

PSC 300

SYRACUSE UNIVERSITY

# MONEY AND POLITICS

HOW CAN WE REDUCE MONEY IN  
POLITICS? SHOULD WE? PART 1

# RECAP

- **What are we talking about?**
  - What is corruption?
  - How can we measure it?
  - What limitations does the concept have? What are the limitations of the measurements?

# RECAP

- **Disaggregating money in politics**
  - What types of money in politics are there, and under what circumstances?
    - Bureaucratic corruption, lobbying, campaign spending, self-enrichment, “revolving door” etc.
  - Who are the actors that are involved? What are their goals and how does money play a role in achieving them?
    - Bureaucrats, citizens/businesses, special interest groups, politicians, lobbyists, voters

# RECAP

- **What determines money in politics?**
  - Why is there more money in politics in some environments than in others?
  - Role of culture, institutions, voters

# RECAP

- **What are the consequences of money in politics?**
  - Effect of bureaucratic corruption on businesses, citizens
  - Effect of money on government policy
  - Effect of money on elections

# NOW

- **How can we reduce money in politics? Should we?**
  - Policy recommendations
  - Need to be built on solid foundation
    - Understanding who the relevant actors are, what their interests are, how they use money to further those interests, and what the consequences are

# NOW

- Should we reduce money in politics?

# NOW

- Which potential solutions exist to curb money in politics?
- How effective are they?
- Is it worth it trying to get money out of politics?
- And under what conditions can efforts be successful?

# CASE STUDY

## Operation Car Wash: Is this the biggest corruption scandal in history?



# BACKGROUND

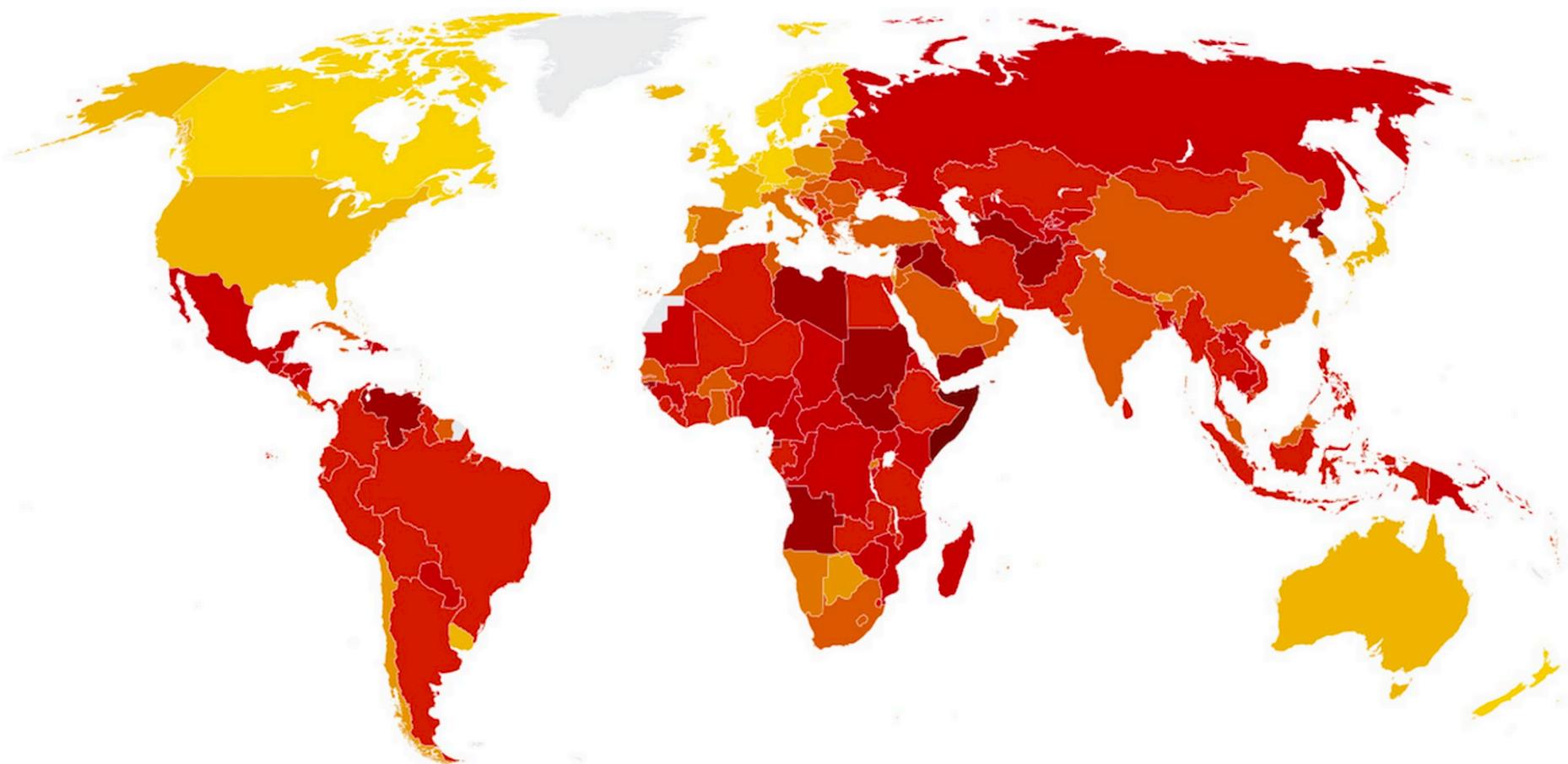


# BACKGROUND



# BACKGROUND

## CORRUPTION PERCEPTIONS INDEX 2017



# OPERATION CAR WASH

## The World's 50 Greatest Leaders

RANK

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### Sergio Moro



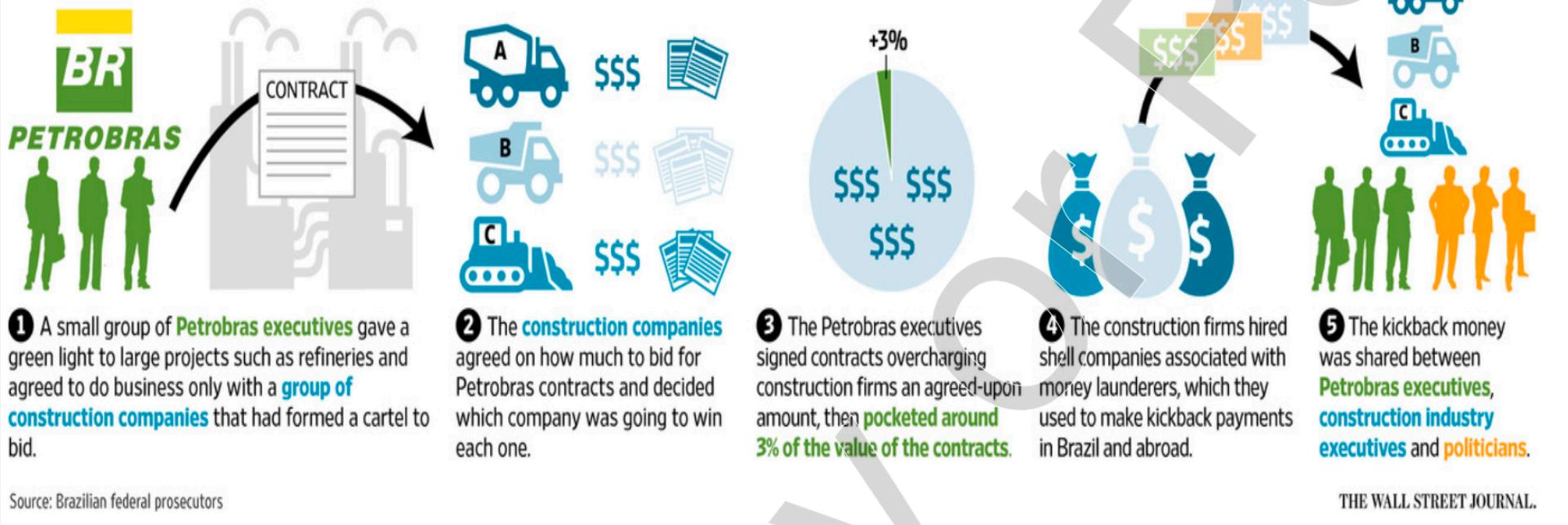
Moro, a 42-year-old telegenic federal judge, is the main protagonist in Brazil's real-life edition of *The Untouchables*. Moro has led the prosecution of a brazen corruption scheme that siphoned \$3 billion from Petrobras, the national oil company, to the pockets of politicians and officials. President Dilma Rousseff risks impeachment, and former President Luiz Inácio Lula da Silva's reputation is in tatters. And more important: The passive coexistence with corruption long endemic in Latin America is becoming a habit of the past.

# OPERATION CAR WASH

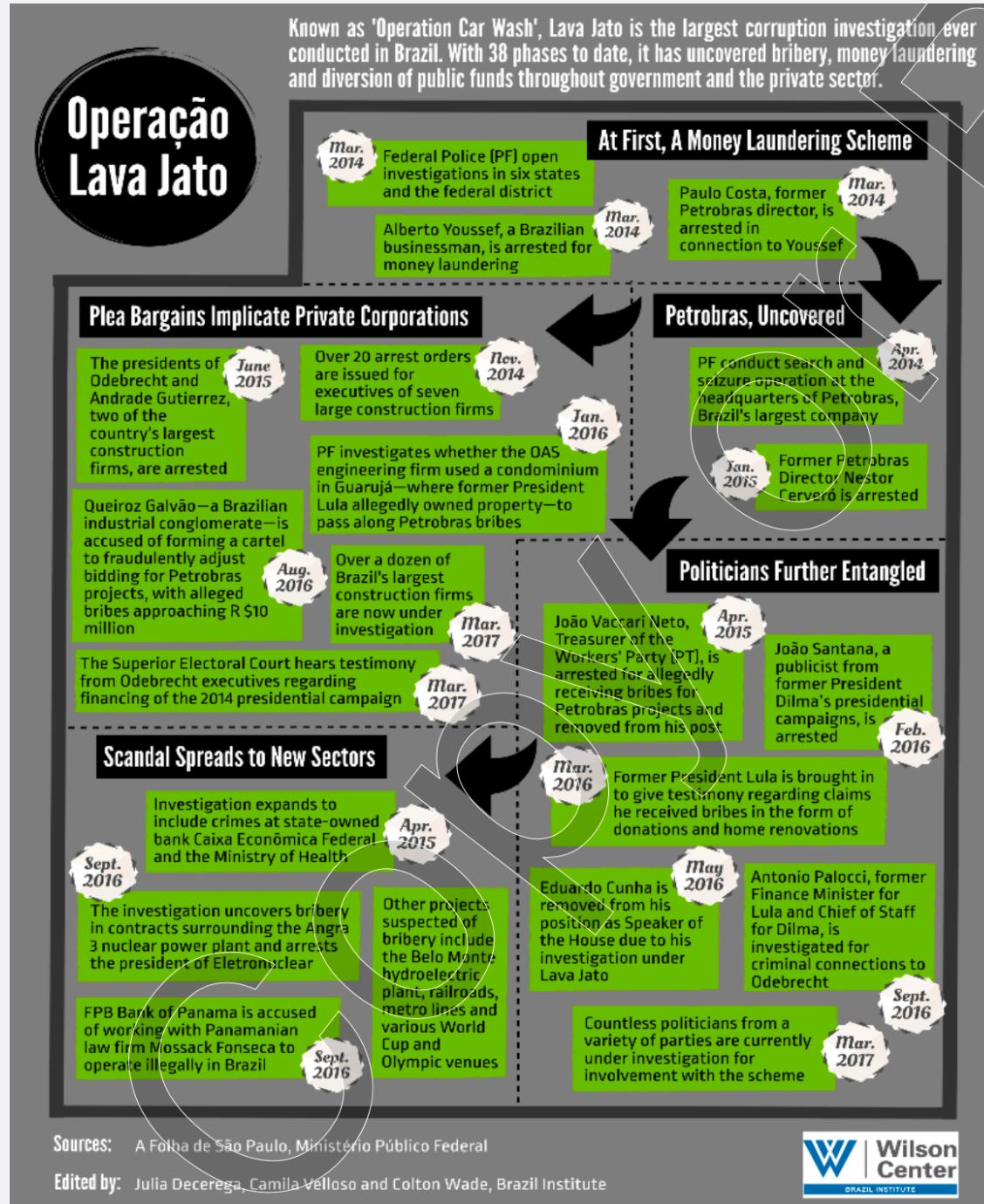


# THE SCHEME

## How a Corruption Scheme at Petrobras Allegedly Worked



# THE SCHEME



# SYSTEMIC CORRUPTION

- Judge Moro: “They said they paid bribes because it was the rule of the game: ‘That’s the way you do business in Brazil, or at least with Petrobras.’ This was very disturbing. The evidence supports this kind of statement because we are not talking about one corruption crime, we are talking about a criminal scheme that lasted for at least 10 years. And the large size of bribes and the character of the corruption was very disturbing. This systemic corruption brings a lot of problems to the country.”

# SYSTEMIC CORRUPTION

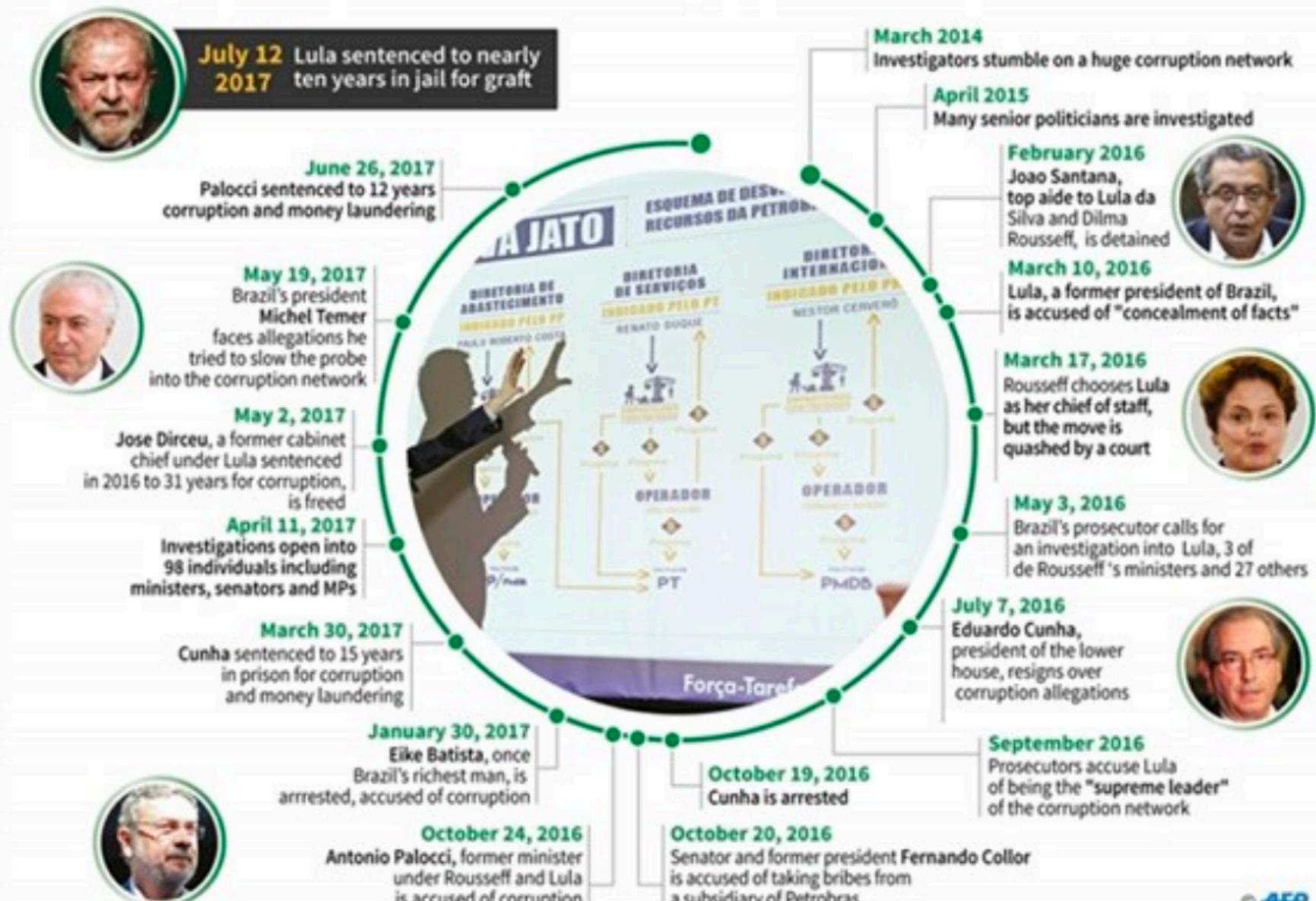
- Corruption was so widespread that some bribes had no direct relationship with specific government projects. Unlike a classic quid pro quo, where companies paid after winning a contract, they were paid up front – putting officials “on the payroll” for when help was needed in the future, as a form of “insurance” in case future projects faced bureaucratic obstacles.

# THE SCHEME



# SYSTEMIC CORRUPTION

## Massive corruption scandal leaves Brazil's political elite in tatters



# ANTI-CORRUPTION

- Problems in Brazil
  - Slow judicial process, statute of limitations
  - Criminal cases against high federal officials go to (overburdened) Supreme Court
- Why was Operation Car Wash so successful?

# ANTI-CORRUPTION

- Some changes before/during Operation Car Wash
  - 2012: Supreme Court finds some politicians guilty in a different case, break from usual weak enforcement
  - 2013: Judicial reforms, independent attorney general
  - 2016: Supreme Court rules that people can be put in jail once sentence affirmed by Court of Appeals, rather than once affirmed by highest level of appeal

# CRITICISM

- **What can be criticized about Operation Car Wash?**

# CRITICISM

- Unethical tactics?
  - “They had to be kept separate from other inmates for their own safety, which meant their side of the jail quickly became overcrowded. Having lived in luxury, these super-rich prisoners were squeezed three to a one-man cell. Their new circumstances came as a shock. ‘One guy did not know how to shave because he had always had it done for him,’ said a guard.” (Guardian)
  - “Defence lawyers complained, with some justification, that these tactics were legally dubious and unethical, because defendants would say or do anything to get out of jail” (Guardian)

# CRITICISM

- Disruption of economy
  - “By the start of 2016, the economy had plunged into recession. The main cause was a collapse in global commodity prices, but the Car Wash investigation made a bad problem worse. Prosecutors had ordered Petrobras to suspend business with many of its contractors, including Odebrecht, the biggest building firm in Latin America. Projects were paralyzed, workers were laid off and the unemployment rate almost doubled in the space of two years” (Guardian)

# CRITICISM

- Used for political reasons?
  - Operation Car Wash leads to:
    - Conviction of former President Lula (preventing him to run for office)
    - impeachment of President Rousseff
  - Interim President: Michel Temer
    - Mentioned multiple times in investigation
    - “Car Wash, which had been launched to clean up corruption in the system, had ended up helping the leader of Brazil’s most notoriously self-serving party to reach the pinnacle of power” (Guardian)

# DURABLE EFFECT?

- What are the lasting implications of Operation Car Wash?
  - A. Brazil will become a better place to do business given the increase in transparency, better governance, less corruption.
  - B. The effects of Car Wash will be ephemeral; things will go back to how they were before.
  - C. As the investigation continues, the intensity of the anti-corruption drive will lead to major paralysis in business activity in Brazil