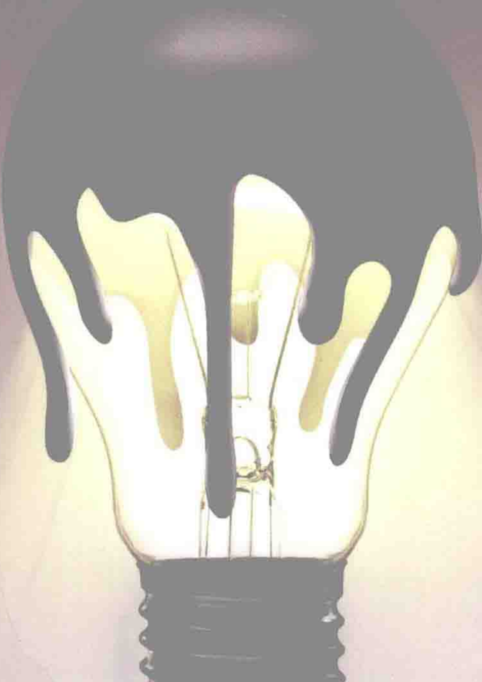
# The Knowledge Corrupters

## Hidden Consequences of the Financial Takeover of Public Life



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# Abbreviations

| | |
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| BBC | British Broadcasting Corporation |
| *BMJ* | *British Medical Journal* |
| BP | British Petroleum |
| CBI | Confederation of British Industry |
| CEO | chief executive officer |
| CQC | Care Quality Commission |
| ECB | European Central Bank |
| EU | European Union |
| FDA | Food and Drug Administration (US) |
| FSA | Financial Services Authority |
| GCSE | General Certificate of Secondary Education |
| GDA | guideline daily amount |
| GMO | genetically modified organism |
| HMI | Her Majesty's Inspectors (of Schools) |
| HMIC | Her Majesty's Inspectorate of Constabulary |
| HMRC | Her Majesty's Revenue and Customs |
| IMF | International Monetary Fund |
| IPPC | Independent Police Complaints Commission |
| LCP | Liverpool Care Pathway |
| MP | Member of Parliament |
| NHS | National Health Service |
| NPM | new public management |

| | |
|---|---|
| OECD | Organisation for Economic Co-operation and Development |
| Ofsted | Office for Standards in Education, Children's Services and Skills |
| PPI | payment protection insurance |
| RBS | Royal Bank of Scotland |
| TEPCO | Tokyo Electric Power Company |
| TUC | Trades Union Congress |
| UK | United Kingdom |
| US | United States |
| USCSHIB | United States Chemical Safety and Hazard Investigation Board |

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I am also grateful for ideas and encouragement from my publishers, John Thompson of Polity Press and Heinrich Geiselberger of Suhrkamp Verlag (who pointed out to me the links between what I am trying to do and the US crime series *The Wire*).

As always, all remaining errors and infelicities are my own responsibility.

# Contents

# 1

# Neoliberalism and the Problem of Knowledge

In October 2014 it was revealed that the UK National Health Service (NHS) was offering medical practitioners £55 for every patient they diagnosed as suffering from dementia. Inadequate diagnosis of dementia had become a recognized problem in the country, and the idea was that doctors might be better motivated to identify cases if they had some money incentive to do so. There was a hostile reaction from many practitioners and patients groups. Over fifty practitioners wrote an open letter, published in the *British Medical Journal* (*BMJ* 2014), to the NHS leadership protesting that payments of that kind undermined the relationship of trust between doctor and patient, which was based on professional integrity rather than payment. Some patients groups were worried that doctors were being given an incentive to make exaggerated diagnoses of dementia. Many members of the wider public were puzzled to find the NHS using money payments in this way. They should not have been surprised. The idea that money is always the best motivator of human action, superior to reliance on professional competence, has been deeply embedded in the minds of decision-makers and managers in many walks of life for years now. Many of its implications have been far more damaging than a small financial incentive to make a dementia diagnosis. The purpose of this book is to explore some of these.

That as much of life as possible should be reduced to market exchanges, and therefore to money values, is one of the main messages of the most influential political and economic ideology of today's world, neoliberalism. It is in particular deeply embedded in the most dynamic and powerful sector of the world economy, financial services, where all values are expressed in terms of the prices that can be achieved by selling assets on to others who value them for the prices that can be achieved by selling them further on, in an infinite regress of prices based on nothing other than further prices. While this brings certain important advantages, such as clear criteria of comparison of one value against another, the idea that money is the best guide to value does considerable damage if unchecked. This problem is widely recognized, and much political debate today concerns certain major examples of it. For example, unrestrained economic activity harms the natural environment, but market forces themselves can do nothing about this. Values such as love and happiness cannot be expressed as market transactions without distorting their meaning. There is a wide consensus that inadequate access to money should not prevent people from enjoying basic rights to health, education, nourishment and housing. More strikingly, the use of the financial sector's approach in its own field brought the world to a major crisis in 2007–8. But a far less frequently noticed victim of the dominance of money as a guide to action is knowledge. It may seem surprising, as neoliberalism is itself a highly intellectual doctrine, rooted in theoretical knowledge. Also, many market economies are associated with strong scientific performance, which depends crucially on a knowledge base. My central claim that neoliberalism is an enemy of knowledge therefore requires considerable support – though the fact that distortions of knowledge clearly lay at the heart of the financial crisis makes my task of persuasion that much easier. In the pages that follow I shall provide support for my contention, and show the wider damage to human life, and in particular our attempts to ground it in ethical principles, that results from the knowledge-corrupting tendencies of neoliberalism, and why and how we must fight it.

My central claims are as follows:

1 The attempt to make public services behave as though they exist in markets – a fundamental neoliberal policy achievement – both brings to those services an over-simplification of the knowledge involved in them and undermines the professions that are the carriers of that knowledge. This is one of the issues involved in the dementia incentive payments case.
2 Although the market is itself a highly elaborate form of knowledge, heavy reliance on it undermines other forms, including the scientific knowledge that underpins much of modern life.
3 While early theories of the free market saw it as nested among actors who would act with moral integrity, the contemporary form of market theory as rational choice exalts and rewards dishonest behaviour that connives at the corruption of knowledge.
4 While pure market theory requires an economy with large numbers of producers and consumers, actual existing neoliberalism accepts high levels of concentration of monopoly power, the domination of sectors of the economy by very small numbers of large corporations. In certain cases this leads to powerful economic elites controlling access to and distorting knowledge to serve their own interests. In the following chapters I call this somewhat perverted, if dominant, form of neoliberalism, 'corporate neoliberalism'.
5 A final distortion concerns the knowledge we have of ourselves. To act fully effectively in the market involves being a self-centred, amoral calculating machine. When this is just one among a mass of

> features of ourselves, this is not problematic. As the market and analogues of it spread into ever further areas of life, however, we have incentives to suppress these other features, and to know ourselves primarily as these machines.

The net result of these processes is that, as we move further into a world of markets that are unrestrained by either public regulation or a need to be trustworthy, and distorted by extreme concentrations of economic power, those of us outside the political and economic elite run high risks of being deceived. Many individual instances of this are widely perceived and resented, from the mis-selling of financial products by banks and insurance companies, to dishonest means of pursuing stories by newspapers, or to the rigging of performance scores by governments and public services. What needs to be demonstrated is that many of these disparate cases are all linked, and can be traced back to the exaggerated respect being paid to a rather contorted form of market economy. I obviously cannot claim that all corporate and political dishonesty can be blamed on the market, as corruption and deception exist in all types of economy, probably worst of all in state-controlled economies where there are no markets. But there are particular forms of these malpractices that do result from the way in which markets are currently being used, and they could be considerably reduced if contemporary policymakers took a less uncritical approach to markets and corporate power.

Democracy becomes a particular casualty, as accurate knowledge is its lifeblood. Where those exercising large quantities of power can obfuscate, confuse and corrupt popular knowledge, democracy becomes the prisoner of powerful interests. The issues debated in this book are therefore in part a continuation of themes that I launched in my *Post-Democracy* (Crouch 2004). But this observation raises a difficult challenge. In the following chapters I shall place considerable emphasis on the importance of professional knowledge, and the way in which it can be undermined by unchecked market forces and corporate power. In speaking of professionalism I am not pleading solely for the elite professions, but also for the wider realm of technicians, carers, and all others engaged in service delivery who need some discretion over the way they work and the quality they provide. But in either event, the relationship between that knowledge (which tends to be exclusive and held by an elite of practitioners) and democracy is problematic.

Advocates of both the market and the state will at times claim an alliance with professions; but both can also be antagonistic towards them, antagonism usually being expressed in the name of individual customer rights or democracy. For example, from time to time politicians insist that it is they whose relationship to the public is what is important in public-service delivery, and that professionals often operate as an arrogant and unresponsive elite. Advocates of the market will depict professionals, especially public-service ones, as imposing their own paternalistic judgement on what is in clients' best interests, when in a pure market they would be mere providers of what their customers want to have, customers being best able to judge their own interests. Many political arguments for setting markets against the power of professionals have been demotic appeals to liberate the population from the professionals' claims to superior knowledge – whether this refers to the knowledge of the welfare state professions or the scientists who warn us against such matters as global warming or the health risks associated with the products of junk food manufacturers. On the other hand, advocates of market forces in health services will sometimes argue that the market brings together health professionals and patients in an immediate relationship without interference from politicians and bureaucrats – though health professionals often oppose introducing financial exchanges into the high-trust relationship that they believe they need to have with their patients, as in the NHS dementia case. I shall return to these difficult issues in the final chapter. First, I need to support my contention that certain approaches to markets do damage to knowledge – and en route to trustworthiness and ethical behaviour.

In doing this I am in no way claiming that neoliberalism is the cause of current perceptions that trust is declining. I am not even claiming that there is an actual decline in either trust or trustworthiness; I rather share the view of Onora O'Neill (2002), in her excellent discussion of contemporary problems of trust, that we seem to believe that trust is declining rather than actually express less trust in our daily lives. Neoliberalism's role in all this is to claim that the market will resolve problems of trust by rendering it unnecessary. This is often true, as we shall see; but it is not always true, and there are certain ways in which the market can undermine trust.

## Markets, Knowledge and Public Services

An example will show quickly what I mean by the first of my numbered points, and take us to the heart of the main issues at stake. It is not the best logical starting point; this would be point (2). But I have placed it first because it is the most politically salient and recognizable.

It has become fashionable since the 1980s to measure the performance of public services by setting targets for their practitioners – teachers, medical personnel, care services, police – their levels of success in achieving which are then converted into scores. These scores are publicized, sometimes to enable a service's users to choose among different producers, always to allow government leaders and service managers to behave like managers of private firms, rewarding those who maximize profits and punishing those who fail. The aim is to make choosing a public-service provider, or managing a number of service units, similar to dealing with shops or other market outlets, the performance scores playing the role of prices. According to market theory, and for simplicity staying with customers' rather than managers' perspectives, once customers have expressed certain initial preferences for taste and quality range, they choose goods on the basis of their comparative price: a single, simple indicator. That is the beauty of the market; it gives us in one datum all the knowledge we need to make effective choices. It is then argued that parents of schoolchildren, potential hospital patients and clients of old people's homes should be able to make similar simple comparisons. This, according to theory, will have two beneficial consequences. First, individuals will be able to make choices for themselves rather than have public authorities dictate to them. Second, all providers within a field will have an incentive to improve their performance according to the measured targets, or they will lose business – unlike in an old-style public service, where they could go on providing an unchallenged monopoly service to a captive population.

The gains that can come from this approach should not be discounted, particularly those from the second argument, which will also be of particular help to service managers. It is not so much the value of consumer choice as a thing in itself that is important as the incentive that the existence of choice gives to all producers to improve. However, the arrangement presents certain problems. Only a few elements of performance can be selected for inclusion in indicators, as a mass of data becomes too complex for users to apply. But this selection process has two negative consequences. First, someone has to choose the indicators, and this becomes government ministers and their officials and advisors. They can use indicators to direct attention to criteria that they want service users to apply, which are not necessarily those that users would have chosen from themselves. For example, as will be discussed in more detail in the following chapter, in the UK among the indicators that young people are encouraged by government to use when choosing which subject to read at university are the salaries typically achieved by graduates in various disciplines. The aim is to encourage young people to see education primarily in terms of its money value – rather than, say, the pursuit of intellectual curiosity or the pleasure of learning. It is reasonable for politicians to have such an aim, but to use half-concealed persuasion of this kind is not compatible with the rhetoric that accompanies the use of indicators of giving people a 'free' choice without interference from government. Rather, political interference is merely changing its style, using techniques of 'nudge' that are less openly authoritarian but by the same token less easy to discern and therefore to confront.

'Nudge' refers to the various techniques that firms, governments and others with the power to shape our environment use to encourage us to behave in ways that they want, without our realizing that they are doing it. The ways in which items will be located in a shop provide many examples. The transfer to the political field of such commercial techniques was pioneered by Thaler and Sunstein (2008). Sunstein was subsequently appointed to head President Obama's Office of Information and Regulatory Affairs, while the UK Conservative–Liberal Democrat coalition established a British Behavioural Insights Team (generally known as the 'Nudge Unit') within the Cabinet Office to explore the scope for using the ideas in British public policy. The point of nudge is to persuade people to act in ways that government wants without it having to regulate and control behaviour through legislation. Advocates of the political use of nudge draw attention to its role in health education, which was the main field in which Thaler and Sunstein were interested. One of their ideas was to explore how far the techniques used by food manufacturers to persuade people to eat unhealthy food could be used for exactly the opposite goal. This has been an entirely benign initiative. However, one can see how it can easily be used for less innocent and partisan purposes, persuading people to do things without their knowledge that this is happening to them.

A second problem with the indicator approach is that it entails placing overwhelming importance on a small number of, usually politically salient, elements of a service and relatively neglecting others, which is almost certain to be a distortion of the reality of service quality and its importance to users. This has a further distorting effect on workers in the services concerned, who are strongly encouraged to place all their efforts at strong performance on items covered by the indicators – at the expense of other aspects of their work. If governments have chosen exactly the right targets, and if the items left out from the measurement exercise are very clearly of inferior importance, this will be a valuable tactic; but often this will not be the case. To take another example from UK experience, considerable priority has been placed on medical practitioners seeing patients within a short period of their being referred for consultation, hospital waiting lists having become a political issue during the 1990s. Practitioners therefore have an incentive to prioritize giving patients their initial consultation over other elements of the health service to which they might allocate resources – such as preventive measures. There is an assumption here that the political judgement of politicians carries a democratic legitimacy that trumps what might be the alternative priorities of medical practitioners themselves, and possibly their patients.

This last point raises the profound issues of the relationship between electoral politics, democracy, professional judgements and people's preferences that I indicated will be a major preoccupation of the final chapter of this book. Can we always trust politicians to choose the most important elements? Is there a risk that they may give undue prominence to issues that have appeared in newspaper campaigns or other publicity-seeking activities? A particular problem here is that public services often deal with issues that are of considerable importance to our lives but where judgements about the best actions for us are very difficult. Advocates of markets may flatter us by saying that we are all competent to make these choices for ourselves, provided we are given a simple indicator analogous to a price. But should we expect to know exactly what aspects of a health service are most important for our well-being, when we are not medically trained? In any case governments are often using the indicator system to bias users towards certain choices for their own purposes, so the rhetoric about consumer sovereignty can be mendacious. Is there no source to which we can turn other than our own relative ignorance or the politically motivated indicators chosen by governments? Should we perhaps pay some attention to the people working in the services concerned, whose professional business it is to acquire a rounded knowledge of them and to devote themselves to high standards of performance? But can we trust them any more than we trust politicians? Neoliberal theory tells us that all human persons are primarily motivated by self-interest, that professionals systematically use their superior knowledge to trick us into rewarding them excessively and allowing them to behave as suits themselves rather than their clients, and that only the market is worthy of our trust, because only it has no human personality and therefore no interests. That is the mind-set that led to the UK NHS idea of offering medical practitioners money if they diagnosed a patient as suffering from dementia.

## Knowledge and Markets

At this point an advocate of true markets will object that my examples do not concern real market services at all, but those that have been distorted by politics. In a real market schools, hospitals and other now-public services would be provided by private firms, just like any other product; no one would set targets, publicize league tables or issue guidance to customers (apart from commercial advertising). True believers in the market oppose even such devices as compulsory food labelling as political interference with consumer freedom. Provided there are many producers and many consumers, it is argued, the latter will work out their wants, and will express their preferences by choosing those products that best suit them. If there is, say, an overwhelming preference for short waiting times at hospitals, then hospitals that do not prioritize this will lose custom and will either change their practices to suit the demand or go out of business. On the other hand, if some customers for health services care about waiting times but others prioritize, say, ward cleanliness, then hospitals meeting alternative priorities will both