

POLITICAL INSTITUTIONS AND PARTY-DIRECTED  
CORRUPTION IN SOUTH AMERICA

An important question for the health and longevity of democratic governance is how institutions may be fashioned to prevent electoral victors from drawing on the resources of the state to perpetuate themselves in power. This book addresses the issue by examining how the structure of electoral institutions – the rules of democratic contestation that determine the manner in which citizens choose their representatives – affects political corruption, defined as the abuse of state power or resources for campaign finance or party-building purposes. To this end, the book develops a novel theoretical framework that examines electoral institutions as a potential vehicle for political parties to exploit the state as a source of political finance. Hypotheses derived from this framework are assessed using an unprecedented public employees' survey conducted by the author in Bolivia, Brazil, and Chile.

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*To Paloma, without whom it would not have been possible*

Political Institutions and  
Party-Directed Corruption  
in South America

*Stealing for the Team*

DANIEL W. GINGERICH

*University of Virginia*



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## Preface

For perhaps the majority of Americans, an understanding of the link between corruption and electoral rules that endow political bosses with the capacity to give away legislative seats to politicians at lower rungs of their party is limited to recent events in the state of Illinois. In a now infamous wiretapped conversation with a political advisor held on November 5, 2008, the then-governor of the state, Rod Blagojevich, uttered the phrase that will ring in the ears of students of the American political scene for generations to come: “I’ve got this thing and its f\*\*\*ing ... golden. .... And I, I’m just not giving it up for f\*\*\*ing nothing.” The golden “thing” to which Blagojevich was referring was the U.S. Senate seat for Illinois being vacated by then-President-elect Barack Obama. According to the Seventeenth Amendment to the Constitution, state legislatures in the United States may empower governors to unilaterally appoint a replacement in the case of a Senate seat being vacated. State law in Illinois and thirty-two other states in the country provide their governors with such power. Blagojevich’s colorful language referred to his disposition to barter off the Senate seat legally under his control.

The enormous public uproar caused by the release of the recording of the conversation was due in large part to the rarity of such exchanges in contemporary American politics. Indeed, America’s first-past-the-post electoral framework and its system of internal legislative primaries jointly militate against such transactions because they ensure that – in all but the rare case of Senate vacancies – political party leaders at the state and federal levels have fairly little formal influence over which members of the rank and file are electable and which are not. Thus, whereas Blagojevich’s desire to cement a corrupt transaction in this instance might have been disturbing,

it was not particularly reflective of the larger pattern of corrupt exchanges in the American political system.

The same cannot be said of polities where the electoral system formally endows party leaders with the ability to determine the electability of aspirants for legislative office. In these polities, the routine power dynamics between party leaders and legislative hopefuls – operative in election after election for most, if not all, legislative seats – often bear a fairly close resemblance to the dynamics present in the Blagojevich case. As a consequence, the systematic patterns of political corruption exhibited in these polities are much closer in spirit to what Blagojevich sought to accomplish than are such patterns in the United States.

This book juxtaposes the dynamics of political corruption in such polities, countries with so-called party-centric electoral systems, with those encountered in polities with legislative institutions more akin to the U.S. model, that is, countries with so-called candidate-centric electoral systems. More generally, it provides an original framework for comprehending the manner in which electoral institutions affect corruption related to campaign and party financing. In doing so, the book seeks to contribute to a better understanding of how key aspects of democratic institutional design affect the degree to which rulers are held accountable by the ruled.

Academic work on corruption and institutional design has grown at a steady clip in recent years. What sets this book apart? There are three main features of this book that distinguish it from existing work. First, the book's dependent variable is distinct from that of previous studies on the topic. The lion's share of the research on corruption makes neither a theoretical nor an empirical distinction between corruption devoted to campaigns and party building (political corruption) and that devoted to personal enrichment (personal corruption), examining these two phenomena as an undifferentiated bundle. In contrast, this study self-consciously hones in on political corruption. An exclusive focus on political corruption is easily justified both on logical grounds (the institutional causes of beat cops pocketing bribes for their own pecuniary benefit are likely to be quite different from the institutional causes of high-ranking bureaucrats funneling kick-backs to the coffers of their political party) and on empirical ones (a large proportion of recent corruption scandals in the developed and developing world has stemmed from attempts to secure political financing).

A second distinguishing feature of this book is its theoretical framework. The study examines the impact of institutional change on corruption from the vantage point of general-equilibrium analysis. As used in the pages that follow, this expression refers to the study of equilibrium political and

bureaucratic behavior in the context of polities in which (1) public bureaucracies are highly politically penetrated and (2) electoral outcomes are highly contingent on the allocation of state resources. In countries where these two conditions hold, certainly much of the developing world and perhaps especially Latin America, the consequences of electoral reform may extend outside the electoral arena, and the consequences of bureaucratic reform similarly may extend outside the bureaucratic arena. Motivated by this insight, the book breaks new ground in the literature on the consequences of democratic institutional design by assigning the bureaucracy a central role in its theoretical framework. In particular, the implications of electoral system reform for partisan exploitation of the bureaucracy are minutely scrutinized.

A final distinguishing feature of this book is its approach to the empirical analysis of corruption. In order to evaluate the central claim of the book – that electoral institutions have important consequences for the efficacy of corruption networks within the bureaucracy – the study draws on an unprecedented public employees' survey I conducted in Bolivia (party-centric/closed-list proportional representation), Brazil (candidate-centric/open-list proportional representation), and Chile (candidate-centric/open-list proportional representation). The survey garnered the participation of nearly 3,000 employees in thirty different institutions. Given the extreme sensitivity involved with asking public servants about instances of illicit partisan resource use, the project used a particular survey methodology, randomized response, that guarantees the confidentiality of participants' responses to delicate questions. At the time the survey was launched, this was the first application of this methodology to the study of corruption and one of the first applications of randomized response in the discipline of political science. Moreover, this book shows how certain standard techniques of multivariate data analysis – binary response models and matching estimators – can be relatively easily modified to analyze the causes of variation in dependent variables characterized by randomized-response data. In so doing, the study presents a means of estimating the impact of explanatory variables on corrupt behavior at the individual level. This move to scale down the analysis to the individual level represents a sharp departure from standard empirical work on corruption, which tends to focus on large social aggregates and rarely evaluates micro-level mechanisms. Most important, the empirical strategy adopted here permits relatively direct and exacting tests of propositions about bureaucratic behavior generated by the book's theoretical framework.

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