

Playing the Musical Chairs: A case study of corruption and cabinet rotation in Venezuela

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Background

- Researchers have studied the performance of the executive in order to assess the best way to implement public policy and stay away from vices that can lead to corruption.
- In this study, the country case of Venezuela is used to measure the effect of cabinet rotation and the exercise of power in the executive branch of government.
- To have a wider view of the Venezuelan executive it is necessary to address why it has so much power and controls other branches of government, which can prompt corruption.

The Problem

- The political system has been pretty much stable during the democratic period from 1958 to 1993 where Democratic Action (AD by its acronym in Spanish) and Committee of Independent Electoral Political Organization, (COPEI in Spanish) alternated in power.
- The two-party system collapsed in 1994 and a coalition of left to center-right parties won the election that year, then in 1999 the Socialist Unified Party of Venezuela (PSUV in Spanish) came to power and has ruled uninterrupted since then.

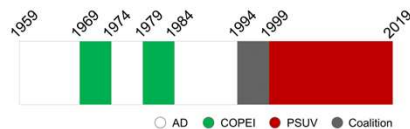


Figure 1: Temporal line of parties in executive power.

- In Venezuela, the state oil company (PDVSA, from its name in Spanish) controls, produces and exports oil. The profits from oil form the main source of income of the country. These profits are controlled by significant leeway by the executive branch.

The Model

- To estimate the effects of the number of changes in cabinet per year, the Gross Domestic Product (GDP) per capita, the political constraint and the presence of AD in power on the Executive Corruption in Venezuela, an ordinary least squares (OLS) multiple regression model is employed. The proposed model for executive corruption in Venezuela is given by the equation:

$$\text{Corruption} = \beta_0 + \beta_1 \text{PoliticalConstraint} + \beta_2 \text{CabinetRotation} + \beta_3 \text{NewAdministration} + \beta_4 \text{PresenceOfAD} + \beta_5 \text{GDPperCapita}$$

A theory on Executive Effectiveness

- In her studies, Martinez-Gallardo (2012) argues that in Latin America the stability of a government is closely related to the number of changes of ministers. In this regard she concludes:

"resulting patterns of cabinet stability are important because they shape the interactions between individual ministers and between the cabinet and bureaucratic agencies, and, consequently affect the quality of policymaking" (Martinez-Gallardo, 2012).

- it is important to understand that when the *policy effectiveness* decreases then the public might focus more on other aspects from the government like *corruption*. In this sense, is seldom seen in Latin American countries that when there is a high evaluated government, citizens usually do not focus on their presidents' misbehavior.

The Data

Variable	Range	Source
Executive Corruption	[0,1]	V-Dem Database (Coppedge et al., 2018)
Number of changes of ministers per year	[0,66]	Executive Cabinet Dataset for Venezuela (Sagarzazu, 2018)
New Administration	0 or 1	Coded by the author
Presence of AD in power	0 or 1	Coded by the author
Political Constraint	[0,1]	POLCON Dataset (Heinsz, 2002)
GDP per capita (Natural Logarithm)	[7.787,9.291]	GDP Dataset (Teorell et al., 2018)

Table 1: Variables used in the Executive Corruption Model.

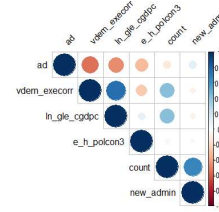


Figure 2: Correlation between variables in the model.

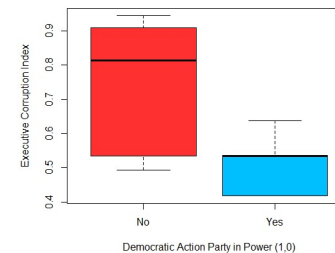


Figure 3: Boxplot of Executive Corruption Index by ruling party.

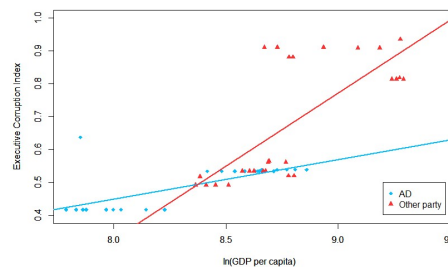


Figure 4: Correlation between Executive Corruption vs. GDP per capita by ruling party.

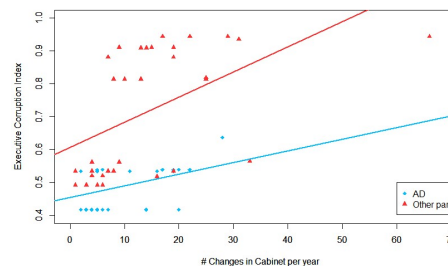


Figure 5: Correlation between Executive Corruption Index vs. Cabinet Rotation by ruling party.

Results

Independent Variables	Dependent variable: Executive Corruption		
	Model 1 Coef./ (S.E.)	Model 2 Coef./ (S.E.)	Model 3 Coef./ (S.E.)
Political Constraint	-0.425*** (0.071)	-0.441*** (0.072)	
# Changes in Cabinet	0.005** (0.002)		
New Administration (1,0)	-0.061 (0.040)		
Democratic Action Party (1,0)	-0.131*** (0.026)	-0.131*** (0.027)	-0.082** (0.036)
GDP per capita	0.255*** (0.045)	0.310*** (0.038)	0.240*** (0.044)
Constant	-1.434*** (0.388)	-1.856*** (0.339)	-1.427*** (0.388)
Observations	48	48	54
R ²	0.816	0.797	0.580
Adjusted R ²	0.794	0.783	0.564
Residual Std. Error	0.075 (df = 42)	0.077 (df = 44)	0.109 (df = 51)
F Statistic	37.236*** (df = 5; 42)	57.553*** (df = 3; 44)	35.221*** (df = 2; 51)

*p<0.1; **p<0.05; ***p<0.01

Table 2: Regression analysis results for the Executive Corruption Model.

Conclusions

- In the case of Venezuela, the more a executive controls resources and foreign exchange the more corrupt it will get. This is also accompanied if there a low level of political constraint, meaning there are no checks and balance of power is not distributed between all branches of government.
- Cabinet rotation plays a small but significant role, meaning that stable cabinets tend to be less corrupt because the stability is negatively correlated with the executive corruption.
- This exploratory study might be used as guidance for further and more in depth research regarding cabinet rotation and policy effectiveness.

References

Martinez-Gallardo, C. (2012). Cabinet Stability and Policy Making in Latin America. In *The Oxford Handbook of Latin American Political Economy* (pp. 310-335). New York: Oxford University Press.



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