Three Essays on Sanctions of Politicians in Brazil

A proposal submitted in partial fulfillment of the requirements for the Degree of Doctor of Philosophy in Public Policy

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Abstract

This dissertation project will investigate the relationship between legal sanctions and politics in Brazil. In the first paper, I look at the effect of convictions for electoral infractions on electoral performance in four municipal elections between 2004 and 2016. The second paper tests whether State Court judges significantly rule in favor of politicians involved in small claim court cases. Finally, the last paper investigates whether active and passive transparency simultaneously improve government performance and increase the number of legal sanctions for government wrongdoing. These papers contribute significantly to the literature in political science, economics, and law by exploring the relationship between legal sanctions and local political dynamics in developing countries. In addition, I also contribute new data sources in the form of judicial decisions and innovative identification strategies using institutional features of Brazilian electoral and judicial systems.

Keywords: political economy of development; electoral politics; judicial politics; transparency; economics of crime.

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1 Active and Passive Transparency in Brazilian Municipalities

1.1 Introduction

Institutional scholarship often claims that government transparency is a key factor for good governance and economic development (Kaufmann et al., 1999; Bo Rothstein, 2012). When governments make their business public, they allow for the scrutiny and oversight of actions taken by elected officials and civil servants. In many countries, for instance, citizens can check the use of public resources by accessing expense reports filled by politicians and, if unhappy, demand proper use of government funds. Under these conditions, transparency creates an accountability mechanism aligning interests of agents and principals and further supporting economic and social progress. In recent debates about the impact of institutions on development, however, there is an increasing push for more granular understanding of these accountability mechanisms. Investigations on the endogeneity of institutions and their strength (Acemoglu et al., 2005; Levitsky and Murillo, 2009; Dal Bo et al., 2010) are becoming more widespread and this project contributes to this scholarship as the first account of the simultaneous effects of *active* and *passive* transparency on government performance.

There are many studies looking at active and passive transparency separately. The former can be understood as an action initiated by government, or by its partners, aiming at releasing information about government business, of which top-down monitoring is the most important mechanism. Using experimental evidence from Indonesia, Olken (2007) shows that delivering top-down audits of road construction projects with certainty reduces the amount of missing funds by eight percentage points, while grassroots community initiatives have no effect on the misallocation of public resources. Ferraz and Finan (2008) investigate whether the release of corruption information via audits impacts the electoral performance of incumbent mayors in the Brazilian municipal elections of 2004. They find that stronger corruption allegations (as measured by the level of corruption revealed in the audit reports) significantly reduced the chances of incumbent reelection by as much as seven percentage points. In the presence of a local AM radio station, the impact increases to a 23 percentage point hit to the probability of reelection of incumbent mayors. Bobonis et al. (2016) document a 67 percent reduction in corruption when municipalities in Puerto Rico undergo their timely audits before election period, and corroborates the evidence that top-down monitoring consistently prevents misallocation of resources.

The monitoring effect on corruption is present even when accountability comes from media coverage. Campante and Do (2014) show that isolated U.S. state capitals have higher corruption levels, as measured by federal convictions for corruption-related crimes, due to the lower concentration of population and newspapers in and around their geographical area. This media monitoring effect does not only impact criminal behavior, such as corruption, but also non-criminal behavior, such as day-to-day political work. Snyder Jr and Strömberg (2010) use the geographical intersections of media markets and U.S. congressional districts to isolate the effect of media coverage on political behavior. They find that representatives from districts where media coverage is larger are more

aligned with their constituents' preferences, more likely to participate in congressional hearings, and to serve in committees directly relevant to their constituents. Though these studies are conducted at different periods and across different countries, they jointly point to the same positive effect of active transparency on government accountability.

Passive transparency, on the other hand, has only recently become a topic of academic interest, so much so that it does not have a widely-accepted definition in the social sciences. I define it *as any government action that makes information available to citizens without an explicit request.*

(discuss puzzle of active and passive transparency... both are positive, but what about together? Pande 2011 informed voters).

(discuss contributions of this paper... questions, data, research design).

The remaining of this paper is organized as follows: in section 1.2, I discuss the institutional design that allows for the causal identification of both active and passive transparency effects; section 1.3 presents the data used in this project; section 1.4 suggests the theoretical mechanisms and hypotheses of the impact of various types of transparency on government performance; section 1.5 outlines the empirical strategy yielding the results in section 1.6; finally, section 1.7 concludes laying the groundwork for the conclusion of this project.

1.2 Institutional Background

1.3 Data

1.3.1 Sampling Strategy

1.4 Theory

1.5 Empirical Strategy

1.6 Preliminary Results

1.7 Further Development

Table 1: Descriptive Statistics by Treatment Condition

	Active Transparency			*Passive Transparency*			*Active and Passive Transparency*		
	Control	Treatment	Diff.	Control	Treatment	Diff.	Control	Treatment	Diff.
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Share Urban (Pop.)	0.632	0.626	0.006	0.625	0.632	-0.007	0.630	0.629	0.001
			(0.415)			(0.398)			(0.944)
Share Female (Pop.)	0.505	0.505	0.000	0.505	0.505	-0.001	0.505	0.506	-0.001
			(0.443)			(0.173)			(0.292)
Illiteracy Rate	0.170	0.181	-0.011	0.179	0.171	0.008	0.172	0.192	-0.020
			(0.001)			(0.038)			(0.002)
Income Per Capita (ln)	9.150	9.041	0.109	9.052	9.142	-0.09	9.132	8.995	0.136
			(0.000)			(0.000)			(0.003)
Gini Coefficient	0.510	0.514	-0.004	0.512	0.510	0.002	0.510	0.522	-0.011
			(0.037)			(0.375)			(0.005)
Human Development Index	0.653	0.644	0.009	0.645	0.652	-0.007	0.652	0.637	0.015
			(0.000)			(0.008)			(0.001)
Share Poor (Pop.)	0.249	0.274	-0.024	0.270	0.251	0.019	0.253	0.288	-0.035
			(0.000)			(0.004)			(0.004)
Presence of AM Radio	0.204	0.203	0.001	0.203	0.204	-0.001	0.204	0.203	0.001
			(0.929)			(0.944)			(0.960)
Presence of Health Council	0.759	0.773	-0.014	0.767	0.761	0.005	0.761	0.802	-0.041
			(0.304)			(0.725)			(0.131)
Presence of Ed. Council	0.973	0.967	0.006	0.971	0.972	-0.001	0.973	0.952	0.021
			(0.313)			(0.866)			(0.148)
Seat of Judiciary Branch	0.500	0.505	-0.005	0.486	0.505	-0.018	0.498	0.586	-0.088
			(0.745)			(0.310)			(0.009)
N	4,177	1,187		960	4,404		5,137	227	

Note: This table displays means for all observations in each treatment arm against all other. Thus, the sum of observations is larger than the total sample size (5,364). Columns (1)-(3) are the means for the control group, the treatment group, and difference across means; p-values are displayed in parentheses.

Table 2: Observations by Transparency Condition

	Passive		
Active	Pre-LAI	Post-LAI	Total
Not Audited	-	4,177	4,177
Audited	960	277	1,187
Total	960	4,404	5,364

Table 3: The Effect of Passive Transparency on Corruption

	Outcomes:					
	Acts of Corruption (ln)		Acts of Mismanagement (ln)		No. of Irregularities (ln)	
	(1)	(2)	(3)	(4)	(5)	(6)
Passive Transparency	−.082***	−.128***	.452***	.457***	−.047***	−.088***
	(.011)	(.008)	(.057)	(.057)	(.010)	(.007)
Municipal Controls	-	Yes	-	Yes	-	Yes
Observations	1,187	1,187	1,187	1,187	1,187	1,187
R^2	.003	.232	.034	.046	.001	.204
Adjusted R^2	.003	.224	.034	.036	.000	.196

Note: This table displays the regressions measuring the effect of passive transparency (post-adoption of freedom of information act – LAI) on corruption and mismanagement of public resources for a random sample of municipalities which audited by the Office of the Comptroller-General (CGU) from 2006 to 2015. For each outcome, I display two regressions including and excluding municipal controls. The variable of interest is whether municipalities were audited after the implementation of LAI. Robust standard errors are in parentheses. *p<0.1; **p<0.05; ***p<0.01.

Table 4: The Effect of Active Transparency on Information Requests

	Outcomes:			
	FOI Request (time)		FOI Request (quality)	
	(1)	(2)	(3)	(4)
Active Transparency	−.073***	−.050***	−.085***	−.063***
	(.004)	(.003)	(.004)	(.004)
Municipal Controls	-	Yes	-	Yes
Year Fixed-Effects	-	Yes	-	Yes
Observations	4,404	4,404	4,404	4,404
R^2	.002	.122	.002	.123
Adjusted R^2	.001	.119	.002	.120

Note: This table displays the regressions measuring the effect of active transparency (being audited by a team of officials from the Office of the Comptroller-General – *CGU*) on information requests for a random sample of municipalities across Brazil participating in the *Transparent Brazil* program. For each outcome, I display two regressions including and excluding municipal controls and year fixed-effects. The variable of interest is whether the municipality was audited by CGU after 2012. Robust standard errors are in parentheses. *p<0.1; **p<0.05; ***p<0.01.

Table 5: The Effect of Active and Passive Transparency on Performance and Sanctions

	Outcomes:			
	MDP Adoption		Sanctioned	
	(1)	(2)	(3)	(4)
Active and Passive Transparency	−.009	−.026***	.008***	.010***
	(.008)	(.006)	(0.000)	(0.000)
Municipal Controls	-	Yes	-	Yes
Year Fixed-Effects	-	Yes	-	Yes
Observations	5,364	5,364	5,364	5,364
R^2	0.000	.262	0.000	.049
Adjusted R^2	-0.000	.259	0.000	.046

Note: This table displays the regressions measuring the effect of active and passive transparency (being audited by CGU after 2012) on the adoption of municipal development plans (MDP) and on sanctions imposed to politicians and bureaucrats for a sample of random municipalities selected for audits and participation in the *Transparent Brazil* program. For each outcome, I display two regressions including and excluding municipal controls and year fixed-effects. The variable of interest is whether the municipality was audited by CGU after 2012. Robust standard errors are in parentheses. *p<0.1; **p<0.05; ***p<0.01.

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