

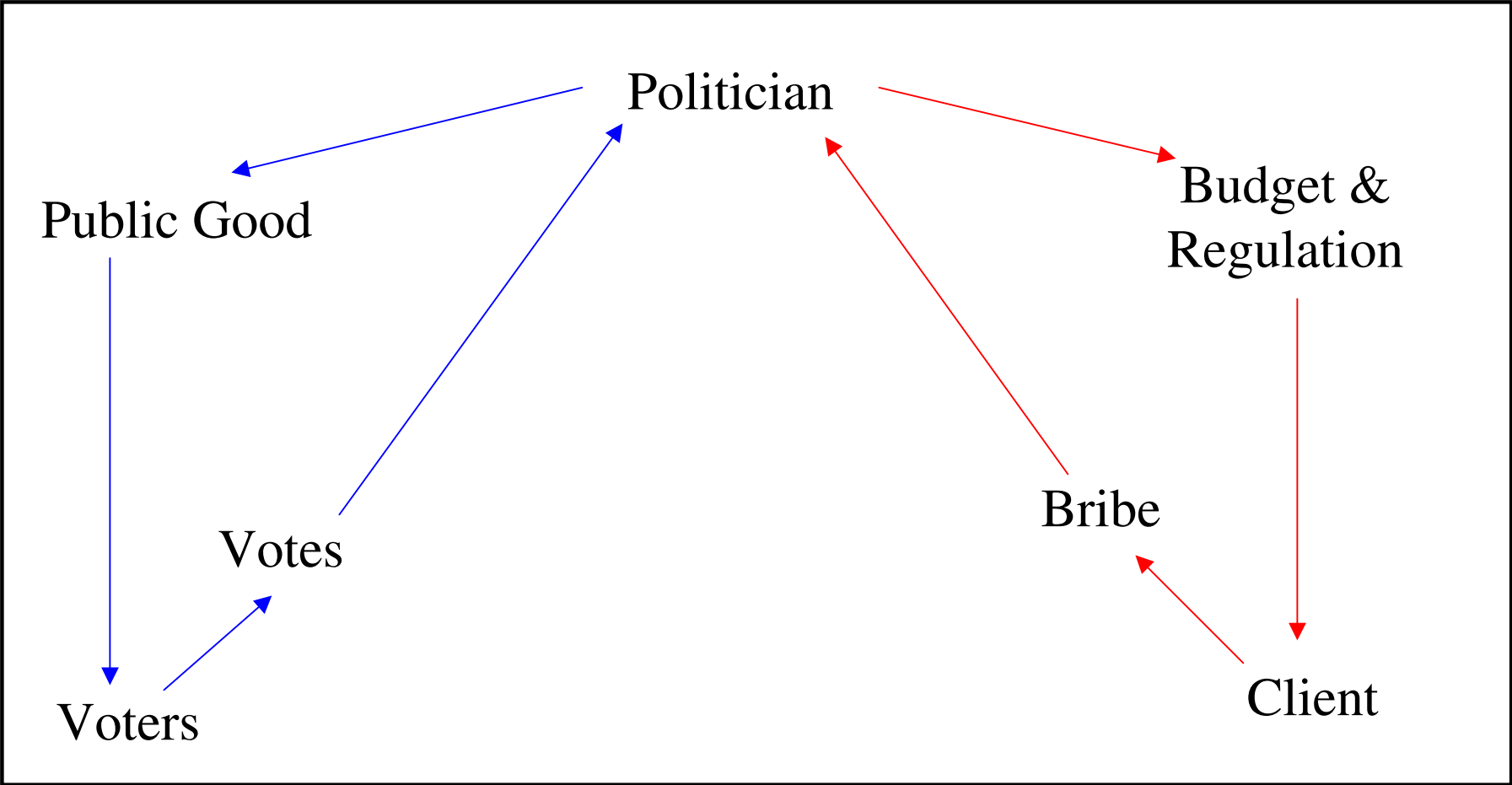
Voters and Corruption in Brazil:  
Implications for the Historical U.S.  
Experience and Lessons for  
Developing Countries

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# Classic Principal-Agent Model of Corruption

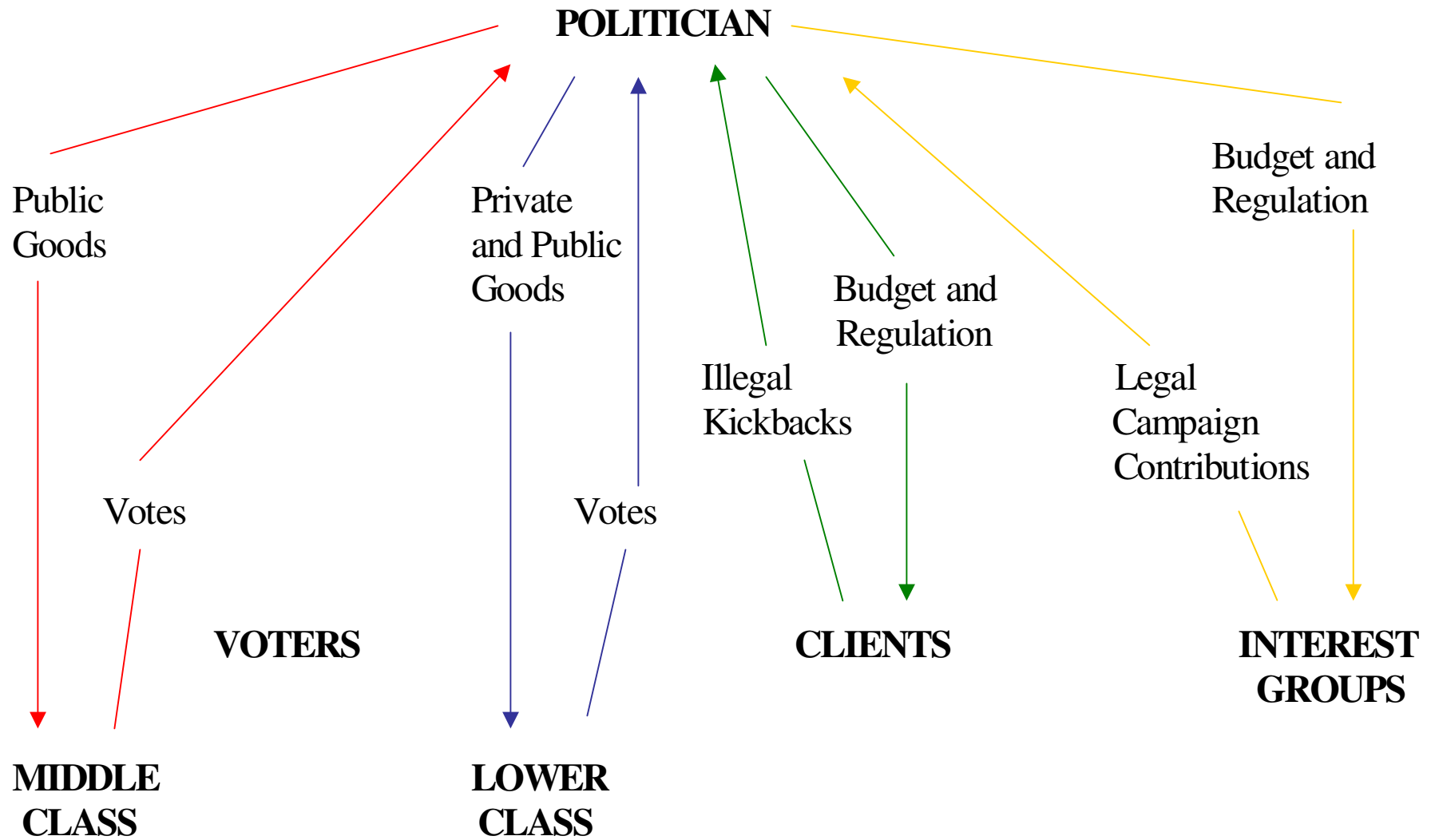
## Asymmetric Information



# Overview

- Asymmetric information model of corruption: voters do not observe corruption
- How does political corruption continue despite violation of this assumption?
- Explore the electoral constraint on political corruption

# A Heterogeneous Voter Model of Political Corruption



# Brazilian Political Institutions

- Electoral System: open-list proportional representation = personal vote
- Party System: catch-all parties with weak party loyalty and discipline = personal vote
- Electoral campaigns very expensive – comparable to the U.S.
- Strong Presidential Powers = trades pork for policy support

# Clientelist Politics and the Brazilian Electorate

- Clientelism has characterized Brazilian politics since independence
- Brazilian electorate grown: new constitution of 1988 gave the franchise to illiterates.
- Differences in middle and lower class demand for governmentally supplied goods and services

# Question

Who votes for corrupt politicians?

# Hypothesis

- ♣ The less educated vote for a known corrupt politician if he provides a valued private good.
- ♣ The middle class vote for the candidate who supplies the most and highest quality public goods.

# 1998 Federal Senatorial Elections in the Federal District

- ♣ Anti-corruption candidate v. allegedly corrupt
- ♣ 14 electoral zones:
  - ♣ 10 zones: majority had not completed a primary education
  - ♣ 2 zones: majority had high school degree
  - ♣ 2 zones: majority had university degree



# Regression Results

Table 1. Dependent Variable: Vote for Corrupt Politician

Illiterate	4.334*			
	(10.163)			
Less Than Primary Completed		0.4327*		
		(9.053)		
Primary and Secondary			-0.4792**	
			(2.835)	
University				-0.6744*
				(6.093)
Adjusted-Rsq	0.8872	0.8616	0.3511	0.7354
Constant	0.2251	0.1654	0.5618	0.4443
	(12.939)*	(6.520)*	(8.283)	(25.698)

T-statistics are given in parentheses.

\* Significant at the 0.01 level.

\*\* Significant at the 0.05 level.

# 1998 Sao Paulo Gubernatorial Elections

Corrupt candidate in politics for over 30 years:

- ♣ His neighborhood offices were “window(s) of favor exchange, where local politicians attracted voters and campaign finance (Daniel 2000).”
- ♣ “Denouncements of irregularities, favoring private companies and misuse and theft of public funds,” marked his career (Segatto and Rovai 1996).

# Summary of Education Levels for 382 Electoral Zones

Variable	Mean	Standard Deviation
Illiterate	0.0437	0.0243
Less Than Primary Completed	0.6174	0.1169
Primary and Secondary	0.3156	0.0737
University	0.0669	0.0554

# Regression Results

Table 4. Dependent Variable: Vote for Corrupt Politician

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State Capital	-0.0491*
	(3.788)
Illiterate	0.4711**
	(1.970)
Primary and Secondary	-0.1528***
	(1.652)
University	-0.0990
	(1.182)
Constant	0.5120*
	(14.398)
Adjusted-Rsq	0.1739

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T-statistics in parentheses.

\* Significant at the 0.01 level.

\*\* Significant at the 0.05 level.

\*\*\* Significant at the 0.10 level.

N = 382

# Regression Results

Table 5. Dependent Variable: Vote for Corrupt Politician

State Capital	-0.0609*	-0.0489*	-0.0482*	-0.0639*
	(4.993)	(3.785)	(3.734)	(5.067)
Illiterate	0.8978*			
	(5.763)			
Less Than Primary Completed		0.2010*		
		(5.875)		
Primary and Secondary			-0.3223*	
			(5.945)	
University				-0.2977*
				(4.225)
Constant	.4398*	0.3536*	0.5795*	0.4992*
	(54.034)	(16.033)	(34.146)	(86.443)
Adjusted-Rsq	0.1739	0.1765	0.1782	0.1420

T-statistics in parentheses.

\* Significant at the 0.01 level.

N = 382

# Testing the Hypothesis Internationally

Countries with higher illiteracy rates are relatively more corrupt

Corruption Perceptions Index Regression		
Illiteracy	-2.626*	-1.929***
	(2.161)	(1.686)
GNP per capita		.0000612**
		(2.882)
Constant	4.464**	4.029**
	(12.610)	(11.972)
R-squared		
Within	0.0001	0.0005
Between	0.2261	0.5383
Overall	0.1718	0.4171

N = 183

T-statistics in parentheses

\* Significant at the 5 percent level

\*\* Significant at the 1 percent level

\*\*\* Significant at the 10 percent level

# Brazilian Political Corruption Historically

Explaining the Persistence of Political  
Corruption: Patronage, Paternalism  
and the Family in Brazilian History

- Patronage, paternalism and the family were historically the tools used by politicians to manipulate votes and the electoral process
- Today, these institutions facilitate a new kind of political corruption by weakening the electoral constraint on a politicians' corrupt behavior



# Monarchy Under Pedro II (1822-1889)

- Patronage: placed loyal individuals in posts to guarantee party in power won election
- Paternalism: poorly defined property rights encouraged the free poor to exchange votes for land access
- Family: accumulated land (votes) and obtained access to patronage
- Illiterates were enfranchised until 1881

# Democracy and Dictatorship

## 1889 - 1985

- Two authoritarian regimes: dictators resorted to patronage, paternalism and family nexus to legitimize their regimes
- Two democratic periods: patronage rewarded loyal party members; *coroneis* and *cabos eleitorais* engaged poor voters in paternalistic relationships; political families continued to dominate their regions; electorate slowly grew

# Current Democratic Period

- Patronage: keeps political coalitions together - appointments and amendments used to for political corruption
- Paternalism: clientelism continues urban and rural areas - direct exchanges with politicians
- Family: regional families remain strong, particularly in the Northeast
- 1988 Constitution gave illiterates the right to vote for the first time since 1881

# Evolution of Political Corruption

- Previous democratic periods:  
Political corruption was not related to campaign finance. Elections were sufficiently guaranteed via patronage, paternalism and the family

- Current democratic period:  
Political institutions and competitive elections generate need for campaign finance.

Political corruption provides a source.

Patronage, paternalism and family contribute to weaken the electoral constraint on politicians' corrupt behavior

# Policy Implications - Transparency is not sufficient

- Changes in formal political institutions
  - Campaign finance reform
  - Reduce extreme electoral competition
- Improving income, education, illiteracy
- Non-discretionary welfare system
- Media and Public Ministry
  - increase probability of detection and punishment

# Parallels in U.S. History

Heterogeneous voter model of corruption in Brazil may resemble late 19th and early 20 century U.S.

# Application to U.S. History I

- Estimate the relationship between machine cities and voter characteristics
  - % foreign born and % literate
  - issues of ethnicity and race or economic class?



# Application to U.S. History II

- Many states disenfranchised groups of voters in the early 1900s
  - Did voting restrictions alter the composition of the electorate (more educated)?
  - Did voting restrictions pave the way for progressive reforms?

# Possible Policy Implications for Developing Countries

- How the U.S. implemented reforms to reduce political corruption may suggest possible policies for developing countries
  - Did middle class grow due to economic growth and investment in education?
  - Did voting restrictions disenfranchise lower class voters and allow progressive reforms to be passed which weakened machines?