

On Corruption

An Interview between Alex Chafuen and Joseph E. Gorra

In this interview, Dr. Chafuen discusses how a Christian theological-philosophical anthropology can help to make sense of corruption (economically and politically) in a society and how that dimension can support the work of economists and other social sciences seeking to interpret the causes, conditions, and consequences of corruption. We also discuss the work of the Atlas Economic Research Foundation, the importance of “intellectual entrepreneurs” in a society and the possibilities and challenges that “think tanks” face. There is some valuable and fruitful work to be done on the moral and economic realities of corruption, especially when collaborated as interdisciplinary work between philosophers, theologians, economists, and social theorists.

Currently, you are the President of the Atlas Economic Research Foundation, whose mission is “to discover, develop and support Intellectual Entrepreneurs worldwide who advance the Atlas vision of a society of free and responsible individuals.” I want to talk to you about “Intellectual Entrepreneurs” but first, can you say a little more about Atlas’ mission and how it has been a significant voice over these many years?

Achieving Atlas’s vision of a “peaceful and prosperous society of free and responsible individuals” requires respect for the foundations of a free society: individual liberty, property rights, limited government under the rule of law, and the market order. To move public policy debates toward these ideas Atlas discovers and assists those Intellectual Entrepreneurs who have the talent and willingness to create effective institutions and programs – programs that will improve the climate of ideas over time via research, education, and advocacy.

Atlas’s programs and services connect Intellectual Entrepreneurs to the tools, training, resources, and allies they need to succeed. As their institutions grow, Atlas provides opportunities for special recognition (awards, speaking and networking opportunities) and encourages these leaders to mentor younger organizations entering the Atlas network.

A careful steward of the financial resources entrusted to it by generous individuals, philanthropies, and businesses, Atlas achieves highly leveraged results for those who aspire to improve the climate of ideas, by assisting and

collaborating with trusted independent organizations in the U.S. and all over the world. Atlas is not endowed and does not accept

Atlas remains faithful to ideas of its late founder, Sir Antony Fisher, whose life story demonstrates how an Intellectual Entrepreneur with principles and perseverance can be the catalyst to enormous positive change.

How has Atlas sought to achieve its mission?

The key aspect of our work is “discovering” and helping nurture the right individuals who might want to play a role in understanding and promoting the benefits of a free society and free economy. Our customers are both those who would do the actual work, as well as those who can contribute funds for their operations. Another essential aspect of our work is to work from the bottom up, respecting the insights of those who work in other cultures, trying to discover and develop their own agenda of studies, research and educational programs. Atlas training programs and workshops, such as our Think Tank MBA, give additional management and marketing tools to those who attend. Other programs help connect them with their peers or people who have skills which can complement their own.

For some, connecting “intellectual” and “entrepreneur” might be odd. Moreover, I suspect that you mean far more than just a “professor” or an “academic type” when you refer to someone who might be a stakeholder of “intellectual.” So, what is an Intellectual Entrepreneur and what is the vision that underwrites this role in a society?

I define “intellectual entrepreneur” as an individual who discovers a need for a new idea or policy solution and has the talent and willingness to attract resources and allocate them to satisfy that need. The entrepreneur is essential for a free society. In some of the most developed economic analysis, as the one we can find in the writings of Nobel Laureate F. A. Hayek, but especially in Ludwig von Mises, a predecessor of Hayek, and Israel Kirzner, who is still alive, the entrepreneur is recognized as the essential actor of a free economy. Some economic traditions, past and present, rely too much on an analysis of “numbers and magnitudes” and neglect the study of the entrepreneur.

I use the same analysis they use for material goods and services and apply it to the production and dissemination of ideas: individuals who use their entrepreneurial talents in the field of ideas. It is rare than an academician will

become a successful intellectual entrepreneur. I guesstimate that 20% of the institutes in the Atlas think tank network have or had as leaders individuals who would also excel as professors: Dr. John Goodman at NCPA, in Dallas, and Dr. Michael Walker, at Fraser Institute, are such examples.

How might religion, and especially Christianity, contribute to forming a society of free and responsible individuals?

Christianity contributed to develop an understanding of the human person which is much richer than conceptions en-vogue in many fields today. I am convinced that the greatest leap in civilization that ever occurred, from the late XVIIIth to the early XXth century, was the result of a shared anthropology which was much closer to truth than ever before. From the Founding Fathers to the Classical Liberal authors, and even to the great Austrian economists, they were all grew up in an environment where human beings were seen as free and rational individuals, Created, with a soul and spirit, and with social inclination and needs. The state did not create rights, humans have rights due to their innate nature. Christianity, despite all the human faults of us Christians, contributed to that understanding.

Let's briefly talk about your own journey. How did your respect and commitment for free-markets come about? Who and what has helped to shape your outlook?

When I look back into my history to find the reasons I fell in love with liberty, I have to start with my upbringing in my native Argentina. I had a father and mother who, although apolitical, shared the same disgust with the populist culture that had dominated Argentina since the mid-1940s. General Juan Domingo Perón, and all that Peronism represents, had enough bad traits to create disgust in the views of Jackie, my father, influenced by an Anglo Saxon notion of liberty, and my mother Lydia, influenced by an "Austrian-Hungarian" virtue-based approach. So, my love for liberty sprang from my anti-Peronist family. It was only a matter of having someone, or myself, coming out with something positive to replace the "anti" in my political philosophy. Being always against something, in this case Peronism, is not enough to provide direction.

The writings of Alberto Pavón were influential to the development of my economic outlook. Based on Juan Bautista Alberdi, a nineteenth century Argentine mixture of Madison-Jefferson, and Ludwig von Mises, Pavón's

writings opened the door to this wonderful mansion of a liberty, lived under the guidance of truth, which has been my house ever since. Along the way, the writings of F. A. Hayek, Benjamin Rogge, Leonard E. Read, and Hans F. Sennholz were influential on my understanding of liberty. All of the above, each in a different way, had a profound influence on my life. I cherish the gentle and humble demeanor of both Hayek and Rogge, but it would be Leonard Read and Sennholz who were to have the biggest influence on my road to liberty.

The writings of Ayn Rand on individualism were profoundly important to me early on in my journey. Her novels had a magnetic effect on me. Once I started reading one I could not drop it. Thanks to her writing, I began reading more philosophy, and became more open to the Aristotelic-Thomistic tradition that dominated my Catholic University. Slowly but steadily I kept finding precursors of Rand who had written similar things as her but whose views did not contradict my return to my Catholic roots. Eventually, though, I began to drift away from some of Rand's views and focus more on some of the ideas I found lacking in "her" philosophy.

If understanding liberty helped my sense of purpose, the joy in my life came from a different discovery. More than discovery, a gift. I learned to see that a virtue without joy is a debased virtue. Leonard Read, the founder of the Foundation for Economic Education, was fond of quotations and some of them led me to Emerson and Thoreau. Their transcendental beliefs showed me that there was something more than matter. After gaining an understanding of spiritual essence, my search led me to a new kind of understanding. I first fell in love with liberty; I then fell in love with God. Soon thereafter, I learned that they were the same thing, the true Liberty.

In the arena of ideas, it seems to me that a Christian theological-philosophical anthropology can help to conceptually explain both the reality of genuine freedom and human dignity and also account for the reality of corruption and the fallibility of human desires. Regarding corruption, how would you define it? What are the moral and economic causes of it?

I agree with your optimism about the potential contribution of a Christian theological-philosophical anthropology, but only if it's nurtured and enlightened by good economic analysis.

On one hand, corruption is the action of buying privileges that only the state can "legally" grant, such as favoritism in taxation, tariffs, subsidies, loans,

government contracting, and regulation. On the other, corruption is the result of attempts to avoid the restrictions that accompany the use of privileges, taxes, and barriers to free trade. Corruption within the judiciary influences respect for property rights; corruption within the bureaucracy affects regulation; and the existence of black markets is also an indicator of corruption.

It is much easier to answer you about the economic than the moral factors. I believe I was the first who came with the idea, and with a Chilean social scientist, then fresh from LSE, Eugenio Guzmán, to correlate the measurements of economic freedom with transparency and corruption indices. It was the mid 90's. Our statistical analysis showed that the more government intervention, and the more discretion by bureaucrats and government officials, the more corruption.

Economists, such as Nobel Laureate Douglass North, have emphasized the importance of institutions, to have something that resembles a rule of law respectful of private property and free markets. But they have acknowledged that to develop those institutions one needs important moral consensus in society, one needs to develop trust, and economists know very little about that, especially current economists.

The great founders of economics, from the Late Scholastics to Adam Smith, were primarily moral philosophers. A good Christian social scientist should pay attention to the empirical analysis which shows that corruption is a reaction to the perverse incentives created by government interventionism, but needs to look beyond. They need to look at evil, at the possibility that the rules in society are controlled by people who benefit from perverse systems. Their vote for the corrupt status quo, is an immoral behavior.

A Christian sees corruption as a manifestation of evil, as a manifestation of sin. But then we get into difficult waters as sin is sometimes referred as "the mystery of evil" so we bring Faith also into our analysis and personal behavior. My view is that in societies which have had many generations living under perverse incentives, one has to work as much on the moral side as in the economic side. As an economist, I find it much easier to work in this field rather than in reforming morality. But both things go hand in hand, and have to start by personal example, especially by the example of those who hold positions of leadership.

How might an economic outlook/theory become "blindsided" by the under-significance or over-significance that corruption might play in that

perspective? For example, some theories might inadequately account for causes or solutions to corruption. On the other hand, other theories might possibly overstate the significance of corruption. How should the corruption factor figure into an economic outlook?

I think we need much better analysis, along with people who pay attention to the best contributions of economics and other social sciences, and then develop new insights based on a much better anthropology. The recent beatification of Father Antonio Rosmini might help. He also wrote about this topic and concluded that: *“Anyone who considers the complex of influential causes must see that governments are precisely what people make them, and that corrupt rulers come from corrupt people; in other words, the people have the ruler they want. If justice, morality, order, diligence, strength prevail in the complex conduct of the mass of citizens, the result must be a just, moral, ordered and strong government.”*

What are some possible solutions for dealing with corruption?

I would use the phrase from a title of a book by Richard Epstein, we need “simple rules for a complex world.” But these rules need to be based on a true concept of human nature and need a strong government that will not be captured by special interests. The experiment and vision of the Founding Fathers still inspires my thinking, but “who will protect us from our protectors”? continues to be a question with a difficult answer. But in order to leap forward to a true rule of law, with simple but strongly enforced rules, we will need to have many people giving the moral example and sacrificing for the common good. One of my favorite quotes is from Ludwig von Mises:

“Mankind would never have reached the present state of civilization without heroism and self-sacrifice on the part of the elite. Every step forward on the way toward an improvement of moral conditions has been an achievement of men who were ready to sacrifice their own well-being, their health, and their lives for the sake of a cause that they considered just and beneficial. They did what they considered their duty without bothering whether they themselves would not be victimized. These people did not work for the sake of reward, they served their cause unto death.”

What do you see as some positive developments and challenges that face “free-market organizations”?

The most positive development is also the biggest challenge: in many countries there is an exponential growth in higher education. This growth will be coupled by a huge expansion in the diversity of courses, style of education, and

access. I expect that many universities will increase their offerings of “think tank” type products.

Colleges and universities, as they were during some periods in history, should be a natural place to conduct research and teach about the benefits of free-market. With the growth of collectivist ideas, socialisms of the right and of the left, universities began to get captured by anti free-market thinking. There are some exceptions but by and large, free-market thinking and research had to grow outside universities. I think that we will see an increased number of universities and colleges open to free-market views.

A difficult challenge, for anyone who loves freedom, is the growth of “crony capitalism” where profits are privatized and losses socialized, and also the relativist and narrow views about freedom.

How might Christian intellectuals – indeed Christian Intellectual Entrepreneurs – do work that would support the free-market mission that Atlas represents?

The best they can do is become the best Christians, the best intellectuals, and the best entrepreneurs they can be. They will fall short, but continuity and consistency will yield positive fruits. Preaching and teaching by example is the most effective method. I would recommend them to look into the programs of the Acton Institute and similar organizations around the globe. Hopefully they will be willing then to share their views and successes with other members of the Atlas network.

Dr. Alex Chafuen, a native of Argentina, is president of Atlas Economic Research Foundation. Dr. Chafuen is a graduate of International College, where he received a Ph. D. in economics. Alex, a trustee of the Acton Institute, is the author of *Faith and Liberty: The Economic Thought of the Late Scholastics*.