Poverty, Party Alignment, and Reducing Corruption through Modernization: Evidence from Guatemala

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Research Question & Motivation

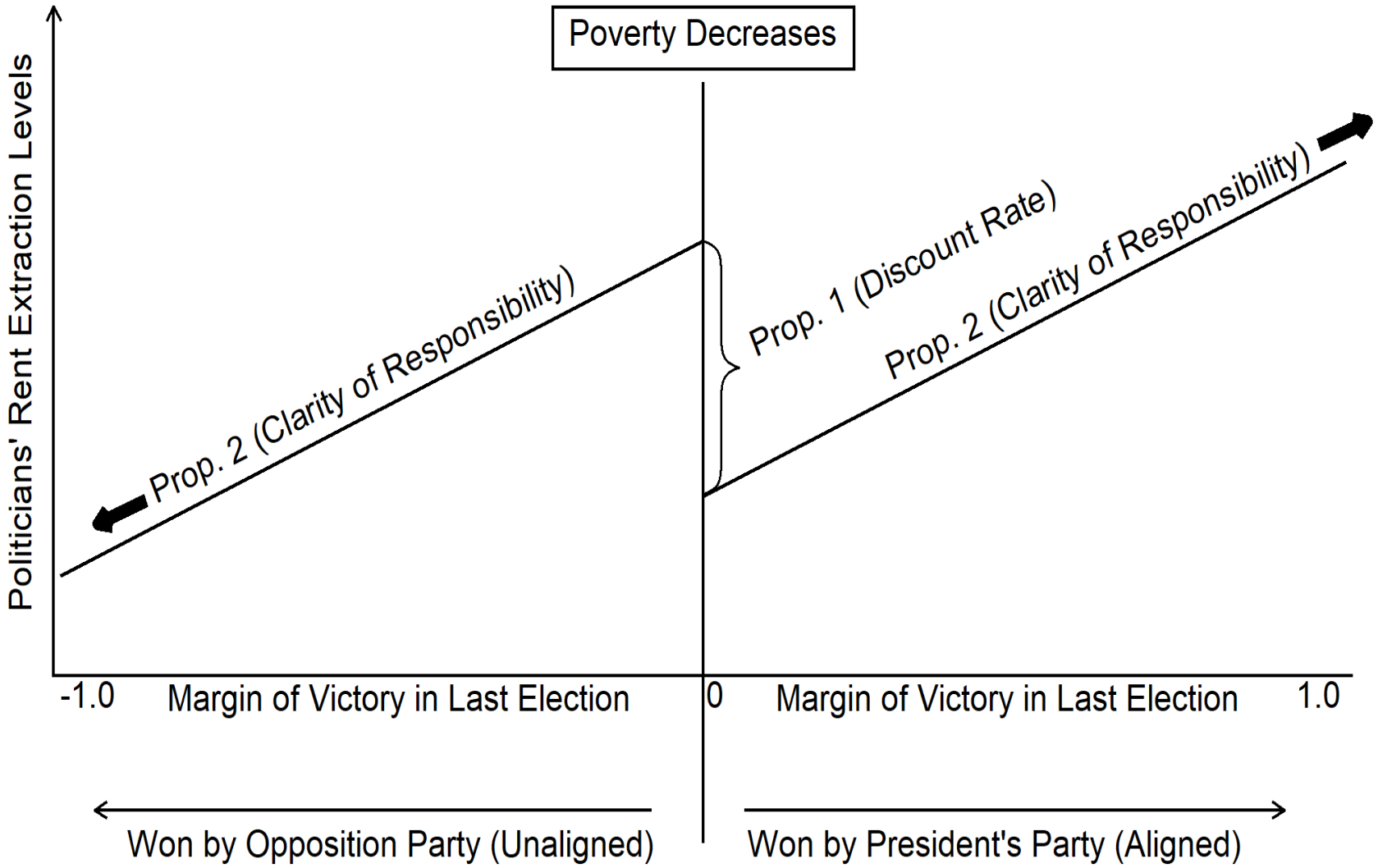
Economics + Politics/Institutions $\Rightarrow$ $\downarrow$ Corruption

Literature $\Rightarrow$ Theory

- $\downarrow$ Poverty $\Rightarrow$ $\uparrow$ discount clientelism (e.g., Stokes *et al.* 2013)
- Alignment $\Rightarrow$ $\uparrow$ resources (Greene 2010; Brollo & Nannicini 2012)
- Alignment $\Rightarrow$ clarity of responsibility (Schwindt-Bayer & Tavits 2016)
- Elections $\Rightarrow$ $\uparrow$ control of politicians (Barro 1973; Ferejohn 1986)

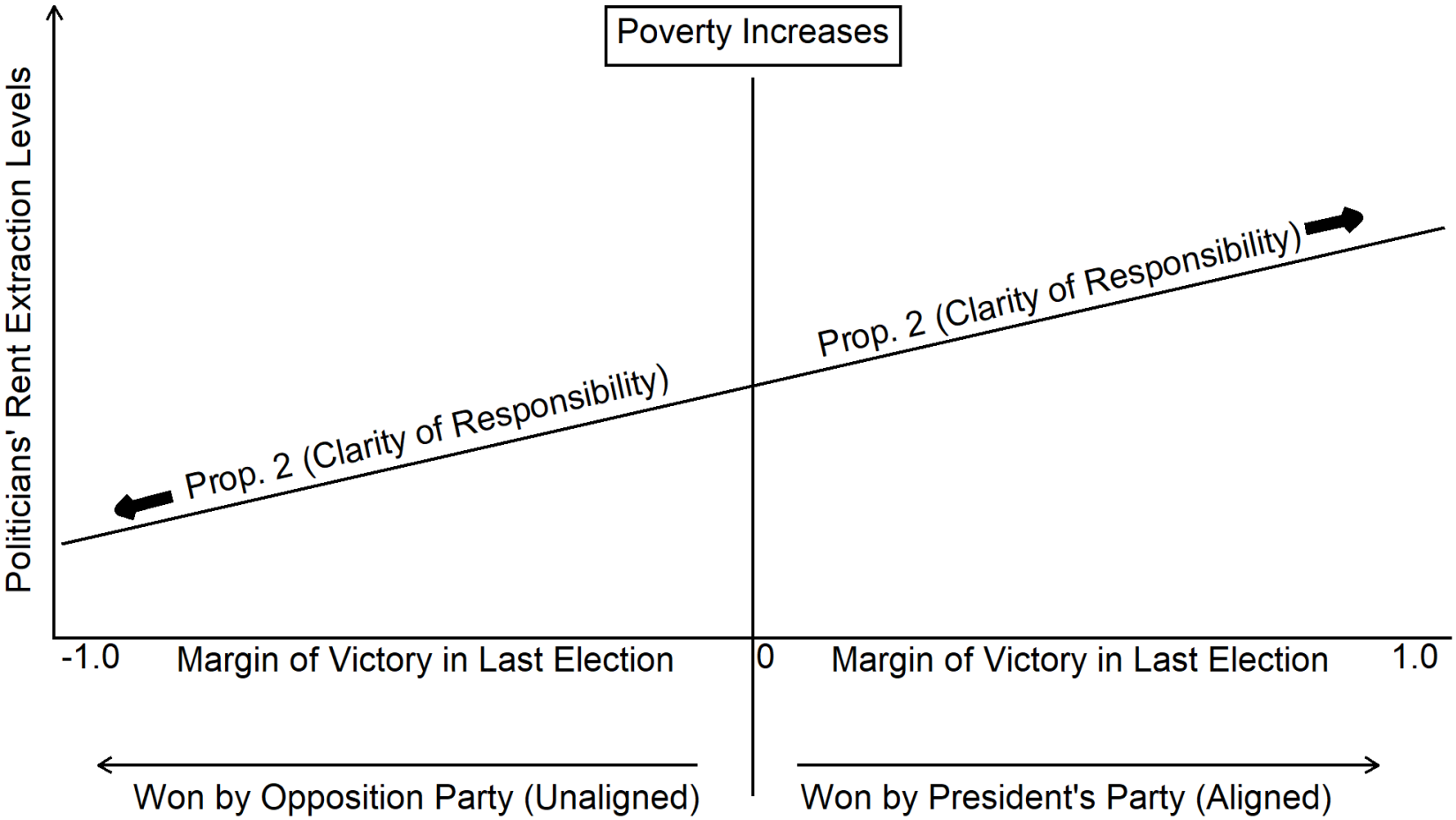
Alignment + $\downarrow$ Poverty + Close Election $\Rightarrow$ $\downarrow$ Corruption

Theory (Graphic Presentation) [1]



Link to working paper with formal model: www.mikedenly.com/files/dg-corruption.pdf

Theory (Graphic Presentation) [2]



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Why Guatemala? (Data)

- Poverty rate: 59% (World Bank 2017)
- Governors of departments (provinces/states) appointed by the President
- Supreme Audit Institution (*Contraloría General de Cuentas*)
  - Independence protected by the Constitution
  - Publish audit data online

Research Design

Method

- Close-Election Regression Discontinuity Design

Dependent Variables

- Number of municipal audit infractions in each municipality-year
- Amounts (log) associated with those infractions

Treatment

- Alignment: Mayor party matches President's party

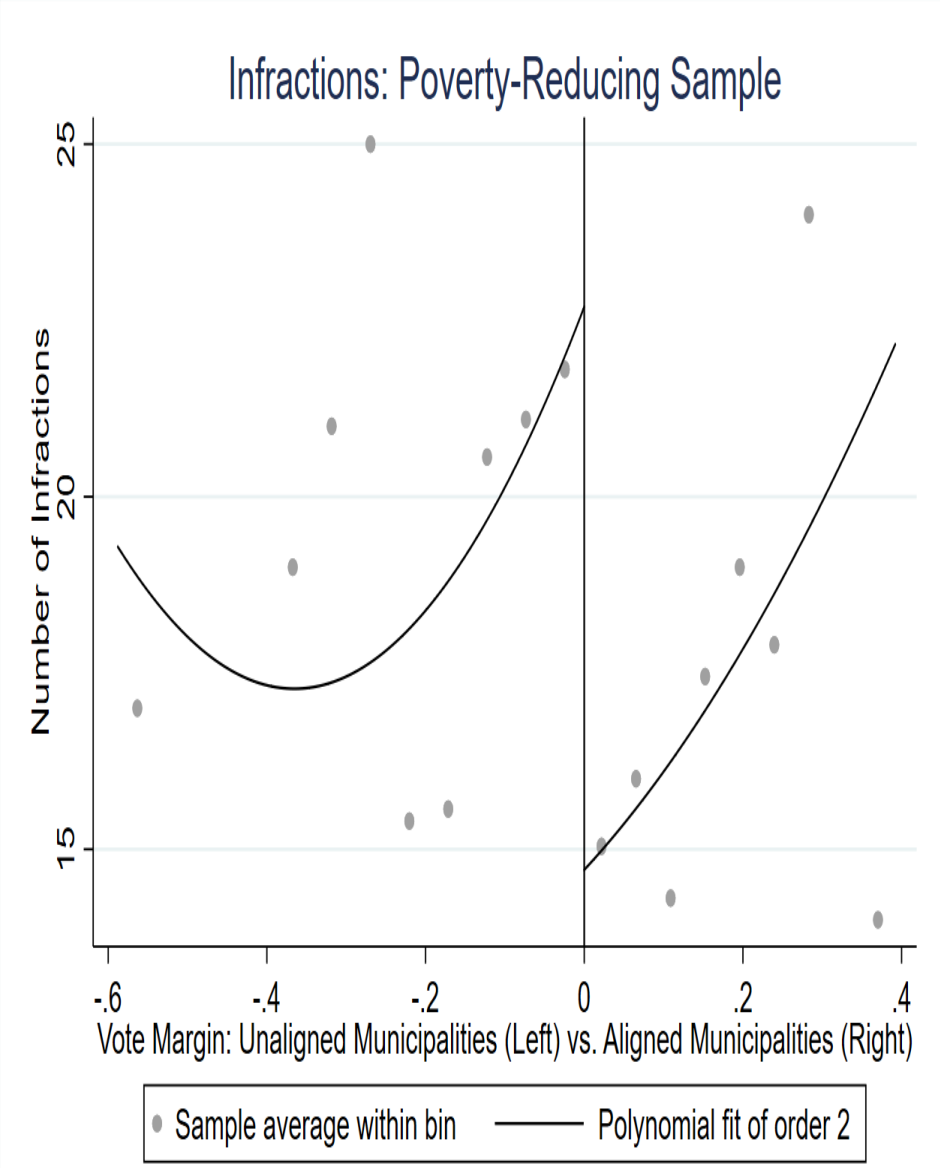
Running Variable

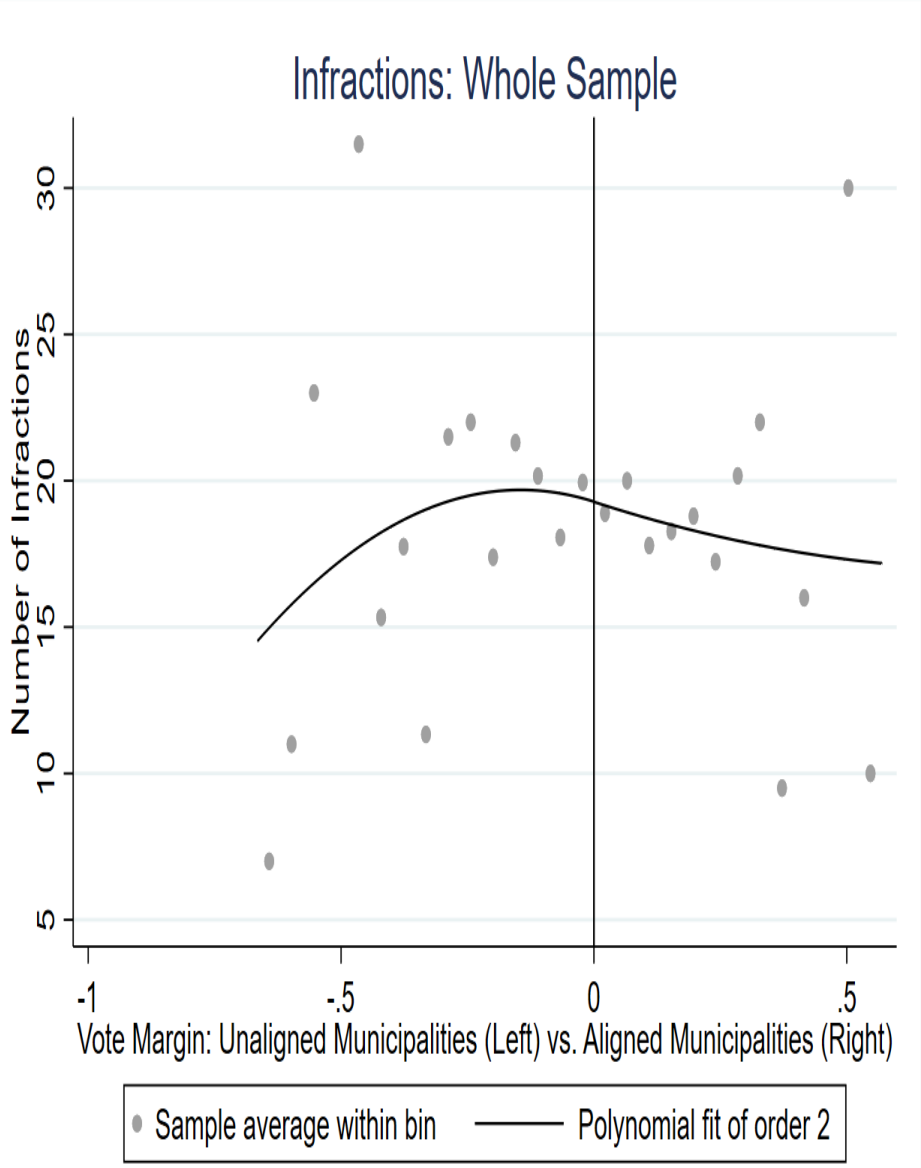
- Margin of victory for mayor

Key Subgroups/Results

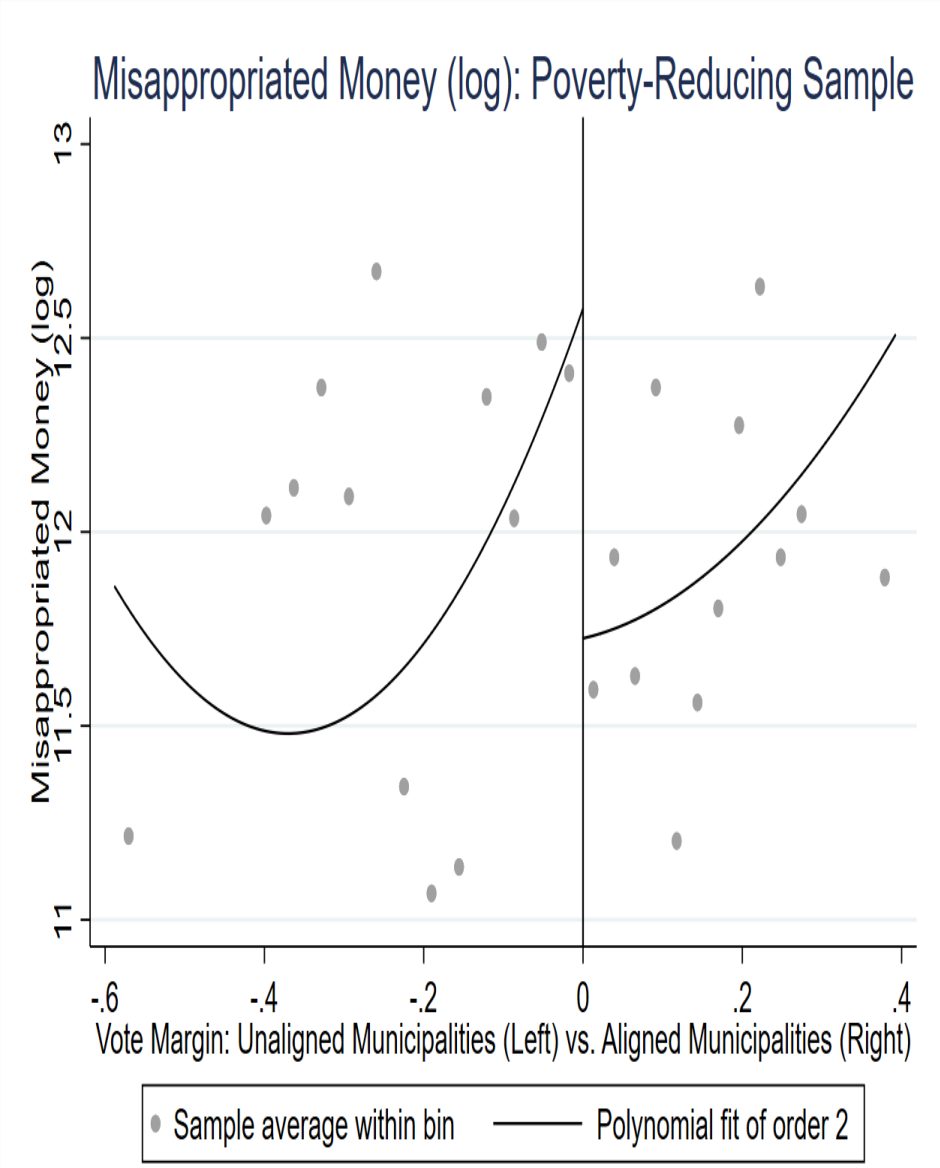
- Poverty reduced since last census (✓)
- Poverty increased since last census (✗)
- Whole sample (✗)

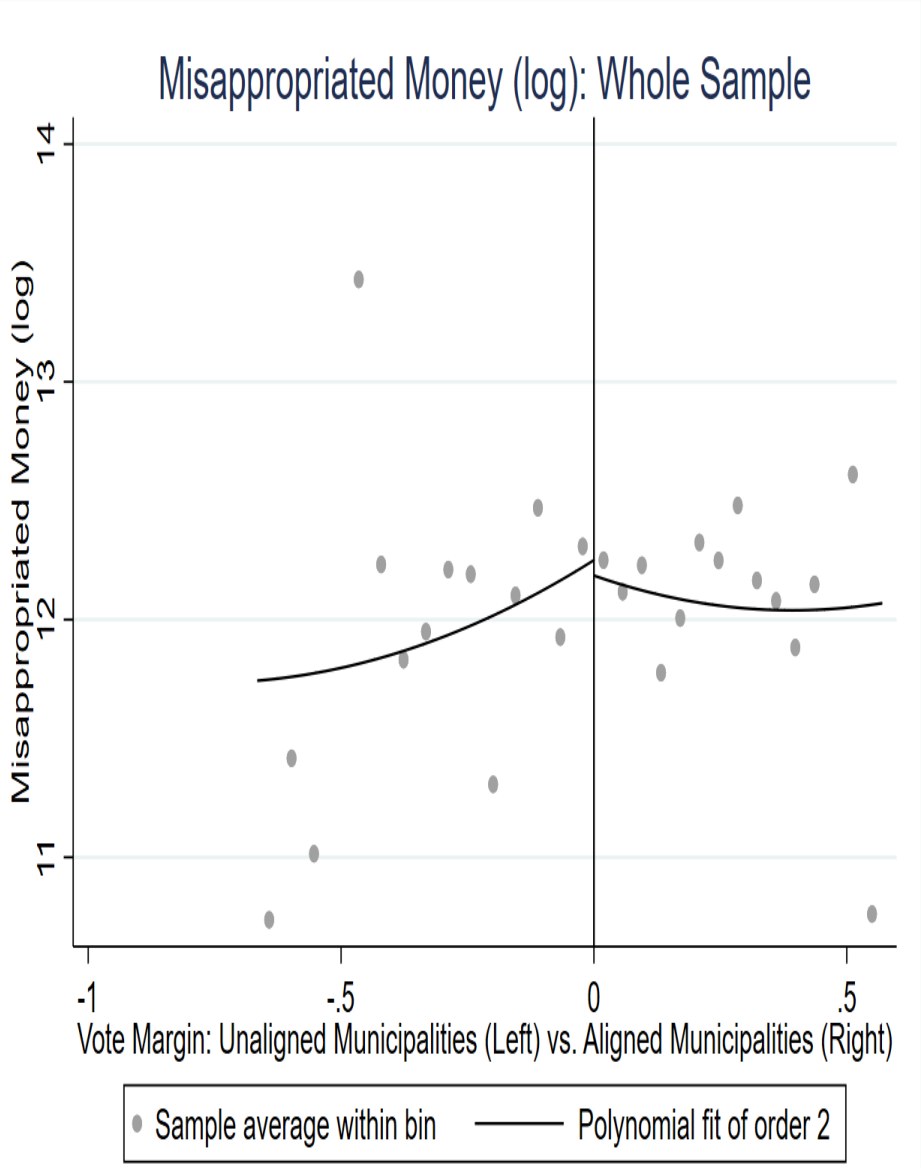
Results: Infractions





Results: Amounts (Log)





Additional Material in the Paper

- Same tests for extreme poverty
- Separate models by year and electoral term
- Testing the poverty, alignment, close election mechanisms individually
- McCrary (2008) density tests of running variable
- Tests for potential endogeneity between poverty and corruption
- AND MUCH MORE:
  - Link to working paper: www.mikedenly.com/files/dg-corruption.pdf

Conclusion

1. Economic growth $\not\Rightarrow$ democracy (Acemoglu *et al.* 2019)
   - BUT $\downarrow$ Poverty + Alignment + Close Election $\Rightarrow \downarrow$ Corruption
     - AND $\downarrow$ Corruption $\Rightarrow \uparrow$ Democracy (Lagunes 2012)

2. Limitation: subgroup analyses
   - Different paths (external validity)

3. Scope condition: party system stability

Questions?

Thank you!

Comments/feedback welcome: mdenly@utexas.edu

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Party Alignment Patterns by Electoral Term

Term	Years Coded	Municipalities Aligned	Infractions Mean	Amount Mean	Log Amount Mean
2004-2007	2007	22%	4.86	181,967.5 Q	10.51
2008-2011	2008-2011	31%	20.77	442,884.8 Q	12.38
2012-2015	2012-2015	36%	26.10	449,274.2 Q	12.56
2016-2019	2016-2018	0	31.74	568,759.2 Q	12.60

Note: all amounts deflated to account for inflation.

Additional Material in the Paper

- Same tests for extreme poverty
- Separate models by year and electoral term
- Different orders of polynomial fit
- Testing the poverty, alignment, close election mechanisms individually
- McCrary (2008) density tests of running variable
- Tests for potential endogeneity between poverty and corruption
- Placebo tests at varying cutoffs
- Re-estimation of results with only the last two years and final year before the election
- Outlier tests
- Results with covariates using Calonico *et al.*'s (2019) algorithm
- Tests for political bias in audit distributions

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