

On Corruption

What is corruption? Why does it occur? Can it be eliminated? Or, can it only be minimized? Under what conditions does it thrive? These are the questions that we should ask ourselves.

Everyone agrees that where they are not required to pay for a service rendered, if we are asked to pay for it, it is **corruption**. However, we do not think enough on what requires payment and why? For example, we do not pay a woman for bearing a child normally. (Of course, from almost time immemorial, we have paid for rearing a child. We do not like to think of it as such but all the servants of the upper classes who looked after children to the current day creches to ayahs, we have always paid for child rearing.) However, that has changed in the contemporary society. Nowadays we hear of women who rent their womb to bear the child of a couple. Mostly we feel horrified when we hear of such things. But, when we buy “education” by paying heavily to an “international school”, we do not even think about it. Similarly, when we pay “donation” to an engineering or medical college to “buy” a seat for our child, we seldom think it is wrong any more. We certainly do not think of it as corruption! There were days when this was considered an unacceptable practice and it did not exist in society. (As an aside, interestingly, we think that reserving seats in the few government colleges for the disadvantaged students as unacceptable and detrimental to “quality of graduates”. But, never so in the context of the “paying students”.) At the same time, when we hear stories of money paid to get good marks in medical schools we are horrified and talk of “corruption”. Can we say it will not become a common and unchallenged practice! So, is there anything that is not for sale?

The point is that in capitalism, everything is supposed to be up for sale! Capitalism keeps pushing the boundaries towards commodification of services and goods as explained and critiqued by Karl Marx. Society, however, restricts what is up for sale by having legal boundaries on what can be sold and what cannot be sold. For example, in most western nations, they had only public education system after the Great Depression. Essentially, there were no private schools. Similarly, medical attention was also brought under the control of the state and no private hospitals existed. This meant that citizens need not pay for getting education and medical help. If, in such a society, we are asked to pay money to admit a child into school, we would say there is corruption. Therefore, the legal boundary determines what is defined as corruption. In India, education and medicine have long been commodified and are for sale. Hence, for us payment for these services does not constitute corruption. From a marxist perspective, this is very important to understand.

Neoliberal policies of privatization and liberalization take us on a faster trajectory of capitalist development. This leads to capitalist values which is primarily about deifying money and money-making. Shopping or consumerism becomes a religion as it increases the GDP of the nation and increases the profits of the corporations. All public assets such as common lands, minerals, forests, rivers, electromagnetic waves are all up for sale in an attempt to increase the profits of the corporations. In fact, trees, tree products such as turmeric, neem, basmati rice etc. can be patented and privatized. Human genes can be privatized by a company which patents them on the claim that they isolated these genes. We are shocked and fight back. But, this is just a part of the commodification of the capitalist society of everything that can lead to profits.

In the process of privatization, there is a nexus of the political and capitalist classes. In fact, in some countries these are literally merging into one. Capitalists win elections and politicians become venture capitalists. In other cases, the politician may help a particular corporation win a contract for building roads, stadia and other public resources in return for money. The corporation pays it as it is ensured a windfall of a profit. The government may also bring in policies that are made mandatory where they are not needed which require services of a corporation. Think the Aadhar card and the Nandan Nilekani nexus here. Why do politicians sell off common resources at cheap prices? Because eventually

they hope to be on the board of these corporations and/or have shares which will result in high returns. In other cases, as with YSR in Andhra Pradesh, all contracts are given to corporations held by his family members. Thus, the political and capitalist classes enrich themselves at the expense of the people. This is the inexorable push of capitalism. Maximizing profits is the absolute necessity in capitalism for a corporation. It does whatever it takes to achieve this. Whether it is to show losses instead of profits, use tax law loopholes (in fact, create tax law loopholes through lobbying) to secrete money in places where they do not have to pay taxes (the Google method) or simply not pay at all. Lastly, use the connection with various politicians to curry favours.

Thus, however much we may expand the area of what can be bought and sold, we may fix legal limits on what cannot be bought and sold or what is the price beyond which it cannot be bought and sold. All these will be pushed by capitalism in an attempt to maximize profits as well as commodify what is not. This shows that “corruption” can be minimized by allowing a lot more to be bought and sold but cannot be eliminated.

When we look at the various nations of the world, we see the same story playing itself out. To give examples, let us look at USA and Egypt. In USA, from Gerald Ford presidency onwards to now, the same set of people have been in and out of the government. When they are out of power, they go to companies like Halliburton, Shell, GE, Goldman Sacha, JP Morgan etc. They own shares of these companies and then come back into the government. They enact laws that help these companies. In fact, the deregulation of the financial market under Clinton was done by the people who came from the banks and went back to banks and are now again in Obama administration. Only thing is they call this “lobbying” in USA; not “corruption”.

To come to Egypt, Egypt followed a path similar to India. Under Nasr, they had a nationalised state held economic policy. Starting in 1980s, they started privatization. This picked up in the 1990s (India is a decade behind approx.). Many of the public assets were sold off at a pittance to foreign multinationals. Mubarak and family made a lot of money in this period from this privatization drive as well as their cronies. ***“Gamal’s rise to power is emblematic of how detached and corrupt the regime had become. “The line between businessmen and government was completely erased” by Gamal during this period, according to student activist Hanah Elsi. Not only did he appoint many of these new rich businessmen to powerful government positions, but together they pushed through more of the neoliberal policies that had enriched them and impoverished most Egyptians.”*** (<http://www.zcommunications.org/a-peoples-history-of-the-egyptian-revolution-by-rami-el-amine>)

Similarly, in Tunisia, we see the same problem. ***“Neoliberal reforms in Tunisia where under pressure from IMF/World bank, more and more deregulation was done, the foreign investment was in real estate, the financial sector and tourism, none of which help development that much. The two families at the top, the Ben Ali’s and Trabelsi’s have come to dominate the country’s economy. One WikiLeaks cable from the U.S. embassy in Tunis suggests that the two families have their hands in and on 50 per cent of the country’s economy.”*** (<http://www.counterpunch.org/2011/01/13/the-tunisian-intifada/>)

I am sure if we investigate more about more countries, we will find the same story everywhere. The important thing to understand is that the neoliberal reforms were introduced in various third world nations initially and western nations recently in an attempt to maximize profits for capitalist classes in response to the stagnation that set in into capitalism in 1970s. Since most of the third world had nationalized their assets by sometimes throwing multinationals out of their countries, they were brought under the control of these multinationals through the medium of IMF and World Bank. This tendency accelerated after the collapse of the Soviet Union. The more capitalism finds itself in crisis, the more it pushes neoliberal reforms in all countries. The more areas it finds to privatize. Money become God and everyone does everything to make more and more of it.

REFERENCES

(source: Capitalism, Corruption, and the Subversion of Democracy and Secularism - Prabhat Patnaik: <http://mrzine.monthlyreview.org/2011/patnaik070611.html>)

“...how is "corruption" linked to our economic trajectory? What is called "corruption" refers to payments for services which are illegitimate, i.e. which are not supposed to be a commodity at all; or to payments in excess of the prices which happen to be fixed for certain goods and services, to ensure that they are actually obtained in excess of what would have otherwise accrued in a system of rationing (which accompanies fixed prices). If I have to pay a bribe in order to get a telephone connection for which I have already deposited what is legally necessary, then that is a case of "corruption" of the first kind. If my child does not get admission into college (i.e. is rationed out), but I get him admission by paying an amount over and above the admission fee, then that is "corruption" of the second kind. Most cases of "corruption" can be classified under either one of these categories. But the basic point is this: underlying the concept of "corruption" there is a distinction between two spheres, a sphere of free commodity exchange, and a sphere outside of free commodity exchange. We do not talk of "corruption" in the realm of free commodity exchange. "Corruption" arises when in the sphere designated to be outside of free commodity exchange a price is charged as if it belonged to the sphere of free commodity exchange. *The elimination of "corruption" simply means that the boundary between these two spheres must remain intact, must not be transgressed.* Is this possible?

One of the deepest insights of Karl Marx was that under capitalism there is a pervasive tendency towards commoditisation, i.e. there is a tendency for everything to become a commodity. The boundary between the sphere of free commodity exchange and the sphere outside of it is forever being pushed outwards. But if this boundary is legally fixed, then this pushing outwards occurs in violation of the law, i.e. becomes "corruption".

...no matter how far outwards we push the boundary, a legal boundary will always have to remain, for a society in which literally everything is for sale is simply inconceivable (imagine what would happen if examination results became a commodity); and if any such legal boundary remains then the immanent tendency under capitalism to push it outwards will necessarily still generate "corruption". Secondly, the force with which the tendency to push the boundary outwards beyond its legal delineation operates depends upon the degree to which "money-making" becomes respectable, i.e. capitalist values become pervasive. Neo-liberal reforms have made such values pervasive; the force with which "corruption" has entered our public life has accordingly multiplied. And since the ultimate responsibility for the executive enforcement of the existing legal boundary of free commodity exchange lies always with the political personnel of the State, the logic of capitalism makes the bourgeois political class the most significant practitioners of "corruption".”

(source: The Tunisian Intifada - Rob Prince: <http://www.counterpunch.org/2011/01/13/the-tunisian-intifada/>)

“Neoliberal reforms in Tunisia where under pressure from IMF/World bank, more and more deregulation was done, the foreign investment was in real estate, the financial sector and tourism, none of which help development that much. The two families at the top, the Ben Ali's and Trabelsi's have come to dominate the country's economy. One WikiLeaks cable from the U.S. embassy in Tunis suggests that the two families have their hands in and on 50 per cent of the country's economy. As the disparity between wealth and poverty increases, the corruption of the two ruling families has come more into focus.”

(source: Egypt's Workers Revolt - Mike Whitney: <http://www.counterpunch.org/2011/02/17/egypt-s-workers-revolt/>)

“The truth is that the main economic policies that Washington exports through bribery and coercion have ignited massive labor unrest which has set the Middle East ablaze. Mubarak is the first casualty in this war against neoliberalism, but there will be many more to come.”

Michael Collins at The Economic populist:

“Egypt began a series of reforms in the 1990’s that stacked the deck against workers and farmers. The government sold off the large state enterprises. New owners had little incentive to keep people in jobs or jobs in Egypt. The government enacted new measures to protect large farmers, with peasant farmers left on their own.”

(source: A People's History of the Egyptian Revolution - [Rami El-amine](http://www.zcommunications.org/a-peoples-history-of-the-egyptian-revolution-by-rami-el-amine) and [Mostafa Henaway](http://www.zcommunications.org/a-peoples-history-of-the-egyptian-revolution-by-rami-el-amine): <http://www.zcommunications.org/a-peoples-history-of-the-egyptian-revolution-by-rami-el-amine>)

“Neoliberal measures increased the level of poverty in Egypt, leading to massive disparities in wealth. Moreover, it led to the emergence of a new group of super-wealthy businessmen who benefited from their close ties to the Egyptian state. Hosni Mubarak’s son Gamal and steel tycoon Ahmed Ezz were prominent figures of this wealthy class. Both are now in prison, awaiting trials on corruption charges.

Gamal’s rise to power is emblematic of how detached and corrupt the regime had become. “The line between businessmen and government was completely erased” by Gamal during this period, according to student activist Hanah Elsis. Not only did he appoint many of these new rich businessmen to powerful government positions, but together they pushed through more of the neoliberal policies that had enriched them and impoverished most Egyptians. They were seen as being responsible for the regime’s almost total shutout of the opposition during the 2010 elections, giving the ruling National Democratic Party (NDP) more than 80% of the seats in parliament.”

(source: The Praxis of the Egyptian Revolution - [Mona El-Ghobashy](http://ht.ly/4tTS8) : <http://ht.ly/4tTS8>)

“He presided over the transformation of the economy from a command model with the state as primary owner to a neoliberal model with the state as conduit for the transfer of public assets to cronies.”

(source: Why Egypt's progressives win – Paul Amar: <http://www.opendemocracy.net/paul-amar/why-egypt%E2%80%99s-progressives-win>)

“The senior Brothers now own major cell phone companies and real estate developments, and have been absorbed into the NDP machine and upper-middle class establishment for years.”

“The military’s economic interests are split in interesting ways. Since the military has been prevented by the Camp David treaty from making war, it has instead used its sovereignty over huge tracks of desert and coastal property to develop shopping malls, gated cities and beach resorts, catering to rich and modest Egyptians, local and international consumers and tourists. Their position vis-à-vis the uprising is thus complicated. They hated the rapacious capitalists around Gamal Mubarak, who sold off national lands, assets and resources to US and European corporations.”

(source: <http://www.whistleblower.org/blog/31-2010/1437-egypt-privatization-a-the-sordid-tale-of-world-bank-managing-director-mahmoud-mohieldin>)

“One of the state owned corporations targeted for privatization by this group was the retail chain [Omar Effendi \(OE\) – Egypt's largest state-owned department store chain](#). The Egyptian government had first tried to privatize OE in 1996 but the effort disintegrated after public opposition to the plan erupted. OE was viewed by the public as a national treasure because of its iconic buildings and architecture, and the former Mubarak regime backed down. However, in 2004-2005, Gamal Mubarak and his new team of ministers on the EPC tried again. In 2006, as the privatization of OE proceeded, Egyptian whistleblower Yahia Hussein Abdel-Hadi alleged that the valuation committee on which he had served was pressured by this group – and by Mohieldin in particular – to facilitate the sale by lowering the estimated valuation of company assets. As a result, a private foreign investor, the Anwal United Trading Company Limited of Saudi Arabia, acquired a majority share in a public Egyptian asset at a price that was less than half of the previously estimated value of the land and the real estate alone.”

(source: <http://www.utopiaforums.com/boardthread?id=politics&thread=48773>)

“A year later, Mubarak teamed up with Helmy to create the Egyptian Center for Economic Studies (ECES) to promote market reforms through books, policy papers and conferences. The center’s primary source of revenue came from the \$10 million endowment from USAID....Privatization deals came quickly. In 2003, Egypt privatized nine companies worth about \$18 million. In 2005 and 2006, the number of deals soared to 59, worth \$2.6 billion. The changes appeared to benefit the overall economy in Egypt, as the gross domestic product doubled and growth hit 7 percent. But behind the scenes, American diplomats warned of potential trouble. U.S. Ambassador Frank Ricciardone wrote in a classified embassy cable in early 2006 that the interests of “high-level members” of the political party and Hosni Mubarak’s regime could pose a risk to reform. “Corruption also remains a significant impediment to growth, and may become more difficult to control as economic reform progresses,” he wrote. But finally, privatization was in full throttle — with ECES in the center of the action.”

“Insiders benefit : Some of the privatization deals included the titans of business involved in ECES. And some of them were handled by Helmy’s firm. They included Egypt’s \$1.6 billion sale of the National Bank of Alexandria and the \$892 million sell-off of Telecom Egypt....Under Helmy’s leadership, the Cairo office of the giant Chicago-based international law firm Baker & McKenzie handled more than \$3 billion of the privatization deals, including the government’s sale of assets, companies and land, according to information on the firm’s Web site, news releases and news accounts.”

“The sales prices were \$9.6 billion, or about 1 percent of Egypt’s gross domestic product. The assets’ true value was \$104 billion, according to Kandil.”