

The System of Money in Politics in Comparative Perspective

The previous two chapters investigated the empirical contexts of India, Brazil, and the United States to demonstrate that the different forms of money are directly connected to each other and that the legal and electoral campaign environments in which a politician operates influence which type they choose to use. This approach has many merits. Most importantly, I was able to use microlevel data on the different types of money. It also allowed me to identify situations in which the effect of the legal and electoral campaign environments could be isolated as much as possible. Yet, the findings discussed in the previous chapters naturally raise the question whether the patterns identified *within* these three countries also hold cross-nationally.

In this chapter, I present a series of case studies to test the theoretical argument of the book across space. I examine a range of countries chosen to provide variation along the two explanatory factors I have highlighted. In addition to India, Brazil, and the United States, I also examine South Africa, Spain, Germany, and the United Kingdom. I derive predictions from the argument put forward in Chapter 3 about what forms of money politicians in each country should be more inclined to use based on their location in the two-dimensional space defined by the legal and electoral campaign environments.

I then test these predictions by analyzing the country-specific literature on money in politics, official statistics, as well as reports by watchdog organizations and the media. Of course, a potential concern is that such sources only focus on *revealed* cases of money in politics, which do not necessarily indicate the actual number of incidents. A country with more reported cases could instead indicate that its judiciary is more able and

willing to prosecute, or that it has a more active press.¹ However, my focus is not on *how much* money enters politics, but in *what forms*. And looking at revealed cases can help us do this. If many politicians enrich themselves while in office, we would expect journalists to try to document it, anti-corruption activists to bring attention to it, and academic researchers to study it. And if the issue of, say, golden parachute employment does not come up in a particular country even among activists, then this silence suggests that it is not likely to be very common.

The analyses reported in this chapter confirm the theoretical predictions for each country. Politicians base their decisions about whether to use money for self-enrichment, on their reelection campaigns, or to accept golden parachute jobs on their country's legal and electoral campaign environments. Thus, my argument not only applies *within* countries; it also explains variation *between* them. This provides evidence of the external validity of my theoretical account beyond the cases studied in detail in the previous chapters.

6.1 CASE SELECTION AND THEORETICAL EXPECTATIONS

Figure 6.1 illustrates where the cases discussed in this chapter are approximately located in the two-dimensional space defined by the main explanatory variables. This section briefly discusses where each country falls. Of course, their classification is not straightforward, since each dimension consists of several components, and there is no agreed upon way to weigh them. The subsequent individual case studies therefore provide more detailed descriptions of countries' locations along the two axes.

To simplify, I characterize countries' *legal environments* as ranging from permissive to strict. I argued in Chapter 3 that the specific combination of laws pertaining to self-enrichment, campaign spending, and golden parachute employment determines how money is used. However, countries in practice tend to progressively introduce stricter laws, usually starting with regulating enrichment in office and ending with restrictions on golden parachute jobs. Thus, some regulate none of the three types of money very effectively, whereas others have restrictions on several or all of them. This makes it possible to rank them.

As discussed in Chapter 4, both India and Brazil have very permissive legal environments for money in politics, mostly due to a lack of

¹ See e.g. Fisman and Golden (2017a); Stanig (2018).

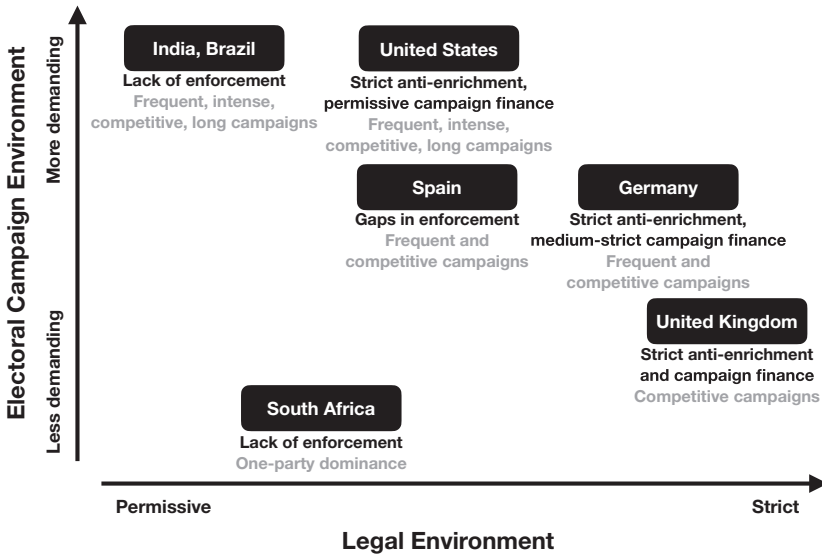


FIGURE 6.1 *Situating the case studies.* Countries discussed in this chapter are selected to provide variation along the two dimensions highlighted as explanatory factors in Chapter 3. The comments below the countries characterize the legal (black) and electoral campaign (gray) environments

enforcement. This is (imperfectly) reflected in aggregate indicators such as the World Bank's Control of Corruption measure, which ranked India 106th–110th and Brazil 121st–134th out of 209 countries from 2017 to 2019.

South Africa also has a relatively permissive legal environment characterized by spotty enforcement, although not quite to the same degree as India and Brazil. It ranks higher than both of these countries in the Control of Corruption indicator, placing between 85th and 91st. Spain has even more stringent and better enforced laws, but still with considerable enforcement gaps, especially for high-ranking politicians. It ranked 56th–67th.

The United States generally does well in aggregate indicators of corruption, ranking between 24th and 33rd from 2017 to 2019. But, as discussed in detail in Chapter 5, this only partially translates to electoral politics. While rules against self-enrichment in office are stringent, the United States is very permissive when it comes to campaign spending. Thus, its legal environment can be described as intermediately strict.

Finally, Germany and the United Kingdom both rigidly regulate money in politics. They place 11th–13th (Germany) and 12th–15th (United

Kingdom) in the Control of Corruption indicator. Both have strict laws against politicians' personal enrichment. For campaign spending rules, both countries are on the stricter side of the spectrum as well, but the United Kingdom stands out due to its imposition of expenditure limits.

The *electoral campaign environment* can be conceptualized as ranging from less to more demanding. Again, this is a simplification, since that environment is comprised of several aspects. One important part, which was the focus of the within-country studies, is electoral competitiveness. Countries with high levels of competitiveness are characterized by close elections and frequent government turnovers, as well as close elections in many individual constituencies. One-party dominance and easy victories indicate low levels of competitiveness.

Another factor that affects the electoral campaign environment is the technology employed in campaigns. If expensive techniques like TV advertisements, get-out-the-vote drives, or widespread clientelistic hand-outs are common and effective, parties and candidates operate in a much more demanding environment compared to a situation in which campaigning primarily entails leaflets and small-scale rallies. At a more systemic level, the electoral campaign environment is also shaped by how many offices in a country are elected, how frequent these elections are, and how long campaigns last.

The countries studied in Chapters 4 and 5, India, Brazil, and the United States, all have highly competitive electoral campaign environments. In the past few decades, each has experienced close elections and multiple government turnovers. Campaigns are fought using clientelistic benefits in India and Brazil, and TV ads and mobilization drives in the United States, all of which are very expensive. Finally, officials in each country are elected at many different levels, and campaigns are long and frequent.

South Africa is located at the other end of the spectrum, since a single party dominates its political landscape. Although it has lost some support over time, the African National Congress (ANC) continues to regularly win national elections with more than 50 percent of the vote, and to date there has not been a government turnover since the country became a democracy in the early 1990s. Thus, its electoral campaign environment is less demanding.

Spain, Germany, and the United Kingdom occupy the middle ground between the two extremes. Each has competitive campaigns and has experienced regular turnovers in government. However, the campaigns are shorter (often only a few weeks) and considerably less demanding. For

example, parties cannot purchase TV advertisements, and labor-intensive get-out-the-vote drives are not generally undertaken. This group of countries differs, however, in the frequency of campaigns. Spain and Germany are federal states, so parties contest a large number of subnational elections, while their UK counterparts only compete in a limited number of contests.

If my argument is correct, the location of the countries in Figure 6.1 should translate into systematic differences in how money enters politics. In India and Brazil, with permissive legal and demanding electoral campaign environments, money should primarily be used for enrichment in office and campaign spending; golden parachute employment should be rare. Chapter 4 has already demonstrated the former; in this chapter, I examine the latter.

South Africa's combination of a permissive legal environment and a less demanding campaign environment should make self-enrichment in office the most prevalent form. For the United States, campaign spending and golden parachute jobs should be common, but self-enrichment should be rare. Chapter 5 has already shown that this is indeed what happens, so this chapter does not revisit this case.

Spain occupies an intermediate place on both dimensions. We should therefore observe less campaign spending, which in turn leaves more room for self-enrichment. Because Spain's legal framework for personal enrichment is only medium-strict, this should happen in office, but we can also expect to find a good number of instances in which politicians leave office to take up well-paid positions in the private sector.

Finally, high-regulation Germany and the United Kingdom should have little or no personal enrichment and little campaign spending. Therefore, if my argument is correct, golden parachute employment ought to loom large. It should be most pronounced in the United Kingdom, where campaign finance regulation is especially strict and the electoral campaign environment is somewhat less demanding.

Throughout the chapter, it is important to keep in mind that my argument is about *how* money enters politics rather than *how much* of it there is. The case studies compare very different countries, which have widely varying amounts of money in politics. For example, India's political system has more money overall than that of the United Kingdom, even after adjusting for differences in the size of the two countries. The reasons for this are varied and complex, and I briefly discuss this in the concluding chapter. But since my interest here is to explain how money enters politics, I take the amount of it as given.

Finally, note that the cases analyzed in the previous chapters are located in the upper to center-left of Figure 6.1, which means they have demanding electoral campaign environments and permissive to intermediate legal environments. This allowed me to identify changes in legal conditions as well as within-country variation in competitiveness, which provided evidence with high internal validity. This chapter probes the external validity of these analyses to determine whether the argument extends to between-country differences as well.

6.2 INDIA

In low-regulation environments like India and Brazil, where the flow of money into politics is either loosely regulated or the existing rules are not strictly enforced, I have argued that self-enrichment in office and campaign spending should be the prevailing forms and that golden parachute employment should not be very common. Chapter 4 has demonstrated the prevalence of campaign spending and personal enrichment in India. But what about golden parachute employment?

When I asked academics, journalists, or activists during my fieldwork in India about politicians who go into the private sector, I was usually met either with a blank stare or a puzzled look, followed by an admission that they could not think of any cases where this has happened. They were more likely to express the opposite worry: That it is quite difficult to get politicians to leave politics at all. Indeed, newspaper editorials lament the overrepresentation of the elderly in Indian politics. One writer in 2013 described the cabinet of then-Prime Minister Manmohan Singh, himself eighty-one years old at the time, as “a coterie of septuagenarians and ‘youthful’ ministers in their 60s.”² Another columnist observed that: “[a]ll major parties are facing serious problems with senior politicians and do not know how to get rid of them, since they refuse to leave active politics. They keep fighting for [loot] and power ... till the last.”³ A systematic cross-national comparison shows that out of 116 parliaments around the world, the Indian upper house has the sixth-highest average age of MPs, and the lower house ranks 23rd (Power, 2012).

Of course, these anecdotes and the data only look at politicians who *stayed* in elected office. But what about those who lose their position,

² “Indian Gerontocracy: Why Are Indian Leaders So Old?,” *The Diplomat*, December 24, 2013.

³ “Younger India, Greying Politicians,” *Business Line*, February 6, 2009.

which is relatively common in India (Uppal, 2009)? There are no systematic studies of Indian politicians' career paths that I am aware of. But a little exercise is instructive. When the government coalition led by the Congress Party lost power in 2014, a dozen ministers also lost their seats in parliament. Ministers in general are most likely to move into a lucrative private sector job. So what were the Indian ex-ministers doing in the years after leaving their position?

For example, the former Minister of Mines oversaw an economic area known for deep financial ties between corporations and politicians (Asher and Novosad, 2020). Instead of working as a nonexecutive director or board member of a mining company, he became the head of a museum dedicated to Sardar Patel, one of the founding fathers of the Indian republic. The former Minister of Civil Aviation remained the leader of his party, the Rashtriya Lok Dal, even though it no longer had any seats in parliament. The ex-Minister of Corporate Affairs became head of the Congress Party in the state of Rajasthan, and the former Minister of Health became the opposition leader in the upper house. Media reports refer to the former Minister of Home Affairs as a "senior Congress leader." The former Minister of External Affairs? Also a "senior Congress leader." How about the Minister of Law, the Minister of Housing, or the Minister of Coal? All of them "senior Congress leaders." Not a single one of the dozen ex-ministers, many of whom occupied positions that put them in charge of billion-dollar industries, moved to the private sector.

This pattern is not restricted to government ministers. When Sheila Dikshit was ousted after fifteen years as Chief Minister of Delhi, during which she oversaw the corruption-riddled construction projects for the 2010 Commonwealth Games, she was appointed Chief Minister of the state of Kerala less than three months later. In other words, even if politicians in India lose their office, they stay in politics and try to find another elected or appointed position.

While golden parachute jobs for Indian politicians are uncommon, the practice itself is *not* unheard of. Javid Chowdhury, a veteran civil servant, vividly describes them as a common occurrence in parts of the Indian *bureaucracy*:

Positions in certain areas of governance – commerce, industry, petroleum, power, certain areas of finance – are monopolized by a favoured set of officials. These officials tamely carry out the instructions of the economic tsars For some years now, the officials from this cabal are increasingly also found to be suitable for post-retirement sinecures in the private conglomerates. One leading corporate house of Mumbai has cultivated the reputation of very faithfully providing

post-retirement financial recompense to those senior officials who looked after them while in government. This has created a favourable reputation for this corporate house in the market as reliable paymasters for favours earlier rendered (Chowdhury, 2012, 67).

One reason why there are golden parachute jobs for bureaucrats but not for politicians is that the former have to retire at age sixty and thus no longer have the chance to profit from their position. Politicians, however, have no such restrictions. Thus, they continue to run for (and win) office, enjoy the associated financial benefits time and time again, and have no need for private sector jobs.

6.3 BRAZIL

What about the second example of a country with a permissive legal but a demanding electoral campaign environment that I analyzed in depth, Brazil? How often do incumbents leave politics for apparently greener pastures in the private sector? Unlike India, there is a literature studying Brazilian politicians' career paths. It provides no evidence that the move from politics into the private sector through golden parachute jobs is common.

Samuels (2003) studies the careers of all members of the lower house between 1945 and 1994. He argues that the reelection assumption does not apply in this context, as legislators do not seek to build a career in the national legislature. Instead, they only spend a short amount of time there before moving on. However, they do not leave politics: "[M]ost Brazilian deputies do continue their political careers, or at least attempt to do so, after serving in the Chamber, and ... most of them do so at the subnational level" (Samuels, 2003, 59). In Brazil, states and municipalities have significant powers, and being a politician at the subnational level is in many ways preferable to being a national politician. Roughly two-thirds of deputies seek to enter state or municipal politics after leaving the national legislature (Samuels, 2003).

But what happens once politicians get to the subnational level? As discussed in Chapter 4, one of the most attractive political positions is to become a municipal mayor. I have shown that, depending on their office security and the stringency of the regulation they are subject to, mayors increase their personal wealth *and* invest in their reelection campaigns. But due to term limits, they can spend at most eight consecutive years in charge of a municipality. What do they do then? Klačnja and Titunik (2017) analyze the career paths of all mayors who were elected

between 1996 and 2008. They show that once they can no longer run again, some do the opposite of what Samuels (2003) documents and run for national office. Most, however, simply wait one election cycle and then run again for mayor.

Politicians in Brazil not only switch between different levels of electoral politics; they also move in and out of other political roles. Some of the most popular positions that federal deputies take up subsequently are state secretary or other state-level positions, as well as jobs in their state party executive (Samuels, 2003). Santos and Pegurier (2011) observe that with respect to career paths, “[i]n Brazil, no clear separation exists ... between the legislative and the executive branches of municipal, state and federal governments” (Santos and Pegurier, 2011, 180).⁴ They categorize political careers in Brazil as following an “integrated” model according to a classification by Borchert (2011), which is characterized by a perpetual political career at various levels of government. This type of career provides “[m]ore options for politicians who have passed the zenith of their career. Rather than being forced out of the game altogether, they can still find fall-back positions within the political profession that are acceptable” (Borchert, 2011, 131).

What is notably absent is the notion that politicians might cash in on their position by moving into the private sector. One would expect that if Brazilian politicians were regularly taking up golden parachute employment, this would be mentioned in at least some studies of career paths. Instead, all available evidence suggests that they prefer to stay in politics at whichever level has an opening. This is consistent with my argument that golden parachute employment is a second-best option that only occurs when other forms of money in politics, particularly enrichment while in office, are strictly regulated.

6.4 SOUTH AFRICA

South Africa has somewhat stricter laws regarding money in politics than Brazil and India, and ranks higher on the Control of Corruption indicator (between 85th and 91st from 2017 to 2019). Yet these laws are weakly enforced because anti-corruption bodies lack independence (Robinson and Brummer, 2006; Booysen, 2011; Calland, 2016).

What really distinguishes South Africa from Brazil and India, however, is the electoral campaign environment. It is, in the words of one

⁴ See also Gingerich (2013) on the interwovenness of bureaucracy and electoral politics in Latin America.

historian, a “one-party democracy” (Thompson, 2014, 368). In the six elections between 1994 and 2019, the ANC received 57.5–69.7 percent of the votes, despite the fact that its record in government is far from perfect; citizens “afford the ANC immense leeway for underperformance and deficits. They have a deep and forgiving bond with *their* ANC” (Booyesen, 2011, 86, emphasis in original). And: “The essential repertoire is: first vote ANC, and then in between-election periods protest against the ANC in government to get more attention and better action” (Booyesen, 2011, 127). As a consequence, South Africa’s campaign environment is significantly less demanding than those of the other cases discussed so far.

The theoretical prediction is therefore that self-enrichment in office should be the dominant way for money to enter politics. Because of the lack of enforcement, politicians who engage in the practice are unlikely to be caught, and even less likely to be convicted. Thus there is little need for golden parachute employment. Since the ANC dominates electorally, its politicians should not need to spend large sums on election campaigns, even though party funding is largely unregulated (cf. Tshitereke, 2002; Lowry, 2008; Calland, 2016).

Self-enrichment in office is indeed common among South African politicians. The wide variety of authors and publications who portray it as rampant is quite impressive:

- “It is accepted that politics brings wealth to the political elites” (Booyesen, 2011, 8).
- “It was widely accepted and frequently shown that election into ANC position ... was the first step towards financial well-being” (Booyesen, 2011, 364).
- “The state is perceived as a source of enrichment” (Thompson, 2014, 390).
- “The [current] ANC is fundamentally a coalition founded on greed and lust for power, and thirst for loot. ... They are united by a desire for wealth and position. But there are not enough positions to meet everyone’s needs, nor enough wealth to pillage” (Suttner, 2009, 21).
- “Corruption has enriched ANC leaders and their business allies.”⁵
- “[T]he ANC has become a machine, not for sensible policymaking but for lavish self-enrichment.”⁶

No other politician exemplifies the use of office to gain personal wealth more than former President Jacob Zuma. Allegations against him date back to before he became president. In 1998, when Zuma was deputy president of the ANC, the cabinet approved an arms deal worth around

⁵ “‘They Eat Money’: How Mandela’s Political Heirs Grow Rich Off Corruption,” *New York Times*, April 6, 2018.

⁶ “The End May Well Be Nigh for the ANC,” *Financial Times*, September 20, 2017.

R30 billion (about \$3 billion at the time). Rumors soon emerged that large-scale bribery had occurred during the procurement process. While investigations were impeded at various times, in 2005 Zuma's financial adviser Schabir Shaik was sentenced to fifteen years in prison for soliciting bribes on behalf of Zuma from the French company Thales. This prompted President Thabo Mbeki to fire Zuma. Shaik's conviction led to Zuma being charged with 783 counts of corruption. They were dropped before the 2009 elections, in which Zuma became president. However, the Supreme Court reinstated the charges in 2017.⁷

Zuma also allegedly engaged in self-enrichment during his time as president. South Africans were outraged when it emerged that around \$30 million of taxpayer money was used to renovate his sprawling private residence. While the government justified the works as security-related, they reportedly included upgrades to a visitors' center, a swimming pool, and an amphitheater. A court ordered Zuma to repay a share of the cost.⁸

The biggest scandal during Zuma's presidency, however, involved far larger sums of money. It led the Public Protector, an independent oversight institution enshrined in the constitution, to issue a 355-page report called "State of Capture" (Public Protector South Africa, 2016) that investigates Zuma's relationship with the Guptas, three Indian brothers with a large business empire in South Africa. Their close connection to the president allegedly enabled them to get lucrative state contracts, buy a coal mine, and even have a say in the hiring and firing of cabinet ministers. Zuma and other ANC politicians are thought to have been rewarded by receiving a cut of these deals. As a consequence, billions of dollars have been looted from public funds. The accumulation of such scandals finally contributed to Zuma's ouster from the presidency in 2018.⁹

⁷ See e.g. Hyslop (2005); Robinson and Brummer (2006); Booysen (2011, 51–57); Thompson (2014); "South African Leader Sacks Deputy," *BBC News*, June 14, 2005; "SA Judge Finds Jacob Zuma Should Face Corruption Charges," *BBC News*, April 29, 2016; "South African Supreme Court Upholds Reinstating 783 Corruption Charges against Zuma," *Reuters*, October 13, 2017; "South Africa Arms Deal That Landed Zuma in Court: What You Need to Know," *BBC News*, April 6, 2018.

⁸ See e.g. Thompson (2014); "Power Struggle Paralyzes South Africa's Ruling ANC Party," *Los Angeles Times*, December 2, 2012; "Zuma Told to Repay R7.8m Spent on Estate in 'Nkandlagate' Scandal," *Financial Times*, June 27, 2016; "How Jacob Zuma Captured South Africa, and How He Might Lose Control," *The Economist*, December 9, 2017.

⁹ See e.g. Booysen (2011, 389–390); "Jacob Zuma Resigns as South Africa's President," *New York Times*, February 14, 2018; "The Guptas and Their Links to South Africa's Jacob Zuma," *BBC News*, February 14, 2018; "In Gupta Brothers' Rise and Fall, the Tale of a Sullied A.N.C.," *New York Times*, December 22, 2018.

There is evidence that South African politicians at all levels of government have engaged in self-enrichment. For instance, Welfare Minister Abe Williams was forced to resign in 1996 after it emerged that he had accepted a bribe from a company contracted to distribute pension funds.¹⁰ Likewise, the Public Protector and the parliament's ethics committee found Dina Pule, Minister for Telecommunications from 2011 to 2013, guilty of funneling contracts to her partner's business.¹¹ In general:

[T]he ANC was ensnared with, and probably entrapped in, a new world in which government members across the ranks were becoming rich through business interests that many struggled to declare. Family members and close associates were beneficiaries of deals leveraged through positions of in-state deployment. Syndicates rigged contracts and other procurement processes, whilst anchor persons, including high-level incumbent politicians, were not suspended (Booyesen, 2011, 389).

Finally, the abuse of office for self-enrichment also extends to the subnational level. For example, John Block, a cabinet member in the Northern Cape province, was sentenced to fifteen years in prison for receiving kickbacks from a company in exchange for influencing provincial departments in its favor.¹² A commission set up by the ANC in 2011 worried that "ANC membership was now pursued by those with no interest in politics, merely a get-rich-quick attitude" (Johnson, 2015, 145). And in fact, several critics who have spoken out against enrichment in office in recent years have been assassinated.¹³

Because the opportunities for enrichment in office are myriad in South Africa, *golden parachute employment* is rare. This is especially true in recent years. There are several cases of golden parachute jobs among the first generation of post-apartheid politicians. For example, the first Minister of Transport, Mac Maharaj, became a member of the board of directors of FirstRand Bank. His colleague, Minister of Defense Joe

¹⁰ Lodge (1998).

¹¹ "Minister Dina Pule Accused of Nepotism," *Mail & Guardian*, August 3, 2012; "Pule Found Guilty of Breaching Code of Conduct," *Mail & Guardian*, August 7, 2013; "Madonsela Report Finds Pule Guilty of 'Persistently Lying'," *Mail & Guardian*, December 12, 2013.

¹² "John Block Guilty of Corruption, Fraud, Money Laundering," *Mail & Guardian*, October 14, 2015; "John Block Gets 15-Year Jail Term for Money Laundering, Corruption," *Mail & Guardian*, December 6, 2016.

¹³ "Hit Men and Power: South Africa's Leaders Are Killing One Another," *New York Times*, September 30, 2018.

Modise, became chair of a company that regularly won government contracts (Hyslop, 2005). However, as personal enrichment in office has become more common, leaving politics and moving into the private sector has become less prevalent.

It is difficult to quantify how widespread golden parachute employment is in South Africa, as to my knowledge there are no systematic studies of politicians' career paths. However, I can conduct a similar exercise as I did above for India. In 2007, there was a power struggle between the incumbent President Thabo Mbeki and Jacob Zuma, his main challenger. During the party conference at the end of the year, Mbeki and most of his cabinet ministers were ousted from the ANC National Executive Committee (NEC). In September 2008, the NEC then asked Mbeki to step down from the presidency. Eleven cabinet ministers resigned, followed by Mbeki himself.¹⁴ After Kgalema Motlanthe's brief interim presidency, Zuma took over in 2009.

What happened to those ministers? In many ways, they were ideal candidates for golden parachute jobs. Not only were they in charge of important portfolios, their continued engagement in politics was also complicated by the depth of the animosity between the Mbeki and Zuma camps. Nevertheless, most ministers who stepped down continued to be engaged in electoral politics, either within the ANC or by founding a new party. Some also took over roles in international organizations or the education sector. Of the eleven, only one could possibly be classified as taking a golden parachute job: The Minister of Public Enterprises, Alec Erwin, became the director of an investment holdings company.

Finally, consistent with the theoretical prediction, *campaign spending* does indeed matter less in South Africa than in Brazil and India. Of course, because the party finance system is almost completely unregulated and even permits foreign contributions (Tshitereke, 2002; Robinson and Brummer, 2006; Lowry, 2008; Calland, 2016), a decent amount of money is spent, especially by the ANC. The South Africa-specific literature stresses that "ANC campaigns are well-resourced and ANC business entrepreneurship and benefactors ensure that its campaign coffers do not run dry" (Booyesen, 2011, 220). Campaign money comes from business people, from abroad, from public funding, as well as from the party's investment arm (Tshitereke, 2002; Robinson and Brummer, 2006; Booyesen, 2011; Calland, 2016).

¹⁴ Booyesen (2011, 65–69); "SA Rocked by Resignation of Ministers," *Mail & Guardian*, September 23, 2008.

However, campaigns are nowhere near as expensive in South Africa as elsewhere. For example, cost-intensive clientelistic efforts are comparatively low. An expert survey by the Democratic Accountability and Linkages Project ranks South Africa 33rd out of eighty-eight countries for clientelistic efforts, where higher ranks indicate less clientelism (Kitschelt, 2013). This is roughly on par with Greece and Italy. For comparison, Brazil ranks 59th and India comes in 62nd. The total cost of campaigning in South Africa also lags behind these other countries. During the 1999 elections, the spending of all parties was estimated at R300–500 million, about \$50–85 million given exchange rates at the time (Tshitereke, 2002). This is of course not an insignificant amount. However, it certainly is not enough to serve as a short-term economic stimulus, as campaigns do in India or Brazil. It also pales in comparison to the sums involved in the personal enrichment cases discussed earlier.

In addition, there are regular reports of the ANC's financial difficulties. In 2012, its party headquarters could no longer pay its rent and had to partially move into the offices of the trade union federation Cosatu. The same year, it also fell behind paying staff salaries (Johnson, 2015, 124, 153). In 2014, a newspaper reported that "the party has struggled to raise money from private funders over the past few years" and that the secretary general told employees who had not been paid in months to "please bear with us ... the ship is tight."¹⁵ Three years later, the ANC was reported to be "technically insolvent."¹⁶ And in 2018, the party only barely avoided the seizure of Luthuli House, its headquarters, over unpaid fees.¹⁷ Again, this starkly contrasts with the lavish self-enrichment of ANC politicians across the board.

To summarize, the way politicians in South Africa use money is consistent with my theoretical expectations. Given the country's relatively permissive legal environment and the ANC's electoral dominance, enrichment in office is rampant, golden parachute employment is rare, and comparatively little money is spent on elections.

6.5 SPAIN

Spain has more stringent and better enforced rules related to money and politics than the countries discussed earlier, ranking 56th–67th on the Control of Corruption indicator. Its laws against the abuse of office for

¹⁵ "The ANC Is Broke," *Mail & Guardian*, October 31, 2014.

¹⁶ "ANC Is Technically Insolvent," *Huffington Post*, December 20, 2017.

¹⁷ "Joburg ANC Saves Luthuli House from Being Seized by City," *Times Live*, June 14, 2018.

personal enrichment are reasonably strict. However, their enforcement can be spotty especially for high-level politicians due to limited judicial independence (Pujas and Rhodes, 2002; Chislett, 2013). The average court case involving corruption lasts for about ten years; and even if it results in a conviction, the perpetrators often get off the hook anyways: Between 2000 and 2012, 132 politicians who were convicted of corruption received a pardon (Jiménez, 2014).

Campaign finance laws are also relatively strict on paper (Pujas and Rhodes, 2002; García Viñuela and Artés, 2008; GRECO, 2009, 2013; Jiménez and Villoria, 2012). There are donation limits in place, and private companies that provide goods and services to a public sector entity are prohibited from making political contributions. However, loopholes make it easy to circumvent these laws. For example, anonymous contributions were allowed for a long time, rendering existing donation limits irrelevant. Unsurprisingly, up to 95 percent of donations came from unnamed sources (GRECO, 2009; Jiménez and Villoria, 2012). Nor do donation restrictions apply to in-kind real estate donations or to loans given to parties (GRECO, 2009; Jiménez and Villoria, 2012). Foundations that are tied to political parties are subject to separate, and less stringent, rules. For example, they are allowed to receive money from corporations that have been awarded public contracts (GRECO, 2009, 2013). Finally, as is the case for personal enrichment, enforcement of campaign finance rules is spotty: The parties are rarely scrutinized, in part because the audit court does not have the necessary resources or the required enforcement and sanctioning powers (GRECO, 2009).

Elections are competitive in Spain: the social-democratic Partido Socialista Obrero Español (PSOE) and the conservative Partido Popular (PP) have regularly alternated in government. The electoral campaign environment is also made more demanding by the fact that there are many elections in Spain's seventeen autonomous communities, each of which has its own government. This, combined with the fact that Spanish parties only emerged post-industrialization and thus never attained mass membership status and the associated reliable stream of membership dues, means that parties have traditionally struggled to keep up with the financial demands associated with this campaign environment (Heywood, 1997; Jiménez and Villoria, 2012).

Spain's intermediate position on both dimensions suggests that we should observe a good amount of money entering politics for electoral purposes, but that there is room for self-enrichment as well. Because the legal framework for personal enrichment is only medium-strict, this

should happen in office, but we might also expect to find politicians leaving office to take up well-paid positions in the private sector (although not necessarily the same ones who enrich themselves while in office).

Campaign spending is indeed an important way in which money enters politics in Spain. According to the official statistics, only a relatively small share of parties' budgets come from donations. However, "[d]isclosed donations offer a misleading picture of the role of private money in party financing because they do not include the sums raised from the uncontrolled financing of parties" (García Viñuela and González de Aguilar, 2011, 10).

For example, contributions are often made to foundations that are tied to parties or through real estate donations. And because donation limits do not apply to loans, they have become an important source of party financing. In 2006, political parties had accumulated debts of more than €200 million (GRECO, 2009; Jiménez and Villoria, 2012). What is more, banks were allowed to simply cancel parties' liabilities. By one estimate, debt cancellations between 1997 and 1999 alone were almost €20 million (GRECO, 2013).

The desire to raise and spend money on elections does not stop in the legal gray zone. Examples of illegal activities used to fill candidates' and parties' campaign coffers span the history of modern Spanish democracy. The PSOE was embroiled in a series of scandals in the 1990s that revealed how it received kickbacks from public works projects that were used to finance the party. The most egregious case was the "Filesa affair" in which two elected PSOE representatives ran a front company that charged businesses inflated prices for consultancy work and used the earnings to pay party bills (Heywood, 1997; Pujas and Rhodes, 2002; Chislett, 2013). Other cases of party-serving corruption involved a company receiving a contract for the 1992 Expo in Seville after having paid money to the PSOE, and Siemens doing the same when it won a contract to build a high-speed rail link. The PP has also been implicated in a number of scandals. For example, its treasurer was arrested in 1990 for using local government contracts and property development to raise funds for the party (Heywood, 1997; Pujas and Rhodes, 2002).

But money enters Spanish politics not only to finance elections; politicians also engage in *self-enrichment*. This dual purpose can clearly be seen in the "Bárceñas affair." In January 2013, the newspaper *El País* published a handwritten ledger attributed to Luis Bárceñas, a former treasurer of the PP. It listed hundreds of payments made and received between 1990 and

2008, suggesting the existence of a parallel bookkeeping system. Bárcenas was eventually sentenced to thirty-three years in prison, a verdict that led to the ouster of Prime Minister Mariano Rajoy.¹⁸ During the investigation and trial, Bárcenas “described in detail how donors used to arrive at party headquarters with bags and suitcases full of cash.”¹⁹ A total of around €8.3 million was routed through this system. The “contributions” largely came from companies that had public contracts and thus were not legally allowed to make political donations; they often exceeded the annual limit, and were always made in cash (Jiménez, 2014).

PP politicians then used the money *both* for electoral purposes and for personal enrichment. As Bárcenas detailed in testimony, for the former, the black money was sliced up into tranches of less than €60,000 (under the annual campaign contribution limit). These would be donated anonymously, which was legal until 2007, to party accounts. Once the money was laundered in this way, it would be used for campaign spending (Jiménez, 2014). For personal enrichment, part of the money was put into a slush fund, from which quarterly payments to key party leaders were made. Most explosively, the name of Mariano Rajoy appears thirty-five times, and the reported cash payments to him total over €320,000 between 1997 and 2008.²⁰

This dual purpose for money can be found all around the country and at different levels of government. In an extensive review of cases, Jiménez and Carbona (2012) conclude: “The main purpose [of corruption] is usually illicit enrichment, but generally, in an instrumental way, there is a second purpose related to it: the financing of electoral campaigns.” They provide a first-hand account of conversations, recorded by the authorities, in which politicians discuss both motivations. In one case, a city councilor of a small party in Orihuela, near Murcia, talks with a businessman in the trash collection sector. The latter wants the former to challenge a case where a city contract had been given to one of his competitors:

¹⁸ “Governing Popular Party and Its Ex-Treasurer, Sentenced in Massive Corruption Case,” *El País*, May 24, 2018; “Spain’s Prime Minister, Mariano Rajoy, Is Ousted in No-Confidence Vote,” *New York Times*, June 1, 2018.

¹⁹ “PP’s Former Treasurer Breaks Silence on Spanish Slush Fund Scandal,” *Financial Times*, July 7, 2013.

²⁰ “PP’s Former Treasurer Breaks Silence on Spanish Slush Fund Scandal,” *Financial Times*, July 7, 2013.

Businessman: “When the time comes, before the plenary...”

Councilor: “I don’t want anything, you pay the campaign.”

Businessman: “Yes. You can have 100 percent confidence...an American-style campaign.”

Councilor: “No, not American-style, but a campaign so we can win eight or nine council seats.”

On the other end of the spectrum, the following conversation between an intermediary and a councilor in Camas, near Seville, could not make the personal enrichment motive any clearer:

Councilor: “What would I receive?”

Intermediary: “Well, you would be set for life, and your children, and twenty generations of yours ... This is a gold mine. This is gold, gold, gold.”

Councilor: “I have only seen corruption from afar. I did not think it would come so close.”

Intermediary: “For all of us, our time comes one day. For you, it has come now.”²¹

Money in Spanish politics is thus used for campaign spending as well as for self-enrichment. But clearly, the legal consequences – especially for the latter – are more severe than in India or Brazil, so enrichment in office is not nearly as pronounced, especially at the highly scrutinized national level. Given the scale and complexity of Bárcenas’ shadow accounts, the payments to Rajoy came to less than €30,000 a year, which in truth is rather paltry. Given Spain’s intermediate legal position, we should therefore see considerable movement into *golden parachute employment* as well.

And indeed, an investigation by the online newspaper *Público* in 2016 found that at least fifty-eight former politicians were employed by the thirty-five companies listed on Spain’s main stock market index. Most of them were former high-ranking government members, but a few also used to be influential figures in regional politics. They collectively earned more than €18 million. Almost half of them worked for companies in the energy sector, followed by the banking and telecommunications sectors. Of the fifty-eight, twenty-two were members of the PP. They earned almost €9 million, so about €400,000 on average. The sixteen PSOE members made about €190,000 on average for a total of €3 million.²²

²¹ All quotes appear in Jiménez and Carbona (2012), translated by the author.

²² “Al menos 58 ex altos cargos políticos trabajan ahora para el Ibex,” *Público*, March 17, 2017; “Infografía: ‘La trama de los expolíticos en la cúpula del IBEX-35,’” *Público*, March 17, 2017.

One prominent example of a politician taking up a golden parachute job is Ángel Acebes, who held a number of positions in the cabinet of José María Aznar. After the PP lost the 2004 election, Acebes returned to being a regular MP until 2011, when he resigned. In April 2012, he became a member of the executive committee of the utility company Iberdrola. The committee met thirty-one times in 2013, for which Acebes received a salary of €317,000.²³ Another representative case involves the PSOE politician Trinidad Jiménez. She was a member of the cabinet of José Luis Zapatero for five years and then became an MP. Roughly three weeks after her resignation in early 2016, it was announced that she would join the telecommunications giant Telefónica in an executive role.²⁴ Note that neither of those politicians were accused of enrichment while in office, which is consistent with the argument I made in Chapter 3 that the same individuals typically do not engage in enrichment *in* and *after* office.

In summary, Spain falls in the middle of both explanatory dimensions. Consistent with theoretical expectations, we can therefore observe all three forms of money in politics. There is evidence that influential politicians enrich themselves while in office, and they put effort into raising campaign money in both legal and illegal ways. Finally, many of them take up well-paid jobs in private companies after leaving office.

6.6 GERMANY

In the Control of Corruption indicator, Germany ranked between 11th and 13th from 2017 to 2019, higher than any other country discussed so far. It has strict and well-enforced laws regulating high-level enrichment in office. A report by the compliance management company GAN Integrity states that “Germany has strong institutional and legal anti-corruption frameworks” and that it “is among the world’s top enforcers of anti-corruption legislation.”²⁵ Germany’s campaign finance regulation is somewhat less restrictive. It does not limit how much parties or candidates can spend. However, it has more stringent transparency requirements than most of the countries discussed so far (Scarrow, 2007). In addition, Germany is a pioneer when it comes to generous public

²³ “Ángel Acebes ya acaricia el millón de euros de sueldo acumulado en Iberdrola,” *eldiario.es*, January 6, 2015.

²⁴ “Telefónica pone en marcha el fichaje de la ex ministra Trinidad Jiménez,” *El Mundo*, February 2, 2016.

²⁵ “Germany Corruption Report,” *GAN Risk and Compliance Portal*, August 2020.

financing, which reduces the need to raise funds from the private sector (Scarrow, 2007; Falguera, Jones, and Ohman, 2014).

Germany's electoral campaign environment is at an intermediate level of demandingness. Elections are competitive: Both the conservative Christliche Demokratische Union/Christlich-Soziale Union (CDU/CSU) and the left-leaning Sozialdemokratische Partei Deutschlands (SPD) have taken turns in government. Since federal- and state-level elections are not synchronized with each other, German parties also must finance campaigns several times a year. However, campaigns are short, get-out-the-vote drives are not effective and thus not common, and parties cannot purchase TV or radio advertisements. Instead, they are allocated limited media slots based on their past performance in elections, membership numbers, and other factors. One of the main modes of campaigning is posters and billboards in public spaces, which are exceedingly cheap.²⁶

The stringent and rigorously enforced laws should deter politicians from enriching themselves while in office, unlike what we observe for Spain. Instead, we would expect golden parachute employment to be common among German politicians. The less demanding campaign environment should ensure that the amount of money spent on elections is not overwhelming, but we can still expect it to play an important role. The theoretical expectation is therefore that money should enter politics primarily as campaign spending and through golden parachute jobs.

In the literature on money and politics in Germany, it is widely accepted that the *personal enrichment* of politicians is uncommon: “[P]olitical scandals in post-war German politics show marked similarities. In fact the most serious cases ... all involved violations of party finance laws. Furthermore, apart from some relatively trivial cases, the beneficiaries have usually been party coffers and not individual politicians” (McKay, 2003, 54–55). And: “The politicians who were corrupt or suspected of corruption were above all lured by contributions to their parties” (Seibel, 1997, 87).

These quotes make clear that *campaign spending* plays an important role in German politics. In 2014, the income of the social-democratic SPD was almost €162 million, and that of the conservative CDU was €147 million. A significant portion of this income came from donations. The two parties with the highest percentage of donations in 2014 were

²⁶ “In German Election, Campaign Posters Are More Important Than TV Ads,” NPR, September 23, 2017.

the CSU (the Bavarian sister party of the CDU) and the liberal Freie Demokratische Partei (FDP), which had 29 percent each. The CDU's share was 18 percent and the SPD's was 9 percent. For the seven major parties, this amounted to €71 million in donations (Korte, 2017).

But not all campaign money always came from legal sources. The two major post-war scandals about money in politics both involve illegal campaign money. The first is known as the "Flick affair." In the 1970s, the Flick industrial consortium was due to pay several billion DM in taxes on profits from selling its share of the car maker Daimler-Benz. Two ministers from the FDP, which had been the beneficiary of lavish donations from Flick that were channeled through a charitable foundation to hide their origins, pushed for an exceptional waiver. Its coalition partner, the SPD, at first objected, but ultimately relented after receiving a generous donation from Flick as well (Seibel, 1997; McKay, 2003).

During the course of the investigations, which led to the conviction of the FDP ministers for tax fraud, it became clear that the Flick consortium had engaged in what its manager Eberhard von Brauchitsch called the "cultivation of the political landscape" (his description of the payments) for decades. The FDP had received a total of DM6.5 million and the SPD got DM4.3 million (around €8.8 million and €5.8 million in today's currency, or \$10.4 and \$6.9 million, respectively). The biggest beneficiary, however, was the CDU, which had received a total of DM15 million.²⁷ There are suggestions, however, that these payments are only part of the story. The foundation that was used as a vehicle to channel the money to the parties donated a lot more than these sums. By some estimates, its contributions to just the CDU, CSU, and FDP between 1969 and 1980 amounted to more than DM200 million.²⁸

The Flick affair, which came to light in the 1980s, highlights the importance of campaign spending in German politics. But at no point were there suggestions that politicians used the money for their personal enrichment. This pattern also holds for the second major scandal involving money in politics. The "donations scandal" started in 1999 during an investigation of the arms dealer Karlheinz Schreiber for tax evasion. In the process, prosecutors found that he had given campaign money to the CDU that did not show up in the party's annual reports. In a subsequent interrogation, the CDU's former treasurer confirmed that he had accepted cash donations of DM1 million by Schreiber on behalf of the party (Sontheimer,

²⁷ "Ein Mann kaufte die Republik," *Spiegel*, October 6, 2006.

²⁸ "Die dunklen Seiten von Kohls Vermächtnis," *Spiegel*, December 2, 2017.

2000; Sarrow, 2003). There are suggestions that these payments were linked to various arms deals (McKay, 2003). What followed was revelation upon revelation of dubious campaign financing practices in the CDU (Naßmacher, 2000). For example, the party in the state of Hessen was found to have kept a secret bank account in Switzerland, in which more than DM30 million was stashed. Funds were illegally transferred back into official party accounts disguised as “bequests by Jewish emigrés.”

But the most important case involved former Chancellor Helmut Kohl, who admitted to maintaining a campaign slush fund of around DM12 million. In the words of the magazine *Spiegel*: “Especially during campaigns, Kohl’s expenses got out of control. He consistently ignored any budgets.”²⁹ Kohl refused to disclose who gave him the money, curtly declaring that he had given the donors his “word of honor” that they would remain anonymous. No amount of shaming, questioning in parliamentary committees, imposition of fines, or threats of imprisonment for contempt of court changed his mind. Regardless, it is clear that Kohl and the CDU supplemented their legal campaign fundraising with illegal efforts. At the same time, “[t]here was no suggestion of personal gain however” (McKay, 2003, 59).

While German politicians do not use their position to get rich while in office, many of them do benefit from *golden parachute employment*. The most famous example was introduced in the first pages of this book. In 2005, Gerhard Schröder took a position as board chairman of Nord Stream, a consortium majority-owned by the Russian energy company Gazprom, less than three weeks after stepping down as chancellor, months after approving a pipeline to be built by the consortium. This was in fact already his second job. Just a day after handing over to Angela Merkel, it was announced that Schröder would serve as an adviser to a Swiss media group.³⁰ And shortly after taking up the Nord Stream job, Schröder also joined the investment bank Rothschild as an adviser.³¹ This flurry of jobs turned the spotlight on golden parachute employment in Germany. When German-born Pope Benedict declared his retirement in 2013, a cartoon titled “Catholics Worried after Pope Announces Retirement” in the newspaper *Frankfurter Allgemeine Zeitung* shows a

²⁹ “Die dunklen Seiten von Kohls Vermächtnis,” *Spiegel*, December 2, 2017, translated by the author.

³⁰ “Schröder wird Berater des Ringier-Verlags,” *Spiegel*, November 24, 2005.

³¹ “Schröder berät die Investmentbank Rothschild,” *Frankfurter Allgemeine Zeitung*, March 24, 2006.

churchgoer worrying “Oh god, in the end the pope will go into the private sector,” while another responds: “Hopefully not to Gazprom.”³²

Indeed, Schröder is just the best-known example of a broader pattern in Germany. More than a third of his ministers went into the private sector as well, despite the fact that the SPD continued to be in the governing coalition after 2005. One notable example is former Interior Minister Otto Schily, who advocated for and oversaw the inclusion of biometric data into passport and identity cards, and then joined the boards of directors of two companies that specialize in biometric technology. And Wolfgang Clement, Minister of Economics and Labor under Schröder, joined the boards of directors of no less than seven companies within a year of leaving office (see Klein and Höntzsch, 2007).

Golden parachute jobs are not limited to members of the SPD. One of the harshest critics of Schröder’s move was the FDP politician Dirk Niebel, who declared that the arrangements had a “whiff of corruption” (Klein and Höntzsch, 2007, 1). Niebel later became the Minister for Development. In this capacity, he sat on the committee that approves arms sales to foreign countries. After his tenure ended in 2013, he joined the board of defense technology producer Rheinmetall.³³ A systematic study of the post-politics career patterns of cabinet members confirms the importance of golden parachute jobs: Dörrenbächer (2016) shows that since 2000, 30–40 percent of ministers went into the private sector immediately after leaving office.

But golden parachute jobs are not just for high-level politicians. For example, a former MP for the Green Party made headlines when she became the managing director of the interest group of German cigarette producers, and a former SPD member left office to work for the aircraft manufacturer EADS. A systematic study finds that 27 percent of former MPs work in the lobbying sector (Edinger and Schwarz, 2009). This is a large share for at least two reasons. First, it does not count all forms of golden parachute employment. Second, we know that holding a higher political position is associated with a greater probability of being offered an attractive position after leaving office (Würfel, 2018). But a typical German MP has less influence than an average member of, for example, the US Congress, as party discipline is greater and most decisions are

³² “Eine Zeit der Rückschau ist angebrochen,” *Frankfurter Allgemeine Zeitung*, February 12, 2013.

³³ “Dirk Niebel to Take Up International Duties at Rheinmetall Starting in 2015,” *Rheinmetall Press Release*, July 1, 2014.

made by the leadership. The fact that despite this, more than a quarter of former MPs become lobbyists speaks volumes about the importance of golden parachute employment in Germany.

In summary, Germany is on the stricter end of regulations for personal enrichment, and has an intermediately demanding electoral campaign environment. As a consequence, politicians do not tend to enrich themselves while in office, but many benefit from their position after leaving it. In addition, campaign spending is limited but not negligible. All of this is consistent with theoretical expectations.

6.7 UNITED KINGDOM

Finally, the United Kingdom also has a strict legal environment, ranking directly above Germany in the Control of Corruption measure. GAN Integrity states that “[c]orruption does not represent a constraint to business in the United Kingdom” and that “the UK promotes high ethical standards in public services.”³⁴

Its campaign finance framework is the most restrictive of all countries discussed in this book. This has a long tradition:

As democratic elections became the norm in Britain, two principles became firmly established in the political and public mind: that individual and party spending on elections should be comparatively small scale, and that the state has a duty to restrict elections spending tightly in the interest of fair competition (Adonis, 1997, 110).

In particular, limits on how much candidates can spend at the constituency level have been in effect since 1883 (Pinto-Duschinsky, 1981; Ewing and Rowbottom, 2012; Johnston and Pattie, 2012; Fourniaies, 2021). Expenditure control has become even more restrictive since 2000, when *national* expenditure limits were introduced. Parties’ campaign spending is restricted to no more than £30,000 per contested constituency in the 365 days before an election (Clift and Fisher, 2004; Ewing and Rowbottom, 2012; Fisher, 2016). This stands in contrast to Germany, which does not place caps on campaign spending. The United Kingdom also places restrictions on donors. Unions must ballot their members once every ten years about whether they should set up a political fund that donates to parties and politicians. Corporations have to poll their shareholders every four years about whether the board of directors has the right to make political donations (Clift and Fisher, 2004; Fisher, 2016).

³⁴ “United Kingdom Corruption Report,” *GAN Risk and Compliance Portal*, September 2020.

The UK's electoral campaign environment is somewhat less demanding than Germany's. While campaigns are competitive, they are typically very short. For example, Gordon Brown announced on April 6, 2010 that a general election would take place on May 6 that same year. This means that there are few opportunities to spend on campaigning. In addition, the United Kingdom is characterized by a high degree of centralization, so fewer elections take place (Adonis, 1997).

The theoretical prediction for money in the United Kingdom is thus that enrichment in office should be all but nonexistent, and that campaign spending should be limited as well, even compared to Germany. This only leaves the third option for money to enter politics – golden parachute employment, which is predicted to be even more widespread than in Germany.

There are indeed few instances of post-war British politicians using their offices for *self-enrichment*, and the cases that did occur involve very little money. For example, when an architecture company went bankrupt in 1972, the trustee who took over operations discovered that the firm had made payments to various local and national politicians in the hope of gaining commissions for public buildings. The case received intense public scrutiny, especially as it became clear that three MPs were accused of having accepted money and gifts. While their cases shocked the British public, the sums involved were rather meager. The transaction that received the most attention was a silver coffee pot given to one MP, initially valued at £600 (roughly £9,000 or \$11,600 today); its true value was later determined to be only £40. The second MP had received £1,000 (about £15,000 today), and the third went on a paid vacation (Tribe, 2010).

Another case of self-enrichment occurred in 2009, when it emerged that some MPs had made fraudulent expense claims, mostly related to a provision that allowed reimbursement for holding a second home (in London and in their constituency). While this expenses scandal played an important role in public discussion (Pattie and Johnston, 2012; Eggers, 2014), the sums involved were again rather minor, and the legal penalties were swift and severe. For example, Labour MP Jim Devine was sentenced to sixteen months in prison for fraudulent claims of less than £8,500, and Conservative MP John Taylor received twelve months for false expense claims of roughly £11,300.³⁵ This confirms that enrichment in office in

³⁵ “Former MP Jim Devine Guilty Over Expenses,” *BBC News*, February 10, 2011; “Lord Taylor Guilty of Making False Expenses Claims,” *BBC News*, January 25, 2011.

the United Kingdom is subject to strict and well-enforced laws. Politicians who engage in it nevertheless do so at a high risk, even if they only take small sums of money.

What about *campaign spending*? Because of the spending restrictions (stringent legal environment) as well as the short election period and the small number of elections (less demanding electoral campaign environment), party expenses are also relatively low. For example, the Labour Party only spent about £11 million on its 2015 general election campaign. Between 2010 and 2016, the total annual expenditure of the central Labour Party has fluctuated between roughly £20 million and £30 million – closer to the former in nonelection years and closer to the latter when general elections were held. Conservative Party expenditures topped £40 million in 2010, but have oscillated between around £20 million and £30 million since. The Liberal Democrats have annual expenses of less than £10 million (Fisher, 2018). While these sums are not insignificant, they are less than what German parties spend. Nor have there been major scandals involving illegal party finance practices.

Given the limited prevalence of campaign money and the almost negligible level of enrichment in office, *golden parachute employment* in Britain should be widespread. And indeed, politicians in the United Kingdom can benefit financially from their position: Eggers and Hainmueller (2009) compare the wealth of MPs who narrowly won elections to that of people who ran for office, but narrowly lost. They find that members of the Conservative Party who, essentially by luck, won a seat in parliament had assets twice as high as their unsuccessful colleagues at the time of their deaths, which amounts to £250,000 on average. This additional wealth is due to corporate directorships, which election winners take up at more than three times the rate of losers (Eggers and Hainmueller, 2009).

One of the most prominent early examples of golden parachute employment was Nigel Lawson, who left Margaret Thatcher's cabinet in October 1989 and took up a directorship with a national bank four months later. He earned a salary of £100,000 per year, about four times the amount he received as an MP (Eggers and Hainmueller, 2009).

A host of politicians (especially cabinet members) have pursued similar career paths. After the 2005 election, Health Minister Alan Milburn took several jobs with private health companies as well as with a private equity firm that received contracts from the National Health Service (Transparency International, 2014). Alan Turnbull stepped down as head of the

Home Civil Service and took up no less than five private sector positions, two as an adviser and three as a nonexecutive director (High Pay Center, 2015).

In the cabinet reshuffle that occurred after Gordon Brown took over from Tony Blair as Prime Minister in 2007, another round of ministers headed into the private sector. For example, Health Secretary Patricia Hewitt became a nonexecutive director for a telecommunications company, earning £128,000 per year, a senior adviser for a private equity firm for £60,000 annually, and a consultant for a pharmacy chain for £55,000 (High Pay Center, 2015).

In 2010, a coalition between the Conservatives and Liberal Democrats under David Cameron took over the government from Labour. Again, outgoing cabinet members headed into golden parachute jobs in droves. For instance, Secretary of State Peter Mandelson became a senior adviser for an investment bank and opened his own consultancy firm to provide advice to corporate clients. Foreign Secretary David Miliband became vice chairman of a soccer club, joined the advisory board of a policy forum organized by the United Arab Emirates, and took up adviser roles at a consulting company as well as at two venture capital investment firms (Advisory Committee on Business Appointments, 2011, 2012).

And finally, when David Cameron resigned as Prime Minister six years later, there was again a rush of cabinet members into the private sector. Cameron himself became an adviser to a US electronic payments firm, a UK–China investment initiative, and a UK supply chain finance company.³⁶ George Osborne, the former Chancellor of the Exchequer, was given the nickname “six-job George,” later upgraded to “nine-job George.”³⁷ Former Secretary for Energy and Climate Change Edward Davey set up his own consultancy firm that accepted commissions from an international law firm and an investment bank. In addition, he became a nonexecutive director at a private equity investment company, a consultant for a public relations firm, and the chairman of an oil and gas company. And Steve Webb, the Minister for Pensions, became a director of a pensions firm with which he had regular meetings during his time in office (Advisory Committee on Business Appointments, 2016, 2017).

³⁶ “What Is David Cameron Doing Now?,” *The Guardian*, December 29, 2017; “The David Cameron Scandal: Just How Sleazy Is British Politics?,” *Financial Times*, April 16, 2021.

³⁷ “‘Six-Job George’ Is Back as Osborne Takes on Another Role,” *Sky News*, June 29, 2017; “Nine Jobs George: Osborne Adds New Role at Venture Capital Firm,” *The Guardian*, December 14, 2018.

It is possible to quantify the extent of golden parachute employment in the United Kingdom. In the two years after leaving office, all former ministers, junior ministers, and senior civil servants have to seek the permission of the Advisory Committee on Business Appointments before taking up any employment in the private sector. The committee publishes annual reports on all appointments that have been approved. From 2000 to 2017, it decided favorably on a total of 1,275 applications by ministers and senior civil servants.³⁸

This allows us to see how widespread the move into the private sector is among senior politicians. I collected the names of all British ministers who appear in the CIA Chiefs of State and Cabinet Members of Foreign Governments directory starting in 2001 and who were not still cabinet members as of early 2018. A total of seventy-one individuals fall into this category. For these politicians, the committee approved a total of 123 appointments, an average of 1.73 per person. Out of the seventy-one, forty had at least one appointment approved, so 56 percent of former ministers took up a private sector job.

This is in line with the theoretical predictions I have laid out earlier. Not only is golden parachute employment widespread in Britain; it plays a more important role than in Germany, where only 30–40 percent of ministers take a similar path. The argument I make in this book suggests that this is not a coincidence, as British politicians and parties are subject to stricter campaign spending regulations and have a less demanding electoral campaign environment.

6.8 SUMMARY

In this chapter, I have tested the book's theoretical argument in a series of qualitative country studies. In addition to India, Brazil, and the United States, I have added the cases of South Africa, Spain, Germany, and the United Kingdom. The overall picture that emerges is that countries' legal and electoral campaign environments can also explain *cross-national differences* in how politicians use money.

Taken together, the last three chapters have provided consistent evidence that the different forms of money in politics are part of a common

³⁸ Based on the compilation in High Pay Center (2015) and supplemented with the numbers reported by the Advisory Committee on Business Appointments for the periods 2014–2015, 2015–2016, and 2016–2017.

system, that they are directly connected to each other, and that a change in one form has countervailing *second-order consequences* for the other types. The final part of my argument was that how money enters politics has *third-order consequences* for various aspects of democratic competition. The next chapter tests this proposition.