

# Essays on Corruption, Justice, and Politics in Brazil

Dissertation Proposal

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## Summary



This dissertation project investigates the relationship between judicial decisions and politics in Brazil. In the first paper, I look at whether the electoral punishment for corruption is lower in environments where corruption is widespread. I will be testing whether voters discount the penalty imposed on corrupt politicians when their opponents are also corrupt compared to when their opponents are honest. The second paper investigates if the electoral punishment for corruption changes when allegations are proven in court. In other words, I am interested in the potential difference in electoral punishment when corruption signals are strong (court rulings) vs. weak (audit findings). Finally, the last paper looks into whether there are judicial biases in favor of politicians by looking at overturn rates of judicial decisions in cases involving politicians and ordinary citizens.

## 1 Electoral Performance When Candidates Are Corrupt: Evidence from Brazil



**Main research question:** *does the electoral punishment for corruption decrease when the pool of candidates running for office mostly consists of dishonest politicians?*

**Motivation:** In most voting models, the representative voter does not have complete information about candidates' type and ability. These characteristics are ultimately unobservable and any signal of quality on these dimensions increases the likelihood that any candidate is elected to office. Alternatively, voters sanction candidates who display dishonesty or inability in government affairs. These signals, however, are endogenous to the distribution of type and ability amongst the pool of candidates running for office: the marginal benefit of electing an honest politician when all other candidates are corrupt is large; the marginal benefit of electing an honest candidate from a pool of honest politicians is low. To my knowledge, this is one of the first papers that documents the endogenous effect of corruption on electoral performance.

**Hypotheses:** the measures of electoral punishment in this paper are the vote share of elected politicians and their vote margin against the second most voted candidate. The number of invalid votes, voter turnout, and second most voted candidate vote share are used for measuring social welfare effects and running falsification tests.



### 1. Outcome: vote share

- (a) *In a comparison of Brazilian city councilor and mayor candidates, the vote share of **corrupt** politicians who are elected for office is **higher** in electoral races in which dishonesty is high compared to when dishonesty is low.*
- (b) *In a comparison of Brazilian city councilor and mayor candidates, the vote share of **honest** politicians who are elected for office is **higher** in electoral races in which dishonesty is high compared to when dishonesty is low.*



### 2. Outcome: vote margin

- (a) *In a comparison of Brazilian city councilor and mayor candidates, the vote margin of **corrupt** politicians who are elected for office is **higher** in electoral races in which dishonesty is high compared to when dishonesty is low.*
- (b) *In a comparison of Brazilian city councilor and mayor candidates, the vote margin of **honest** politicians who are elected for office is **higher** in electoral races in which dishonesty is high compared to when dishonesty is low.*

### 3. Outcome: voter turnout

- (a) *In a comparison of Brazilian city councilor and mayor candidates, voter turnout is **lower** where the pool of candidates is **dishonest**.*
- (b) *In a comparison of Brazilian city councilor and mayor candidates, voter turnout is **higher** where the pool of candidates is **honest**.*



**Unit of analysis:** electoral races with a heterogeneous number of dishonest candidates.

**Causal identification:** research discontinuity (RD) design where the assignment variable is the timing of judicial ruling on the eligibility of candidate (pre- and post-election). Electoral races where judges deem candidates ineligible before the elections belong to control group, i.e. have had fewer dishonest candidates displayed at the electronic voting booth. Electoral races where judges deem candidates ineligible after the elections belong to treatment group, i.e. have had more dishonest candidates running for office.<sup>1</sup>



### Falsification tests:

- Performance comparison across ineligible candidates for reasons other than corruption.
- Performance comparison against non-elected (corrupt or honest) candidates.
- Comparison of invalid votes across different corruption environments.



**Data:** Brazilian elections data from the Electoral Court (TSE) for the 2004, 2008, 2012, and 2016 municipal elections. This amounts to a sample of about 44,000 observations.<sup>2</sup> Data are publicly available online but there are many missing values, thus I will have to contact TSE to download data for all electoral court rulings on all candidate's eligibility.

<sup>1</sup>There are a number of features in the judicial ruling of candidate eligibility that could provide exogenous variation to the number of corrupt candidates at each electoral race. I intend to test for manipulation of the timing of judicial ruling and use another identification strategy if there is no exogenous variation around election dates.

<sup>2</sup>In Brazil, there are 5,500 municipalities x 4 elections x 2 offices = 44,000 electoral races.

## 2 Justice and Elections: Do Voters Elect Convicted Politicians?



**Main research question:** *is the probability of election lower for mayors who have been convicted of corruption compared to mayors just accused of corruption?*

**Motivation:** the literature on electoral accountability has consistently shown that corrupt politicians are held accountable by voters at the voting booth. However, the majority of studies has relied on corruption measures that are indicative rather than positive cases of corruption, such as audit reports, vignette experiments, or input-output matrices of public resources. In this paper, I propose that we use judicial convictions as a hard measure of corruption and evaluate the impact of a corruption conviction on electoral performance of Brazilian mayors. If judicial convictions are strong signals of corruption, then the electoral punishment should also be larger relative to cases in which corruption allegations have not been tried yet or have just surfaced in audit reports.



**Hypotheses:** the outcomes are the probability of election and vote margin for candidates running for mayor or city councilor.

### 1. Outcome: probability of election

- (a) *In a comparison of Brazilian mayor candidates, the probability of election is **lower** for politicians who are convicted of corruption.*
- (b) *In a comparison of Brazilian mayor candidates, the probability of election is **higher** for politicians accused of, but not convicted for, corruption.*
- (c) *In a comparison of Brazilian mayor candidates, the probability of election is **higher** for candidates convicted of crimes other than corruption.*

### 2. Outcome: vote margin

- (a) *In a comparison of Brazilian mayor candidates, the vote margin is **lower** for politicians who are convicted of corruption.*
- (b) *In a comparison of Brazilian mayor candidates, the vote margin is **higher** for candidates accused of, but not convicted for, corruption.*
- (c) *In a comparison of Brazilian mayor candidates, the vote margin is **higher** for candidates convicted of crimes other than corruption.*



**Unit of analysis:** candidates running for municipal office who have finished first or second in their mayoral race and have heterogeneous number of judicial convictions and accusations for various crimes.

**Causal identification:** instrumental variables (IV), regression discontinuity (RD), and natural experiment. Instrumental variables deal with endogeneity from the timing of judicial ruling, which is likely correlated with outcomes because politicians will try to delay unfavorable decisions until after elections have taken place. The regression discontinuity design will be used in falsification tests before and after elections and for other crimes vs. corruption crimes. Finally, the exogenous shock to corruption allegations comes from the random audits carried out by CGU, which reveals, but does not prosecute, corruption evidence.



### Falsification tests:

- Performance comparison across politicians convicted before and after elections.
- Performance comparison across politicians convicted for corruption and other crimes.
- Performance comparison across politicians convicted for the first time vs. repeated offenders.
- Performance comparison across electoral races with heterogeneous corruption convictions and allegation.

**Data:** Brazilian elections data from the Electoral Court (TSE) for the 2004, 2008, 2012, and 2016 municipal. Total number of observations close to 44,000.<sup>3</sup> Judicial rulings will be scraped from state and electoral courts across Brazil.

## 3 Politicians Have it Easier Than Ordinary Citizens: A Comparison of Judicial Decisions in Brazil

**Main research question:** *do politicians have a larger percentage of favorable judicial decisions in appeals courts than ordinary citizens?*



**Motivation:** scholars have long studied the impartiality of justice and how decisions vary conditional on plaintiffs/defendants individual characteristics, but no study has looked into whether the judicial system treats politicians the same way as it treats ordinary citizens. The main obstacles to studies on judicial independence in cases involving politicians are twofold: (i) politicians are not randomly assigned as parties to legal cases, making it almost impossible to isolate the effect of case characteristics from that of being a politician; and (ii) case merits determine trial outcomes, and politicians might have more favorable decisions just because their case is in fact stronger.

To overcome these limitations, I first propose that we look at the overturn rate for judicial decisions in favor of politicians and whether they are lower than overturn rates for ordinary citizens. If judicial independence is the norm, we would not expect heterogeneous overturn rates by plaintiff or claimant type – unless we unrealistically expect the non-significant coming from all trial court rulings being overturned at the appeals stage.<sup>4</sup>



In addition, an unbiased judicial system should also see an overturn rate independent of case merits, such that any differential decision to overturn rulings should come from judge and parties' individual characteristics. Since the assignment of cases at the state court level in Brazil is quasi-experimental, as cases are randomly assigned to judges conditional on known judicial rules, the empirical strategy proposed here allows for causal identification of the effect of being a politician on judicial outcomes.



### 1. Outcome: overturn rate<sup>5</sup>

- (a) *In a comparison of politicians and non-politicians parties to legal cases, appeals court judges are **more likely** to overturn trial court rulings that are unfavorable to **politicians**.*



<sup>3</sup>There are 5,500 races for mayor x 2 effective mayor candidates x 4 elections = 44,000 politicians.

<sup>4</sup>A robustness check against the zero correlation hypothesis comes from benchmarking the average overturn rate for different cases and judicial system aggregations, which I will also include in the paper.

<sup>5</sup>I will also test these hypotheses at the court and district level.

- (b) *In a comparison of politicians and non-politicians parties to legal cases, appeals court judges are **less likely** to overturn trial court rulings that are unfavorable to **non-politicians**.*
- (c) *In a comparison of politicians parties to legal cases, appeals court judges are **more likely** to overturn trial court rulings that are unfavorable to elected **politicians**.*
- (d) *In a comparison of politicians parties to legal cases, appeals court judges are **less likely** to overturn trial court rulings that are unfavorable to non-elected **politicians**.*



## 2. Outcome: probability of decision overturn in appeals court

- (a) *In a comparison of individual legal cases, the likelihood that any trial court ruling is overturned at the appeals court level is **higher** for cases involving **politicians**.*
- (b) *In a comparison of individual legal cases, the likelihood that any trial court ruling is overturned at the appeals court level is **lower** for cases involving **non-politicians**.*

**Unit of analysis:** judicial processes in the State Court of São Paulo (TJ-SP) involving politicians for which there have been both a trial and an appeals court ruling.

**Causal identification:** natural experiment. The allocation of court cases across trial and appeals courts is random conditional on (observable) judicial rules (judicial district characteristics).



### Falsification tests:

- Comparison of overturn rates for elected and non-elected politicians.
- Comparison of overturn rates across types of politicians (candidates for mayor or city councilor), type of claim, counterpart, level of judicial aggregation (court and district).

**Data:** web scraping of judicial rulings in the State of São Paulo. I am expecting 1,000+ observations based on a similar study authored by a Brazilian colleague.