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MONEY AND POLITICS

WHAT DETERMINES MONEY IN POLITICS? PART 2

WHAT DETERMINES MONEY IN POLITICS?

- What is the effect of *culture* on how much corruption/money there is in politics?
- What is the effect of *political institutions* on how much corruption/money there is in politics?
- What impact do *voters* have on how much corruption/money there is in politics?

CULTURE

- "Culture of corruption" clearly exists
  - Coordination game on corrupt or non-corrupt equilibrium
- Not clear whether some cultures are inherently more corrupt than others
  - Maybe not…

WHAT DETERMINES MONEY IN POLITICS?

- **What is the effect of *culture* on how much corruption/money there is in politics?**
- **What is the effect of *political institutions* on how much corruption/money there is in politics?**
- **What impact do *voters* have on how much corruption/money there is in politics?**

INSTITUTIONS

- Reasons for why we should expect democracies to be *less* corrupt than autocracies?
- Reasons for why we should expect democracies to be *more* corrupt than autocracies?

AUTHORITARIANS AGAINST CORRUPTION

- Lee Kuan Yew (LKY)
- Prime Minister of Singapore, 1959-1990
- High corruption when taking office
- Introduced comprehensive anti-corruption policy

AUTHORITARIANS AGAINST CORRUPTION

Journal of **CONTINGENCIES AND CRISIS MANAGEMENT**

🔓 **Full Access**

Combating Corruption in Singapore: What Can Be Learned?

Score		Country	Rank
90	⬆	Denmark	1
87	⬇	Finland	2
87	⬇	New Zealand	2
84	⬇	Norway	4
83	⬇	Singapore	5
83	⬇	Sweden	5

COST OF ELECTIONS

# Who Cheats? Who Loots? Political Competition and Corruption in Japan, 1947–1993

Benjamin Nyblade   University of British Columbia
Steven R. Reed   Chuo University

When do politicians resort to corrupt practices? This article distinguishes between two types of corruption by politicians: illegal acts for material gain (looting) and illegal acts for electoral gain (cheating). Looting generally involves a politician "selling" influence while cheating involves a politician "buying" votes. Individual-level analyses of new data on financial scandals and election law violations in Japan show that the determinants of cheating differ from the determinants of looting. Most notably, political experience and electoral security increase the probability of looting, but electoral insecurity combined with intraparty competition increases the probability of cheating.

TERM LIMITS

- **Many democracies have term limits**
  - Do they limit corruption?

TERM LIMITS
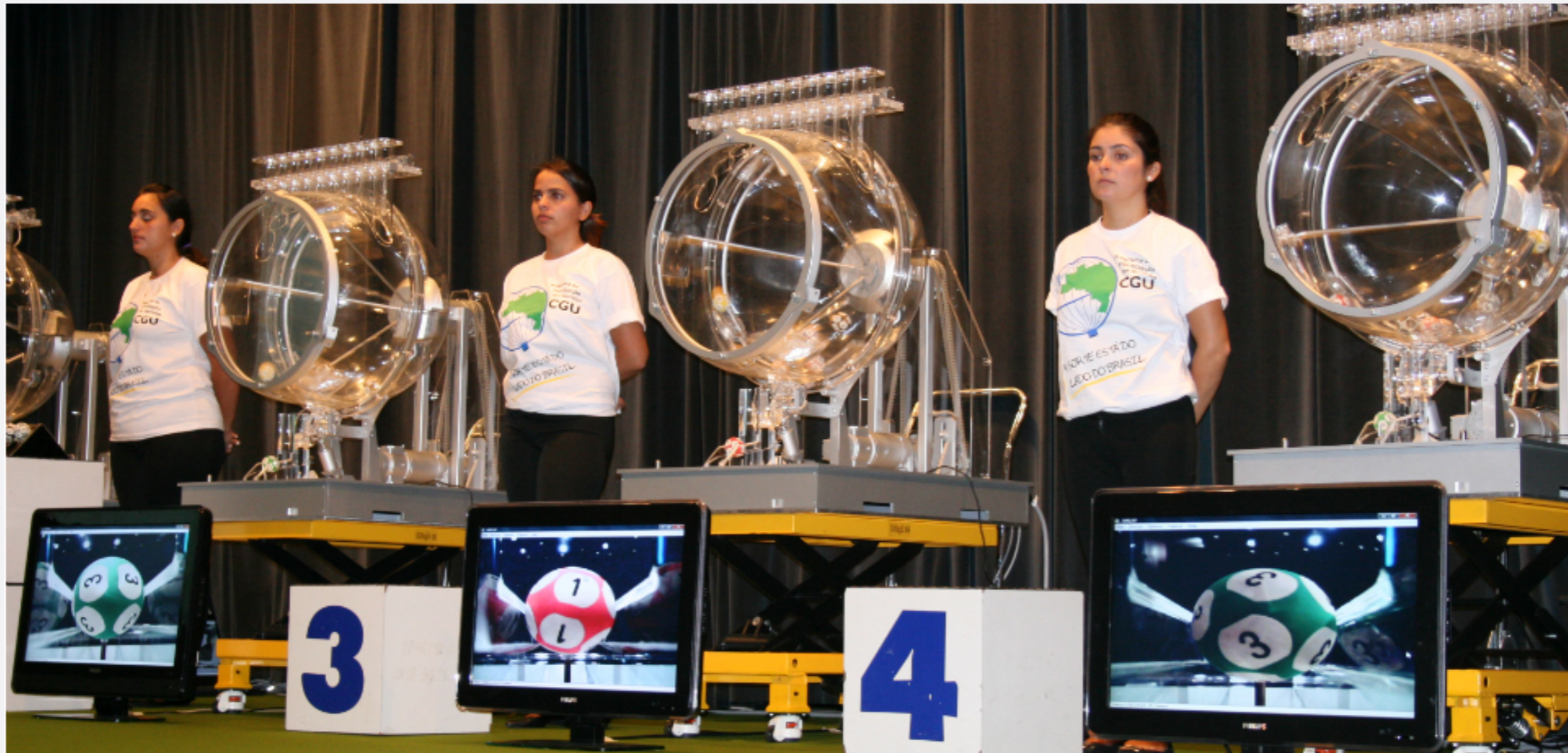
- Brazil: Anti-corruption program
- There are 5,500 municipalities
- Every month, 50-60 municipalities are randomly selected for an audit

TERM LIMITS

- Auditors from federal government go to the municipality and check their books for ~2 weeks
- Report detailing irregularities is written and published

TERM LIMITS

- **Brazilian mayors can run for reelection once**
  - Compare results of corruption audits between first-term and second-term mayors
  - Ferraz and Finan (2011)

We find that mayors with reelection incentives are significantly less corrupt than mayors without reelection incentives. In municipalities where mayors are in their first term, the share of stolen resources is, on average, 27 percent lower than in municipalities with second-term mayors. The results are robust to various specifications and estimation strategies, as well as to alternative measures of corruption. Considering that municipalities receive, on average, $2 million of federal transfers, lame-duck mayors steal approximately US$55,000 more than first-term mayors. Assuming that in the absence of reelection incentives first-term mayors would behave as second-term mayors, reelection incentives reduce corruption by US$160 million throughout Brazil. This is almost half of what the federal govern-

ACCOUNTABILITY

- **Principal-agent problem**
  - Principal: voters
  - Agent: politician
  - Principal gives agent a task, but agent has leeway in how to execute the task
  - Worst case: They may just do something else
- **Once in office, there is no guarantee that politicians do what they promised to do**

ACCOUNTABILITY

Voters Issue Strong Rebuke of Incumbents in Congress

- **Idea: Voters base their vote for or against incumbent on evaluation of their performance in office**
  - If politicians want to get reelected, accountability mechanism prevents them from "shirking"
  - "Throw the rascals out"

ACCOUNTABILITY

- **If politicians have engaged in corruption (however defined), voters can throw them out of office**

HOWEVER…

- **Silvio Berlusconi**
  - Before 1994: owner of several TV stations in Italy
  - 1994: Elected Prime Minister of Italy
  - Has to step down in 1995 due to coalition breakdown

SILVIO BERLUSCONI

- Host of corruption allegations:
  - Accused of abusing his position as prime minister to pressure state-owned TV network into advertising cartel with his stations
  - Illegal campaign financing
  - Bribing of tax auditors of his TV network

SILVIO BERLUSCONI

- ## 2001: Elected as prime minister
  - ### In office until 2006 (loses elections by 25,000 votes out of 38 million voters)

SILVIO BERLUSCONI

- **More allegations**
  - **2005: trial opens, accused of false accounting, embezzlement, tax fraud**
  - **A host of other allegations, opened court cases, court cases expiring due to statute of limitations, etc.**

SILVIO BERLUSCONI

- ## 2008: Elected as prime minister
  - ### In office until 2011 (resigns after proposed economic reforms fail to pass parliament)

WHAT TODAY IS ABOUT

- **Lots of court cases**
  - **Accused of bribing opposition politicians**
  - **Convicted for tax fraud, four years prison (three suspended), banned from office for 6 years**

WHAT TODAY IS ABOUT

- 2017

WHAT TODAY IS ABOUT

An NBA star, a TV chef and a comedian: meet some of the new MEPs

Silvio Berlusconi and the 'saddest comedian in the world' among surprise EU election winners

Silvio Berlusconi, Italy

▲ The former Italian PM Silvio Berlusconi was ejected from the national parliament in 2013 after being convicted of tax fraud. Photograph: Guglielmo Mangiapane/Reuters

In another sign of his startling capacity for comebacks, Italy's scandal-tainted former prime minister has re-entered the European parliament at the age of 82. His election campaign was disrupted by emergency surgery for a bowel obstruction in April, leading him to fear that he had "reached the end of the line", but he was soon back in action, wooing loyal supporters with talk of lowering taxes and animal rights.

- ## 2019

WHAT TODAY IS ABOUT

Berlusconi bounces back with return to Italy's parliament

By **Alvise Armellini**

September 26, 2022 6:19 AM EDT · Updated a year ago

[1/2] Forza Italia party leader Silvio Berlusconi casts his vote at a polling station during the snap election, in Milan, Italy

- **2022**

WHAT DETERMINES MONEY IN POLITICS?

- **What is the effect of *culture* on how much corruption/money there is in politics?**
- **What is the effect of *political institutions* on how much corruption/money there is in politics?**
- What impact do *voters* have on how much corruption/money there is in politics?

CORRUPTION VOTING

- Corruption voting: If politicians have engaged in corruption, voters should throw them out of office
- Yet: This does not happen that often
  - Example Italy, 1948-1994: 41% of members of Chamber of Deputies charged with serious malfeasance
  - Those not charged: 58% reelected
  - Those charged: 51% reelected

CORRUPTION VOTING

- **Why do politicians accused of corruption get reelected so often?**

CORRUPTION VOTING

- **Steps of process of corruption voting**
  - **Voters observe corruption (information acquisition)**
  - **Voters attribute responsibility/blame correctly (causal attribution)**
  - **Voters base their voting decision on corruption attribution (behavioral response)**

CORRUPTION VOTING

- **Steps of process of corruption voting**
  - **Voters observe corruption (information acquisition)**
  - **Voters attribute responsibility/blame correctly (causal attribution)**
  - **Voters base their voting decision on corruption attribution (behavioral response)**
- **At each step, the process of corruption voting might fail**

STEP 1: OBSERVING CORRUPTION

- **How can corruption be observed?**
  - "pocketbook": Voter personally experiences corruption
  - "sociotropic": Voters hear about corruption in society

STEP 1: OBSERVING CORRUPTION

- **How can corruption voting fail at this stage?**
 - **How can we study it?**

INFORMATION

- **Brazilian audits again**
  - **Every month, 50-60 municipalities are randomly selected for an audit**

BRAZILIAN AUDITS

- Depending on when audit was done, some have reports released before election, some after
- Pre-and post-election municipalities have on average the same number of violations
  - Pre: Voters knew about incumbent's corruption
  - Post: Voters did not know about incumbent's corruption
- What are reelection rates of corrupt mayors?
  - Ferraz and Finan (2008)

BRAZILIAN AUDITS
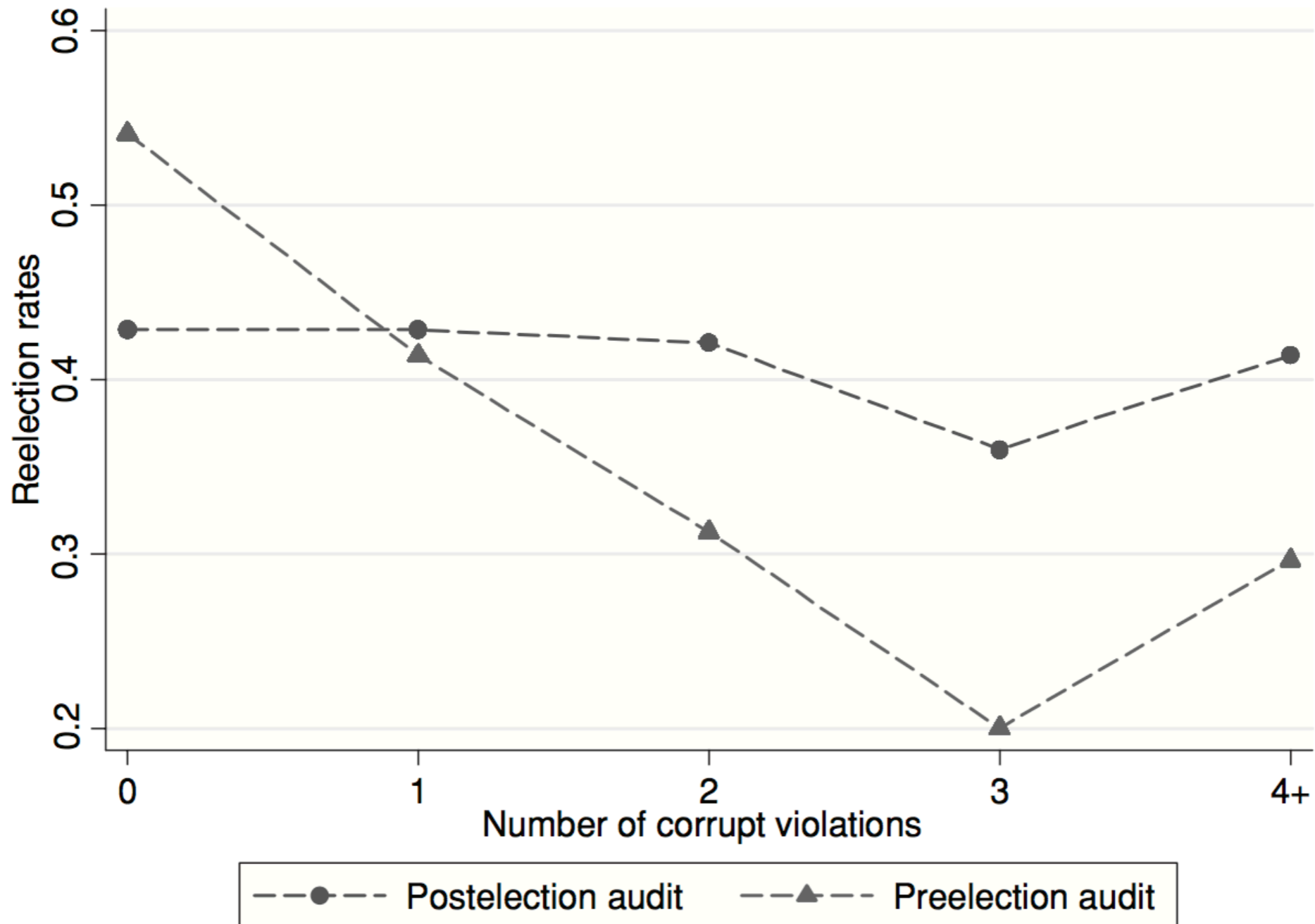
INFORMATION

- **What if voters don't know about these audits?**
- **Some municipalities have a lot of media sources, others less**
  - Important in Brazil: Radio
- **Municipalities with 3 violations**
  - At least one radio station: Pre-election release reduces reelection by 16% compared to post-election release
  - No radio station: Pre-election release reduces reelection by 4% compared to post-election release

WHO PROVIDES INFORMATION

- Not every source of corruption allegation is equally credible…

WHO PROVIDES INFORMATION

- Survey experiment in Colombia

Sebastian Gonzalez is an engineer and has a Masters in public administration; he is married and has two kids. He is (*insert respondent's ideology*). Before running for Congress, he served as the head of his own consulting firm. He also served as Secretary of Transportation for 3 years, and while in office he obtained high performance evaluations and received the public service excellence award. Based on reports by [*source of information*], the media accused him of illegal enrichment supposedly associated with misuse of public funds. More specifically, Gonzalez could not justify the increase in his assets by US$125.000 dollars during the period he directed public works in the province of Antioquia.

- Some respondents: source of information is newspaper (highly trusted)
- Others: Source is NGO or judiciary (not trusted)

WHO PROVIDES INFORMATION
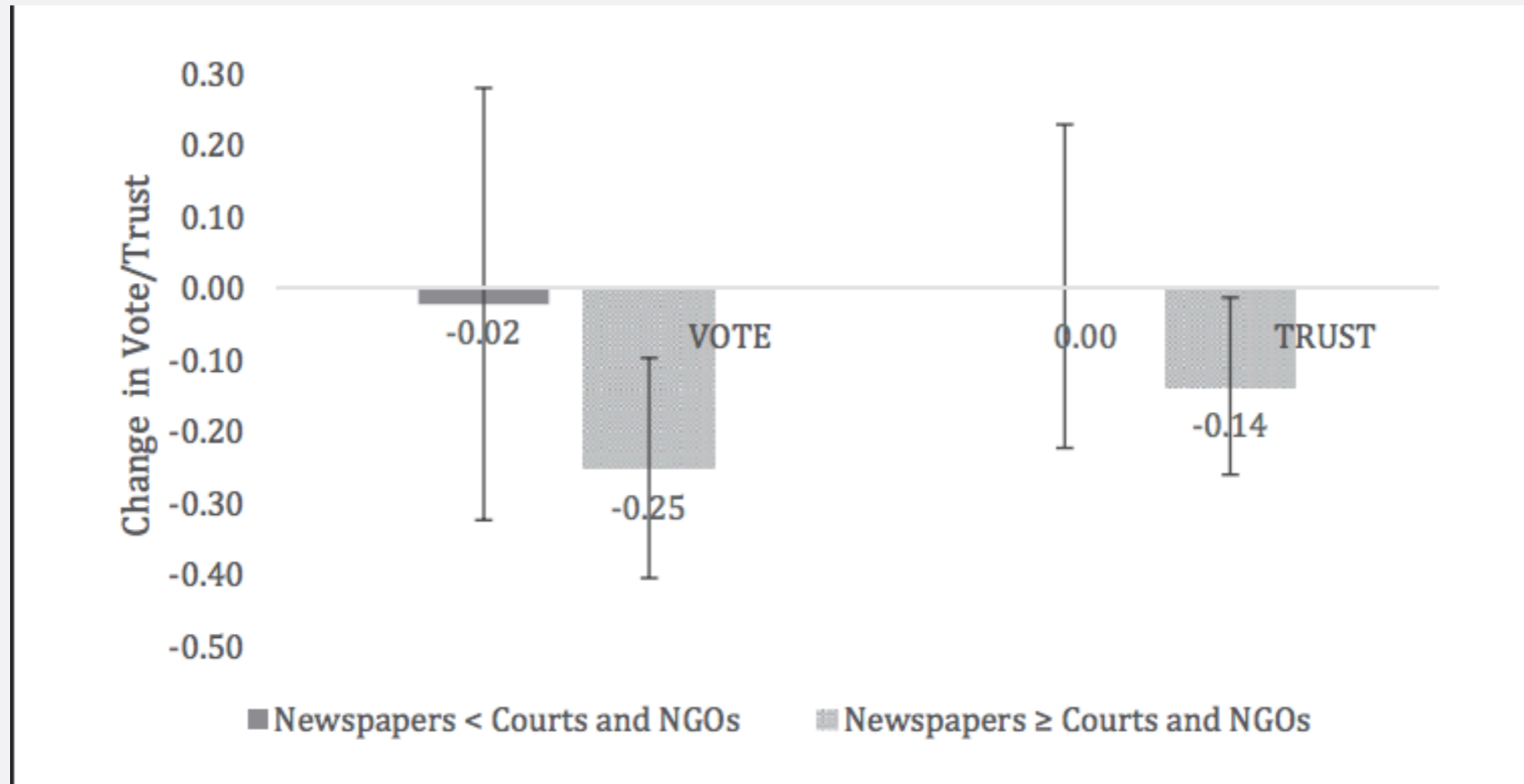
- Source: Botero et al. (2015)

STEP 2: ATTRIBUTING RESPONSIBILITY

- **Assume voters have information about corruption**
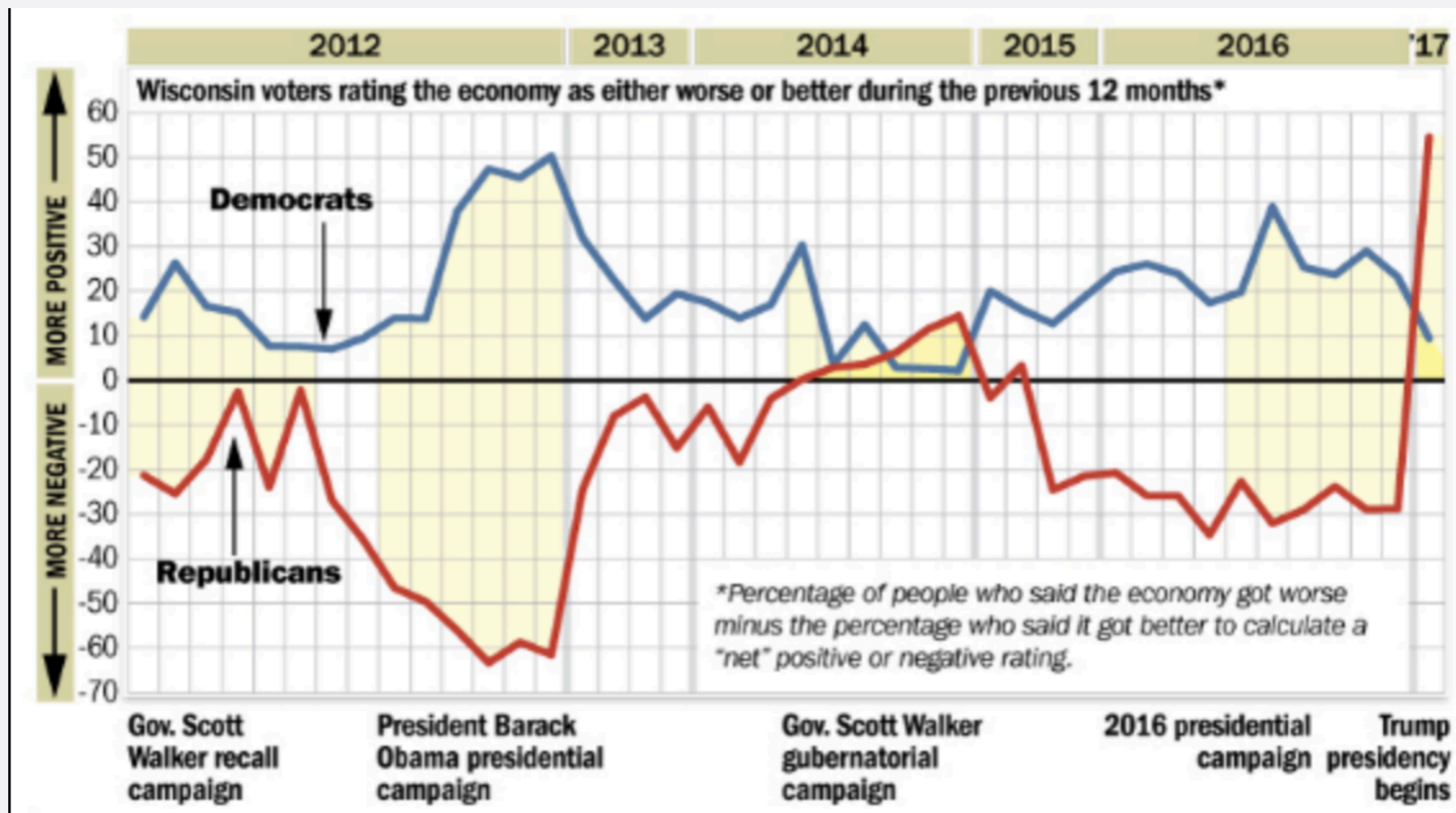- **Next: Need to assign blame for this correctly**

STEP 2: ATTRIBUTING RESPONSIBILITY

- **How can corruption voting fail at this stage?**
  - How can we study it?

BLAME

- ## Group-serving biases

BLAME

- ## Survey experiment

> Now, consider the following hypothetical situation:
>
> [No party mentioned/PP/PSOE] Mayor may have obtained favors for his relatives
>
> The public prosecutor F.P. sent a letter yesterday to J.G.R., the [No party mentioned/ PP/PSOE] mayor of XXXX town. The letter informs him that allegations of influence peddling which have come to light have led him to open an official case. According to the allegations, mayoral decrees allowed two of the mayor's relatives to obtain employment as town hall staff or to receive a pay rise for jobs that they already occupied there. After the subpoena, the public prosecutor will decide if there is sufficient evidence to open an investigation into the matter.

- ## Source: Anduiza et al. (2013)

BLAME

- ## Survey experiment
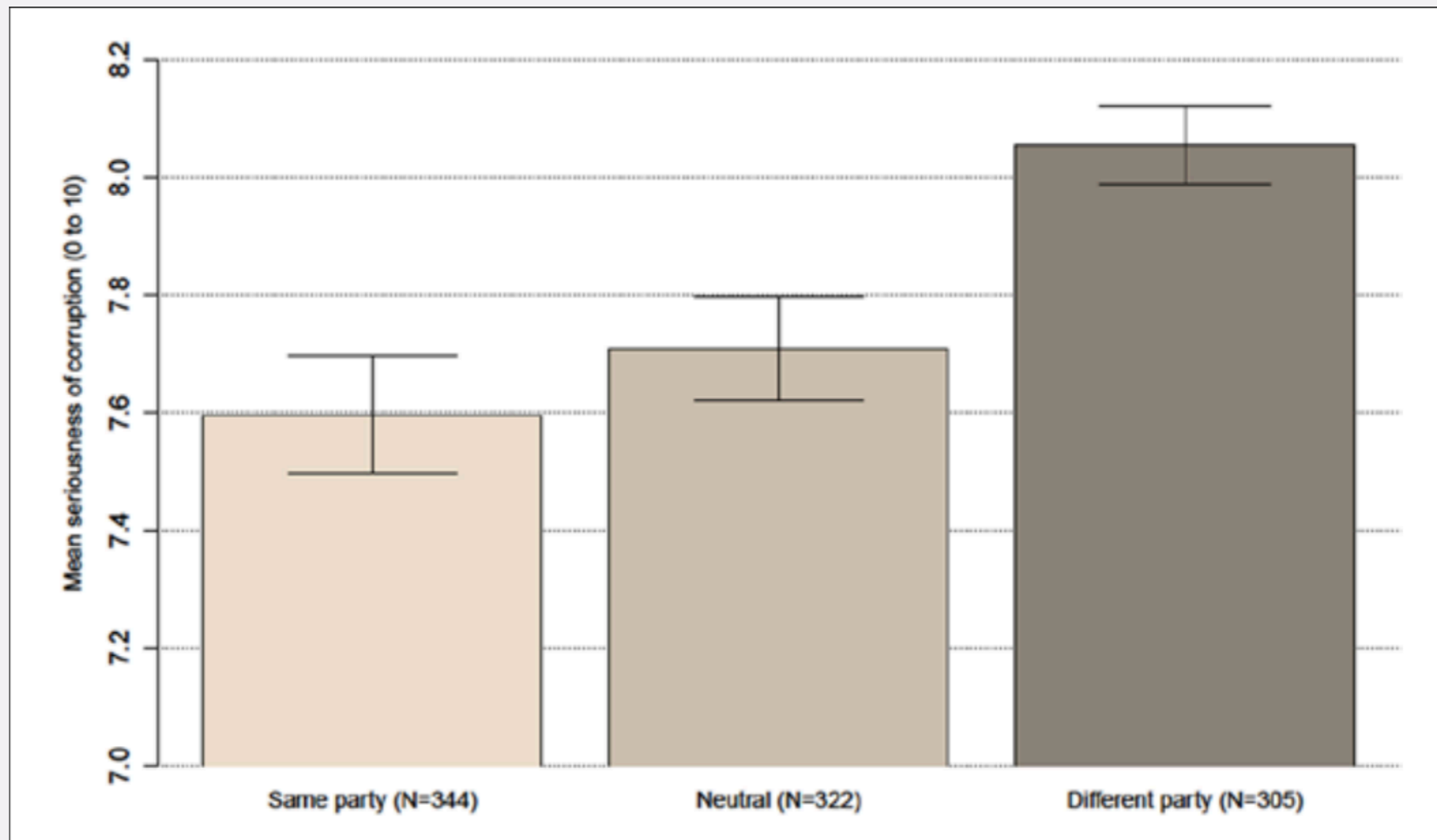
- ## Source: Anduiza et al. (2013)

BLAME

- "Clarity of responsibility"
- Comes from economic voting
- Say the economy is going badly. Who do voters blame for this?

ONE SCENARIO

- **United Kingdom, 2024**
  - Prime Minister: Rishi Sunak (Conservative)
  - House of Commons: Conservative party has 348 of 650 seats
- **If the economy is going badly, voters have an easy time identifying who was in charge**

ANOTHER SCENARIO

- ## Switzerland

200

Political groups

Government parties (168)

- ■ SVP/UDC 65
- ■ SP/PS 43
- ■ FDP/PLR 33
- ■ CVP/PDC 27

Other parliamentary parties (32)

- ■ Greens (GPS/PES) 11
- ■ BDP/PBD 7
- ■ GLP/PVL 7
- ■ EVP/PEV 2
- ■ LdT 2
- ■ MCG 1
- ■ PdA 1
- ■ CSP OW (de) 1

Member of Council	Photo	Joined Council	Party
Doris Leuthard		1 August 2006	Christian Democrats
Ueli Maurer		1 January 2009	Swiss People's Party
Simonetta Sommaruga		1 November 2010	Social Democrats
Johann Schneider-Ammann		1 November 2010	FDP.The Liberals
Alain Berset		1 January 2012	Social Democrats
Guy Parmelin		1 January 2016	Swiss People's Party
Ignazio Cassis		1 November 2017	FDP.The Liberals

ANOTHER SCENARIO

- Switzerland

- If the economy is going badly, who was in charge?

BLAME

- "Clarity of responsibility"
- Similar logic can be applies to corruption
- If clear responsibility, voters can punish. If unclear responsibility, they cannot
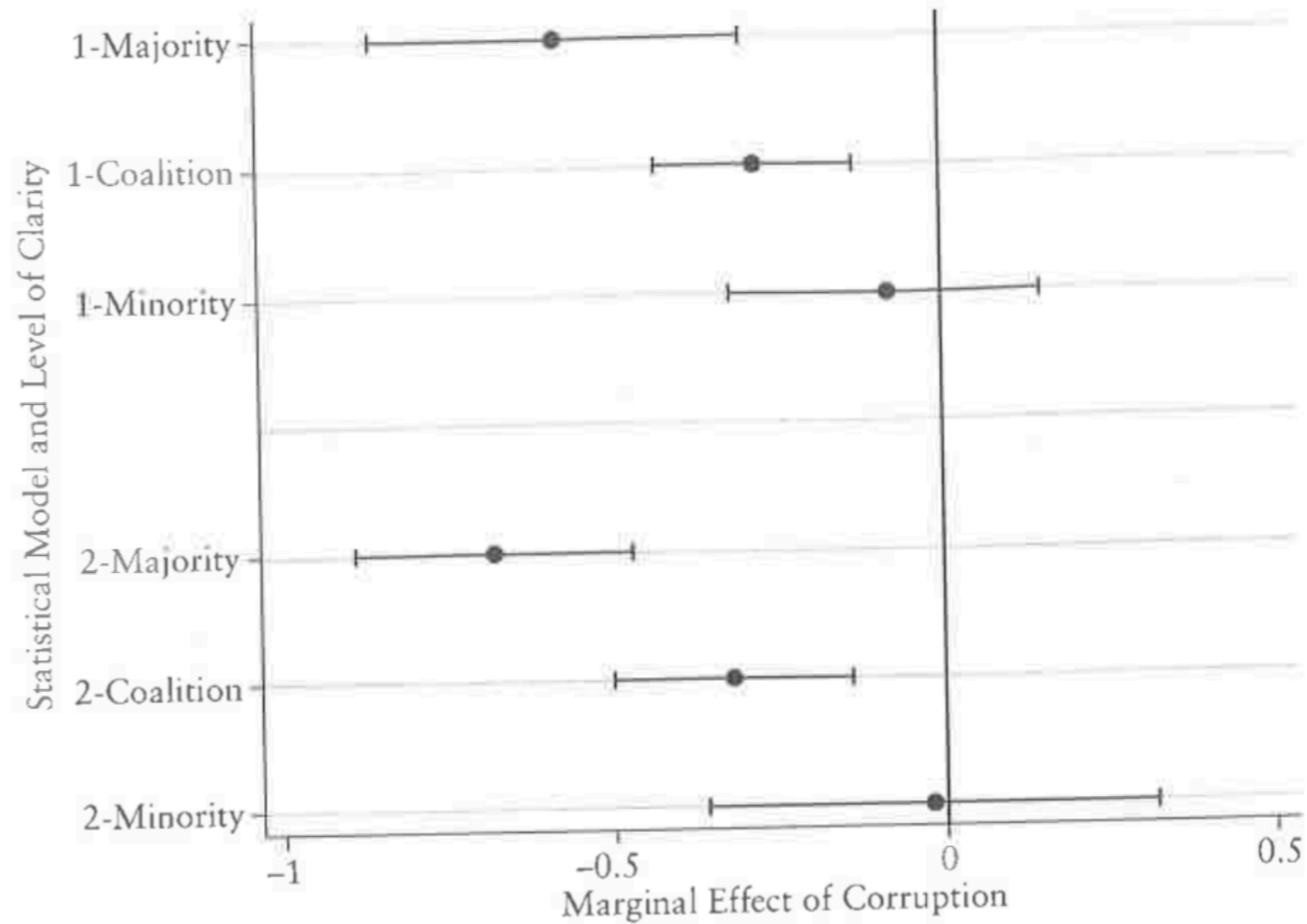
BLAME

FIGURE 5.3. Marginal effects of corruption on vote choice at different levels of clarity of responsibility (CSES dataset; Models 1 and 2)

- **Source: Schwindt-Bayer and Tavits (2016)**

STEP 3: VOTE BASED ON CORRUPTION

- Assume voters have information about corruption, assign blame for it correctly
- Next: Need to vote against those who are responsible
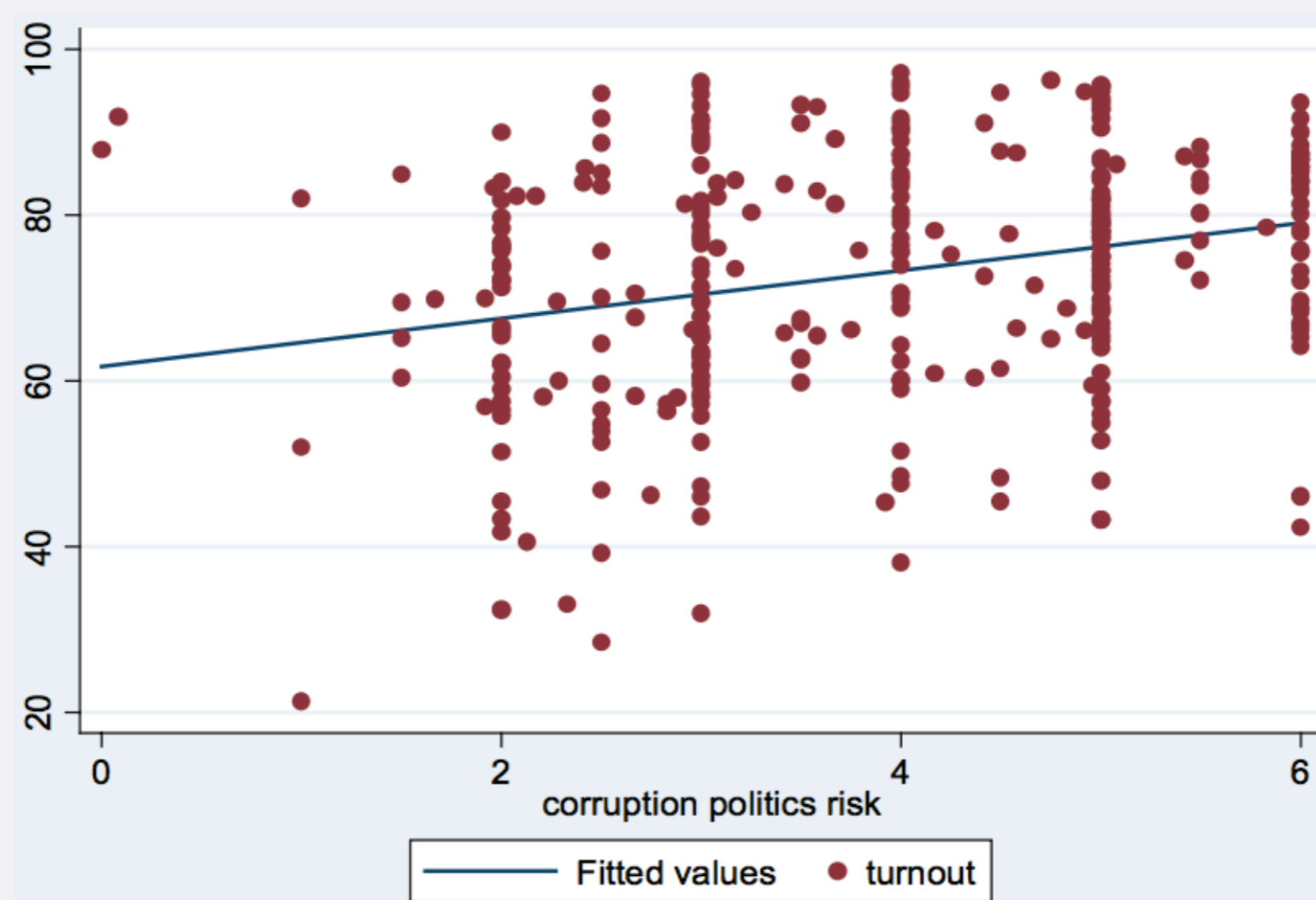
STEP 3: VOTE BASED ON CORRUPTION

- **How can corruption voting fail at this stage?**
  - How can we study it?

VIABLE ALTERNATIVES

- **To make it worthwhile voting against a corrupt incumbent, there needs to be a non-corrupt alternative**

VIABLE ALTERNATIVES

- ## Corruption reduces turnout

- ## Source: Stockemer et al. (2011)

VIABLE ALTERNATIVES

- Corruption allegations reduce turnout (2.5%)

- Source: Chong et al. (2015)

TRADE-OFFS

- **"Rouba mas faz"**
  - **"He steals, but he gets things done"**
- **Voters care about other things than corruption**
  - Corrupt politician may perform well otherwise
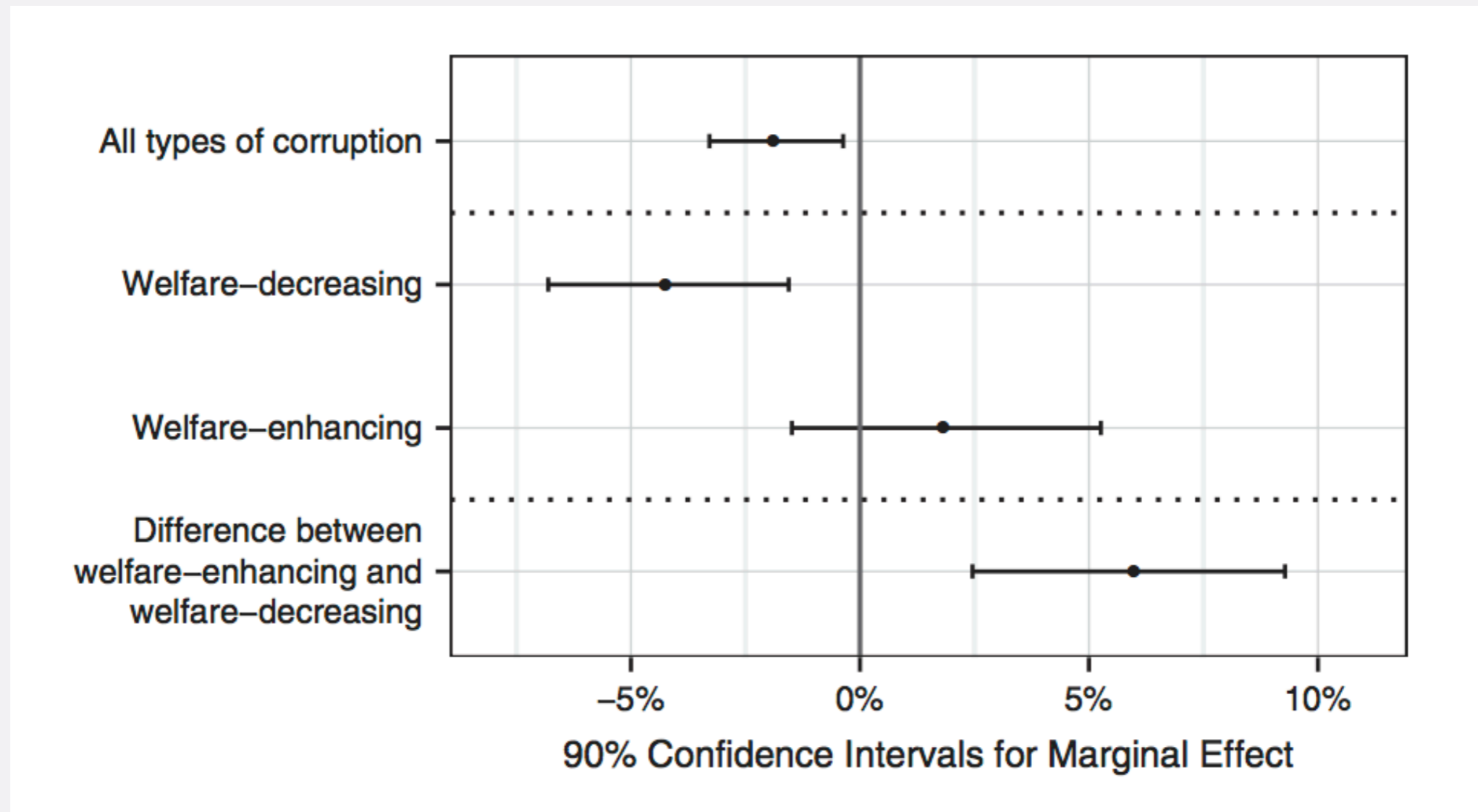 - Ideology
  - Corruption may have side benefits

TRADE-OFFS

- Spain: Lots of mayors accused of corruption
  - Fraud in procurement, embezzlement, licensing construction on non-developable or environmentally protected land, etc.

TRADE-OFFS

- Some of these activities have no benefits for voter welfare
  - e.g. embezzlement, fraud in procurement
- Others do have benefits (i.e. create jobs)
  - Licensing construction on non-developable or environmentally protected land
- What are the effects for mayors who commit these two types of corruption?

TRADE-OFFS

- **Source: Fernandez-Vazquez et al. (2015)**

IDEOLOGY

- Voters may want to punish corrupt incumbents, but also want their party to win
- UK Expenses Scandal 2009
- Look at constituencies with implicated MPs
  - If those constituencies are *not* "battleground" constituencies: punishment
  - If those constituencies *are* "battleground" constituencies: no punishment
- Eggers (2014)

SUMMARY

- Steps of process of corruption voting
  - Voters observe corruption (information acquisition)
  - Voters attribute responsibility/blame correctly (causal attribution)
  - Voters base their voting decision on corruption attribution (behavioral response)
- At each step, there are many reasons why the process of corruption voting might fail