surprising that counter-corruption narratives disseminated by the IFIs are wholly concerned with open competition and local governance. To ask questions about corruption which locates its origins in the pathological weaknesses of governance in underdeveloped states and in underdeveloped markets in underdeveloped states directs us away from a much bigger corruption story: that the policies of the strongest states have, for the best part of a century, created the conditions of oligarchy in most industrial sectors. Indeed the key trend in the 'globalisation' of business is the internationalisation of the *concentration* of capital; that is, the elevation of domestic oligopolies – markets or industries dominated by a small number of large corporations – that