

Panel: Beyond Exit and Voice: a suitable context for accountability

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Design of an accountability of anti-corruption public policy
international seminar

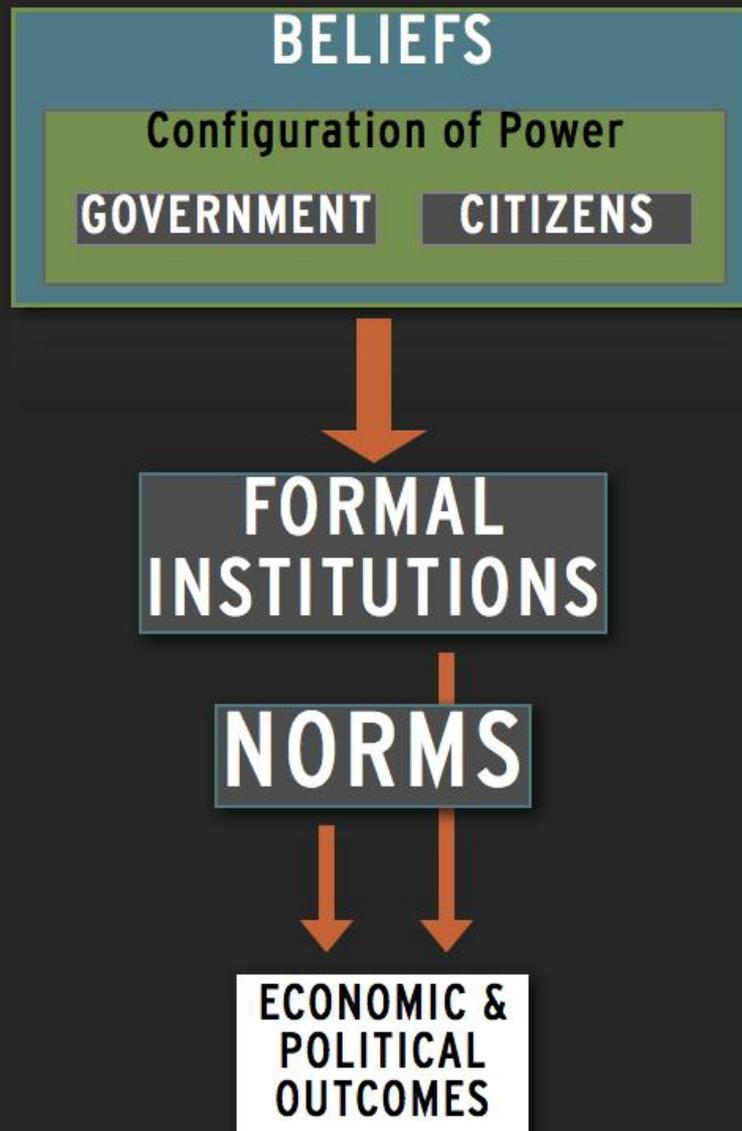
Mexico City October 20-21 2014

Plan of presentation

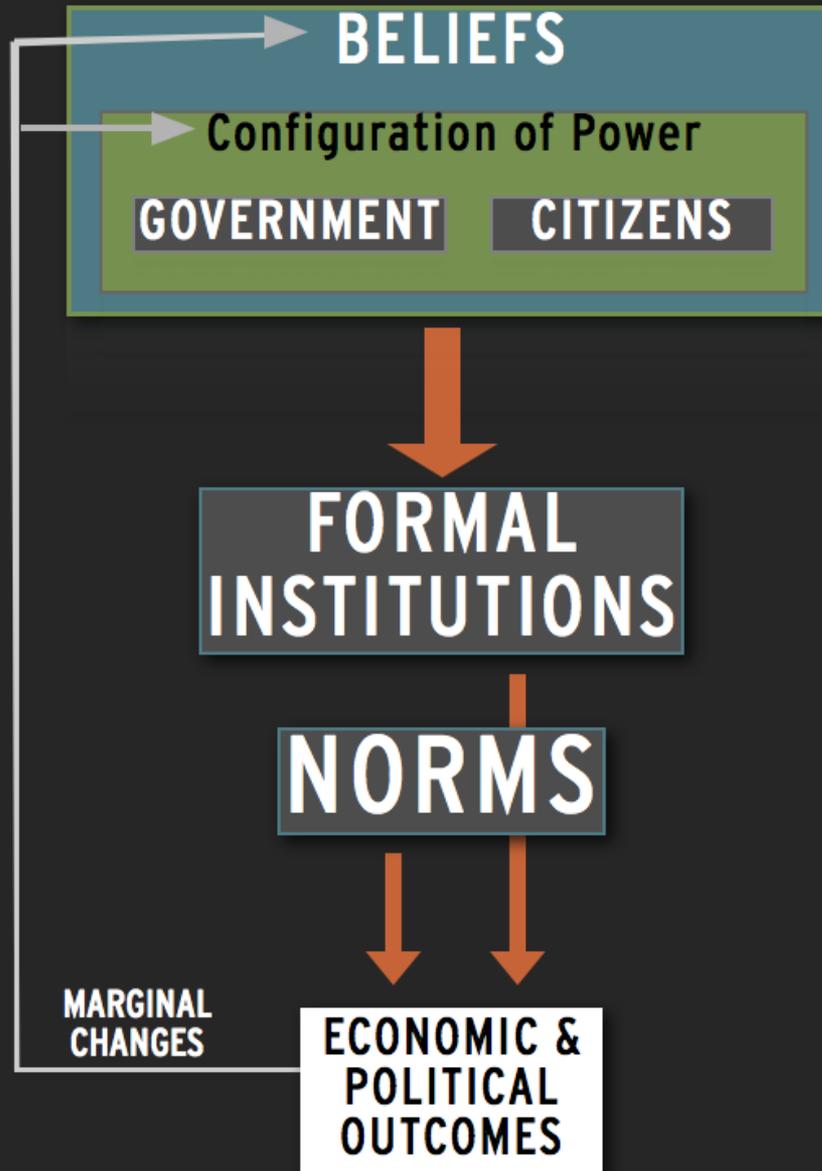
- "Suitable context for accountability"
 - Institutional change: punctuated and crisis driven
- Paradox: improvement in accountability tend to be perceived as failures
- Lessons and empirical evidence from Brazil
- Challenge: The interplay of horizontal accountability and vertical integration

A model of Institutional change

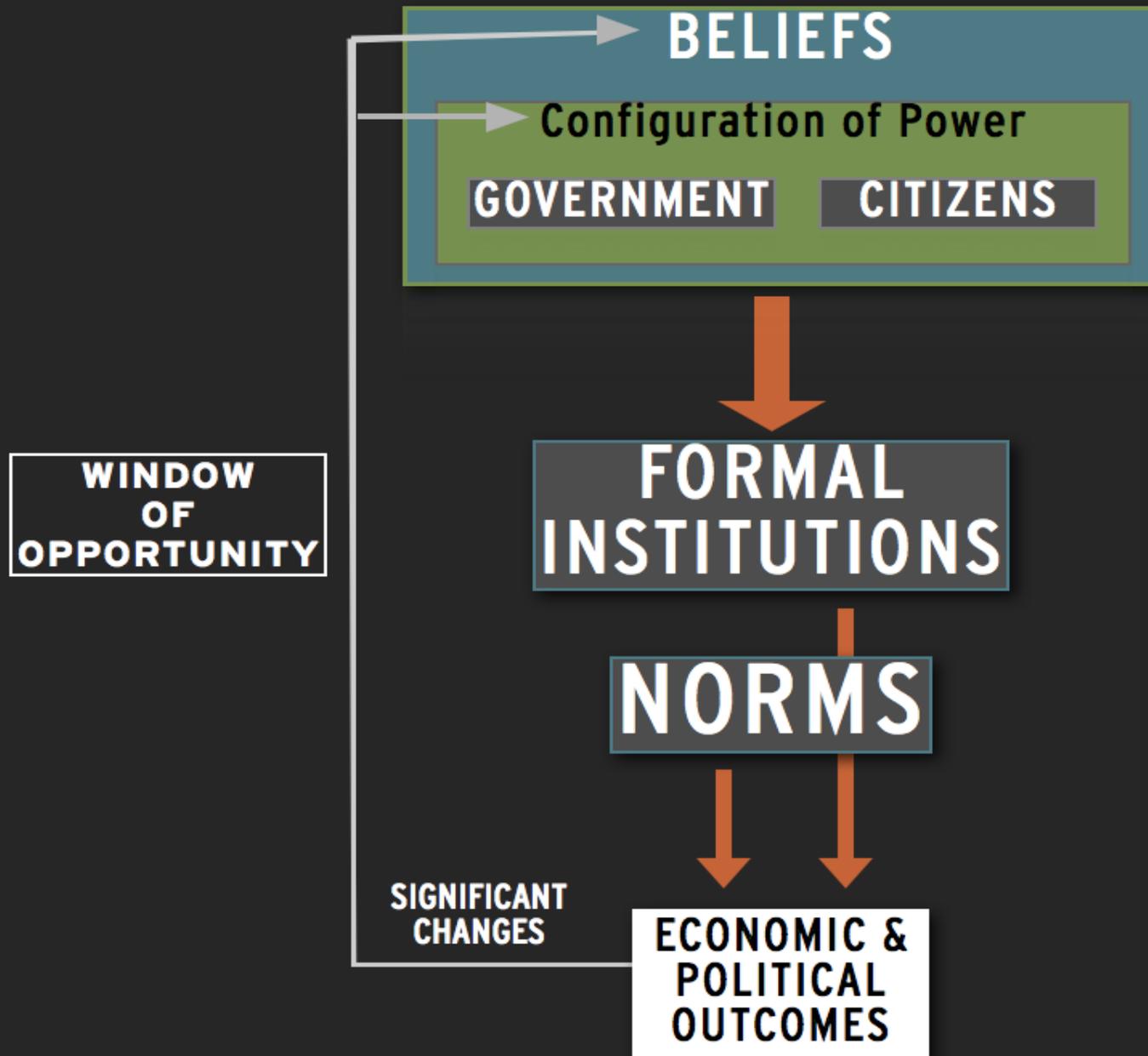
- Key elements: institutions, beliefs, windows of opportunity, leadership (North 2001)
- Incremental change
- Punctuated path of institutional change
 - Windows of opportunity emerges when outcomes don't match expectations
 - External shocks cause this mismatch
 - Leadership:
 - moral authority,
 - cognitive capabilities
 - heresthetics



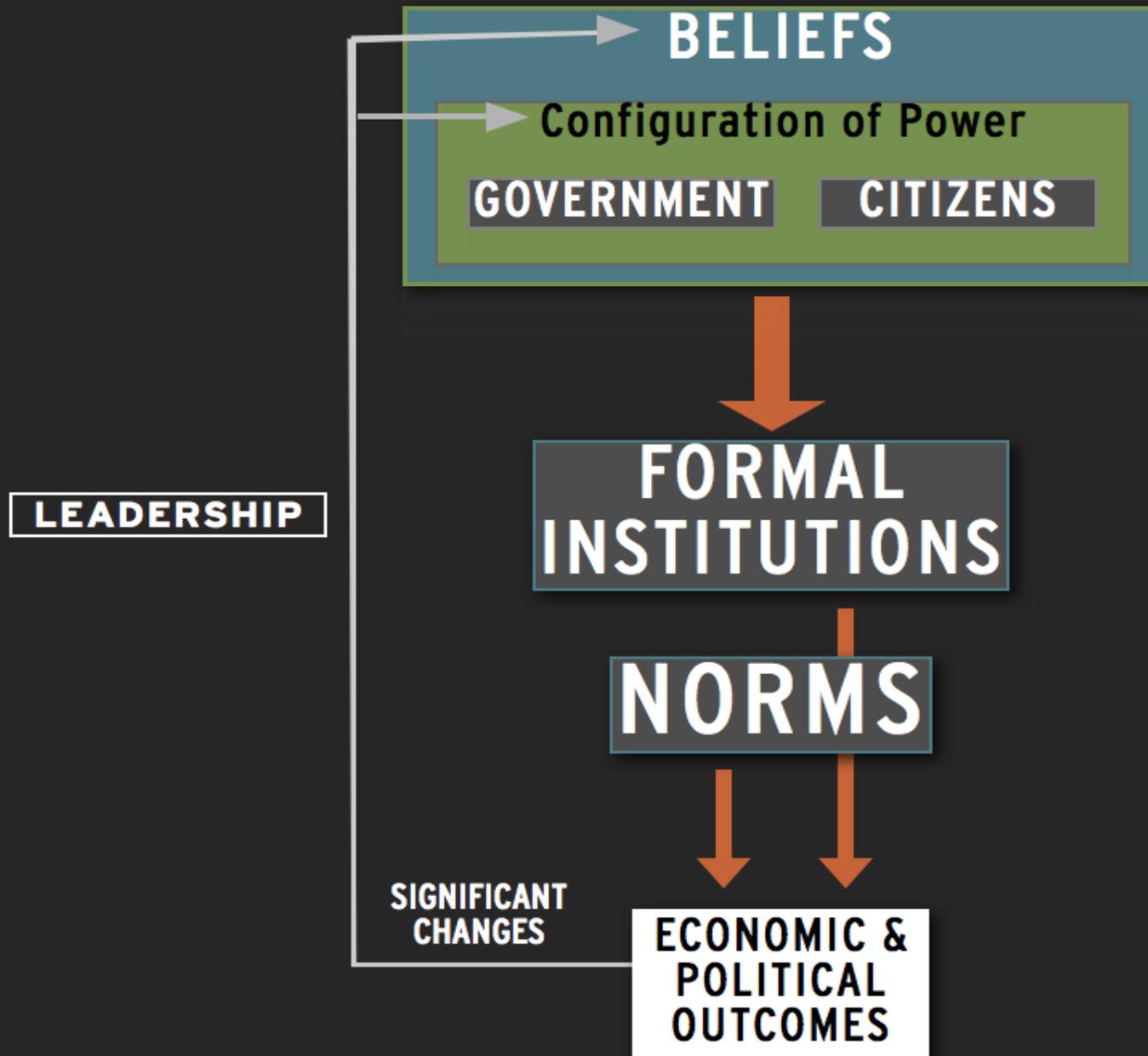
Source: Melo, Alston, Mueller, Pereira 2014



Institutional change

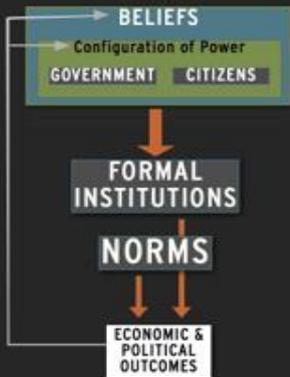


Institutional change



Institutional change

AutoPilot



Punctuated change

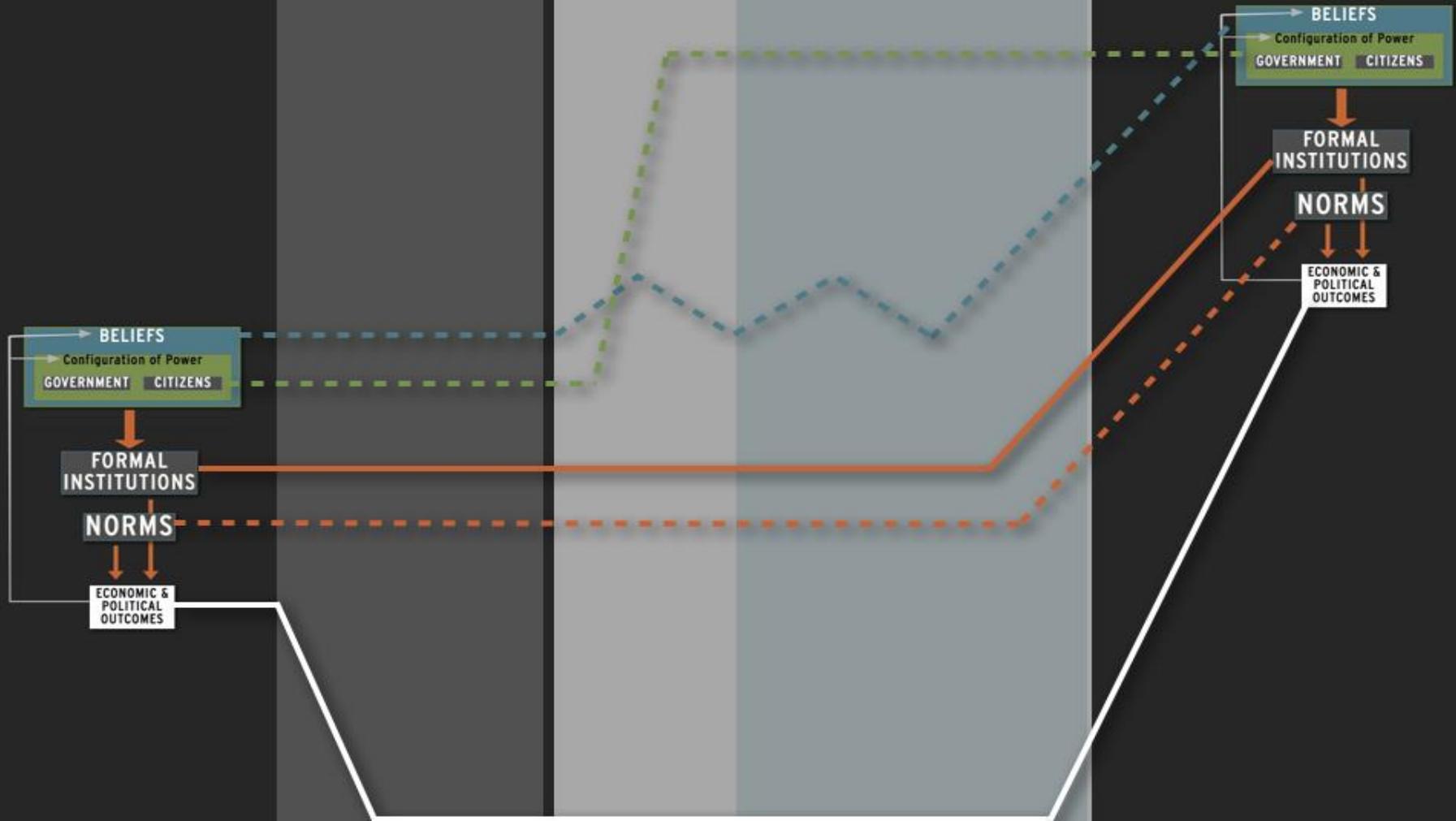
AutoPilot

Shock

Window of Opportunity

New AutoPilot

Leadership



Crisis and change

- Major Shocks and window of opportunities
 - The Constitution of 1988
 - Street protests and riots of June 2013
 - The Petrobrás scandal (2014)
 - Minor scandals and shocks







OU PARA A
ROUBALHEIRA
OU PARAMOS O
BRASIL

Paradox:
strengthening accountability are
perceived as failures

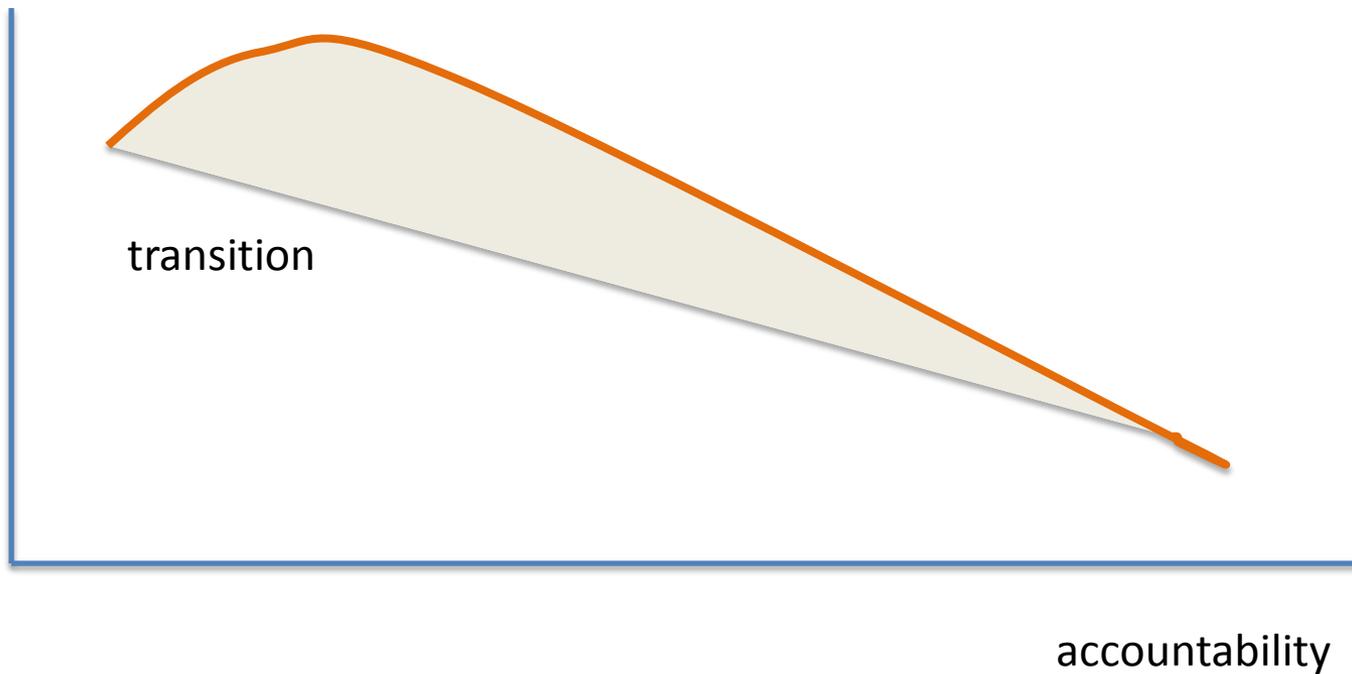
Accountability and corruption

- Corruption is elusive
 - Non-observability of corruption
 - Selection bias
 - Perception
 - Victimization
 - Randomized audits

Strengthening accountability and corruption

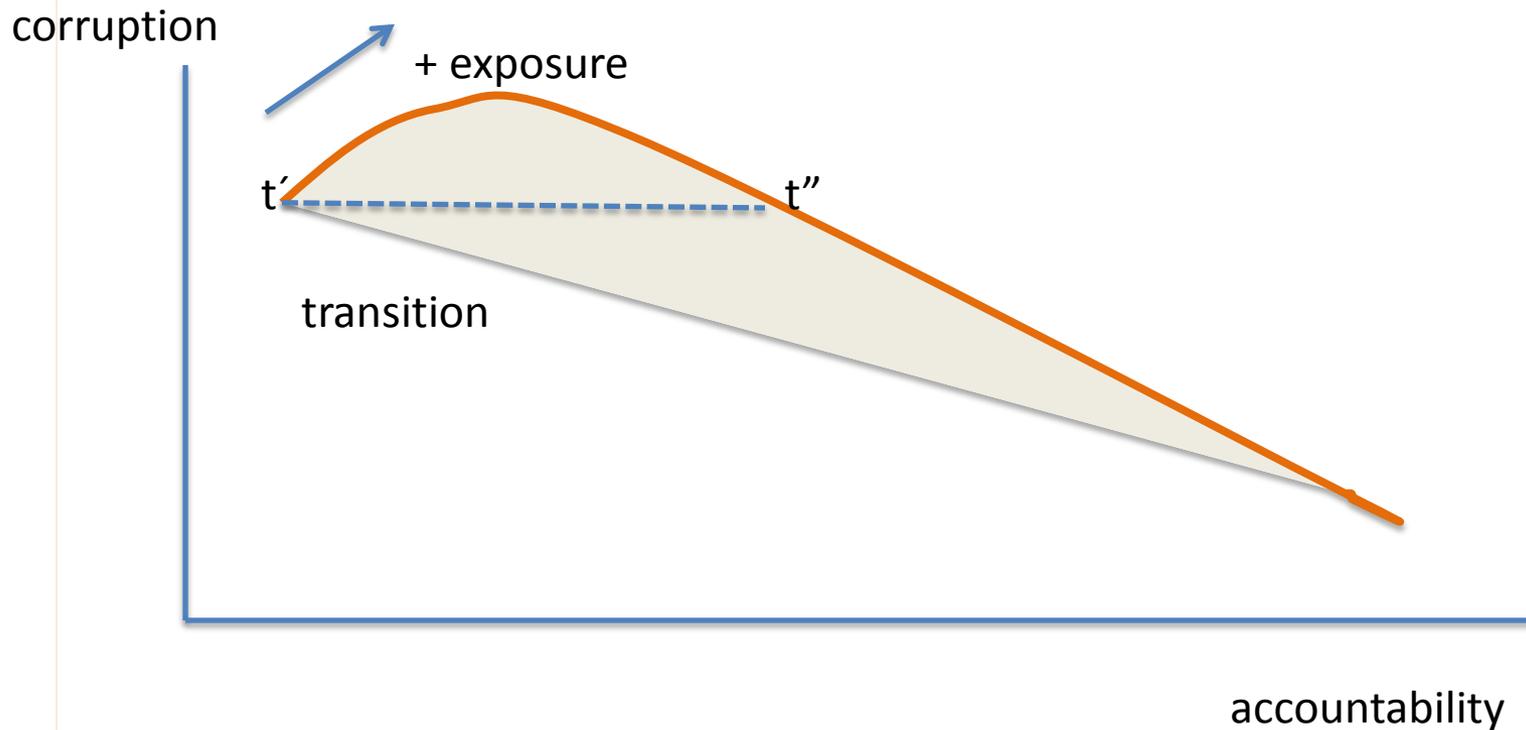
- A non linear effect

corruption



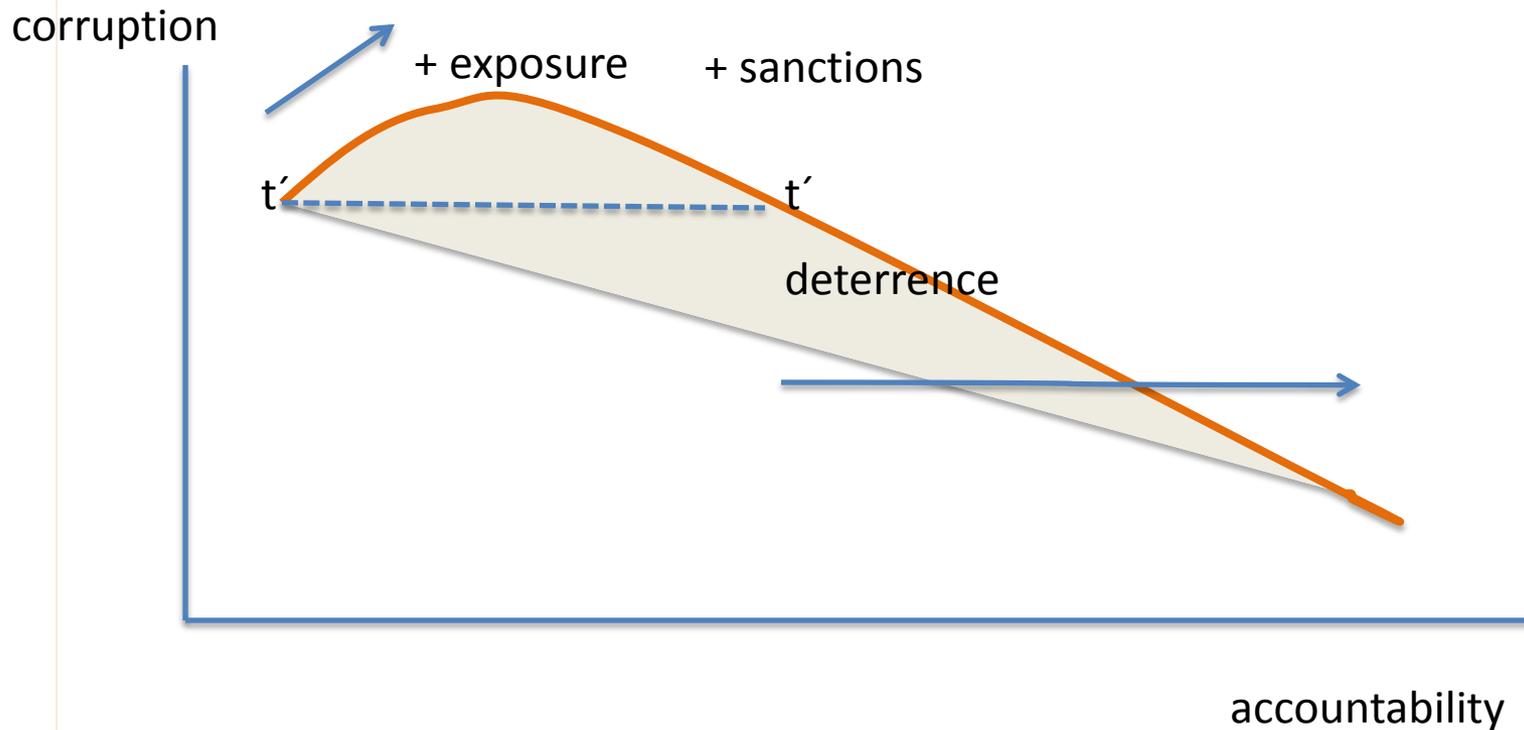
Strengthening accountability and corruption

- A non linear effect



Deepening Democracy and corruption

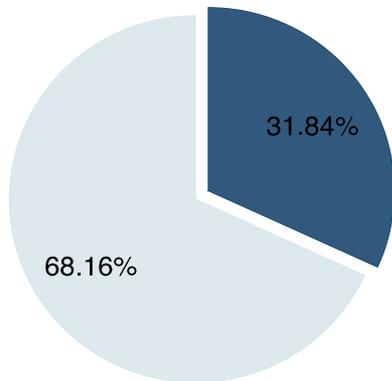
- A non linear effect



Politicians facing criminal charges

Senators facing criminal charges

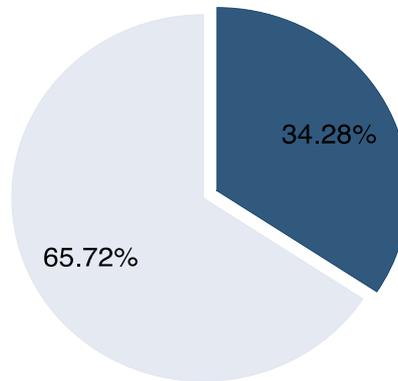
■ charged ■ not charged



Source: Transparencia Brasil, 2008

State Legislators facing criminal charges

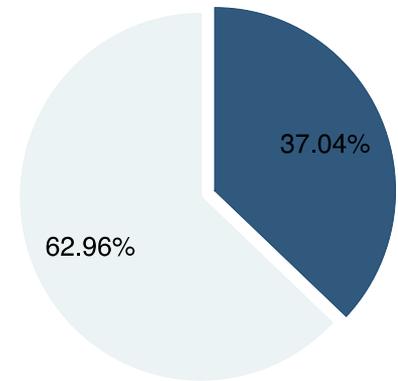
■ charged ■ not charged



Source: Transparencia Brasil, 2008

Federal Deputies facing criminal charges

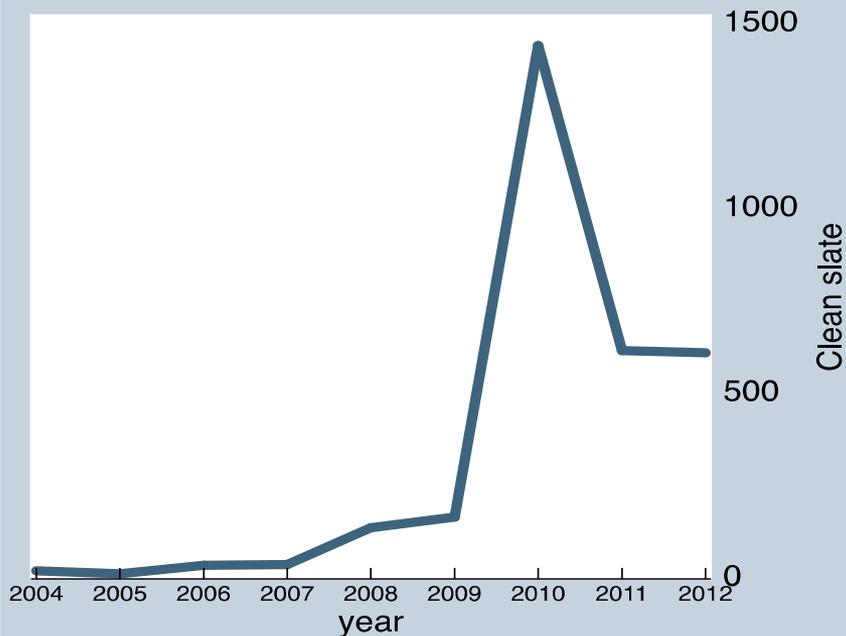
■ charged ■ not charged



Source: Transparencia Brasil, 2008

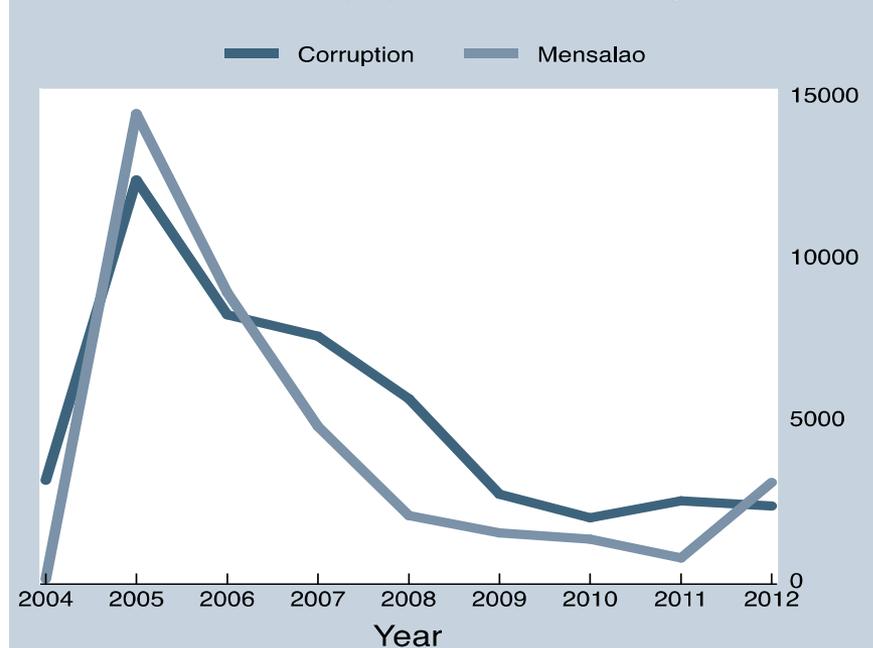
Media exposés on Ficha Limpa and Mensalão

Number of news paper reports on Clean Slate



Source: Deu no jornal, Transparência Brasil

Number of news paper reports on key words



Source: Deu no jornal, Transparência Brasil

Crisis- driven institutional change

- Collor's impeachment –
 - the ban on corporate funding for party financing was lifted
 - legal framework set in place allowing more transparency and oversight of campaigns donations.
- Dwarves' scandal – Reform of budgetary procedures
- Mensalão –
 - online registry of campaigns contributions
 - stricter penalties for off-the-books campaign finance
- Others
 - Constitutional amendment 35 (2001), the need for Congressional consent for the Supreme Court hearing cases against politicians
 - Code of Public Ethics
- PETROLÃO - ?

Lessons from the Brazilian experience

- 1. Institutional design matters
 - More sanctions when members of Ministério Público are part of the Audit institutions

Lessons from the Brazilian experience

- 2. Web of accountability
- More sanctions when there is coordination among accountability institutions
- Independent media reinforces audit findings

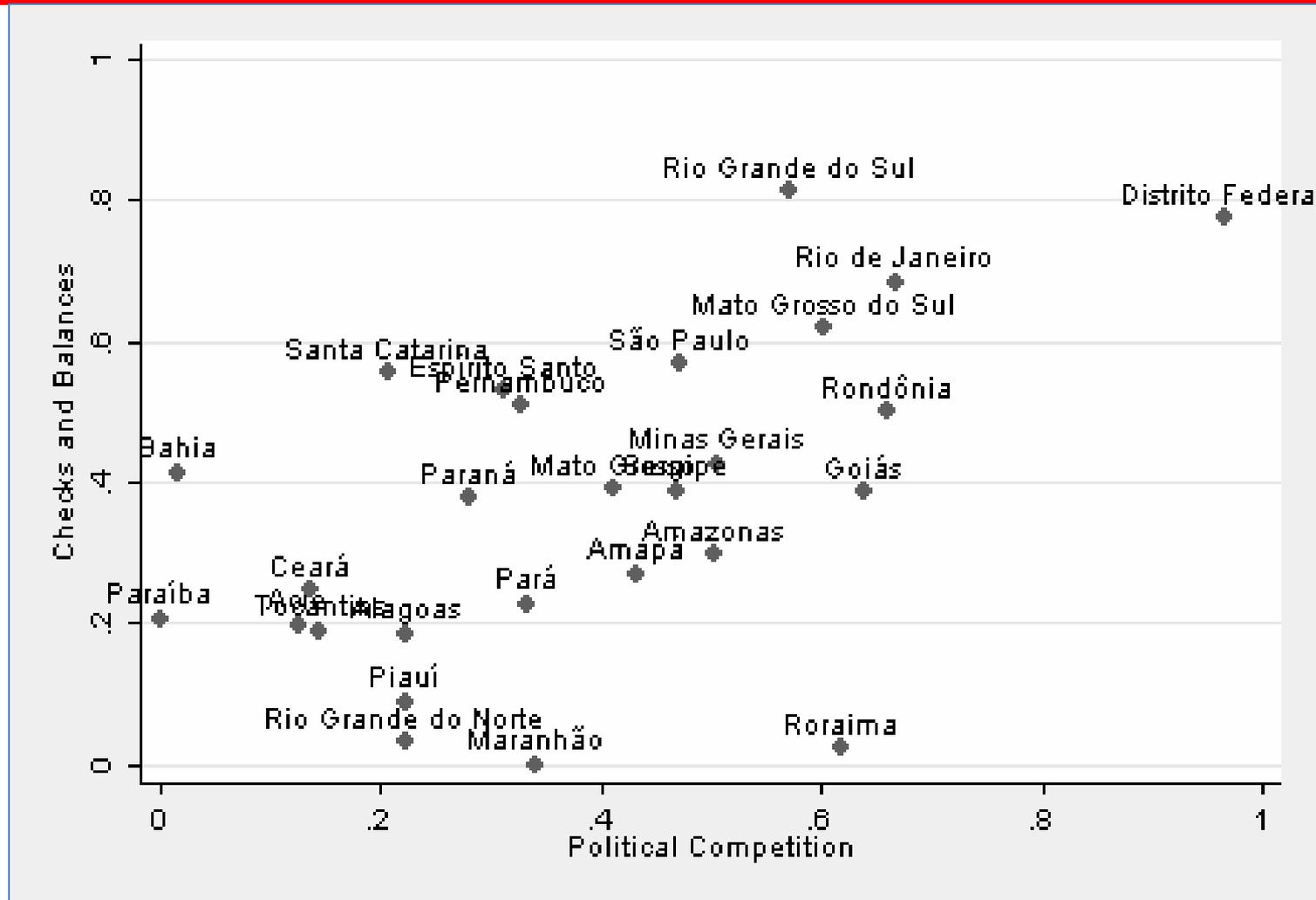
Summing up: web of accountability institutions

- Political meddling, lack of coordination and interbranch rivalries, as well as arcane legal procedures
- The most effective: public ministry, the higher courts and the media.
- The TCU and the CPIs are vulnerable to political majorities
- Costs of the sanctions are “reputational”, but decreasing levels of impunity (CNJ, mensalão)

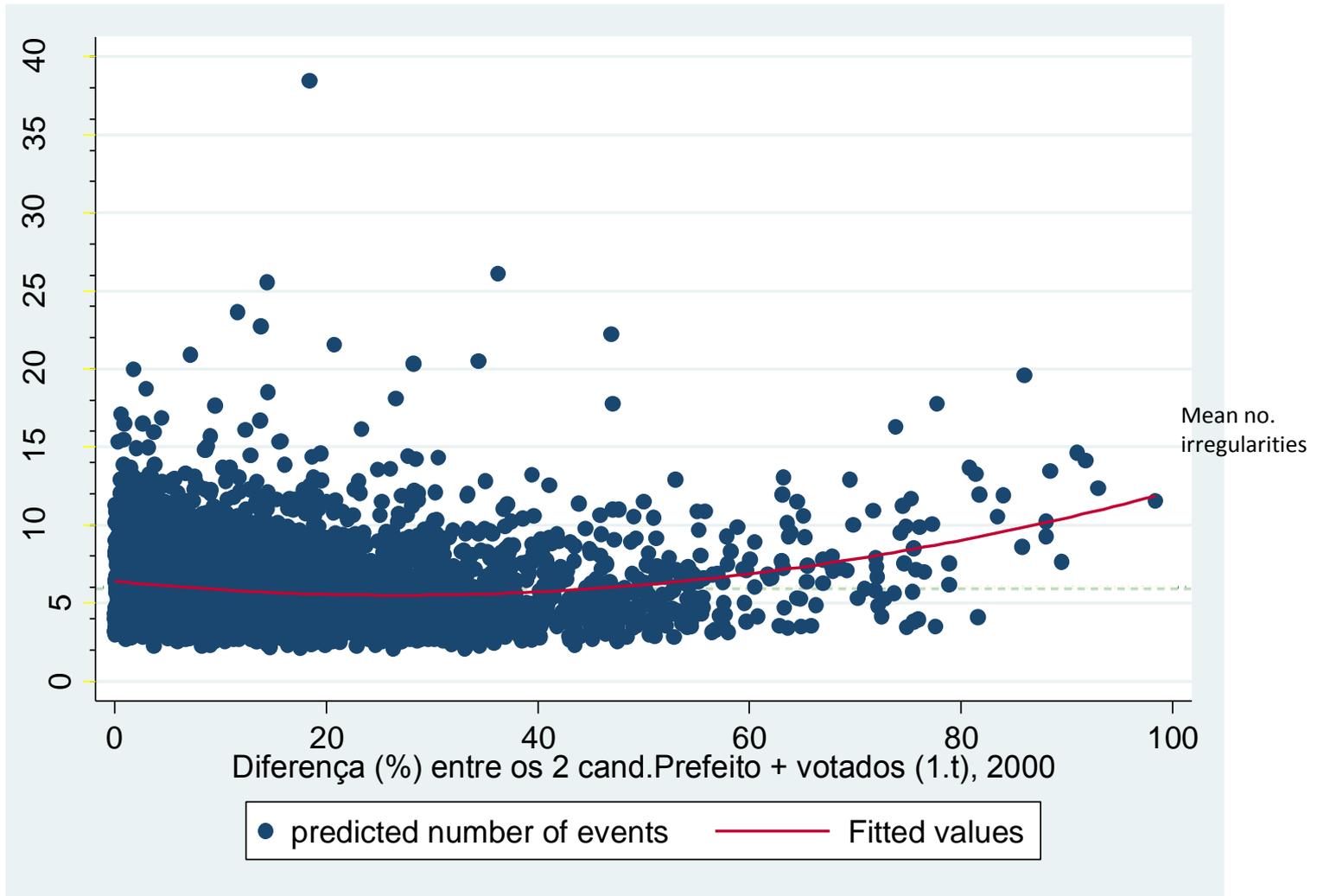
Lessons from the Brazilian experience

- 3. Political competition matters
- More sanctions and activism where there is political pluralism
- Evidence from the states

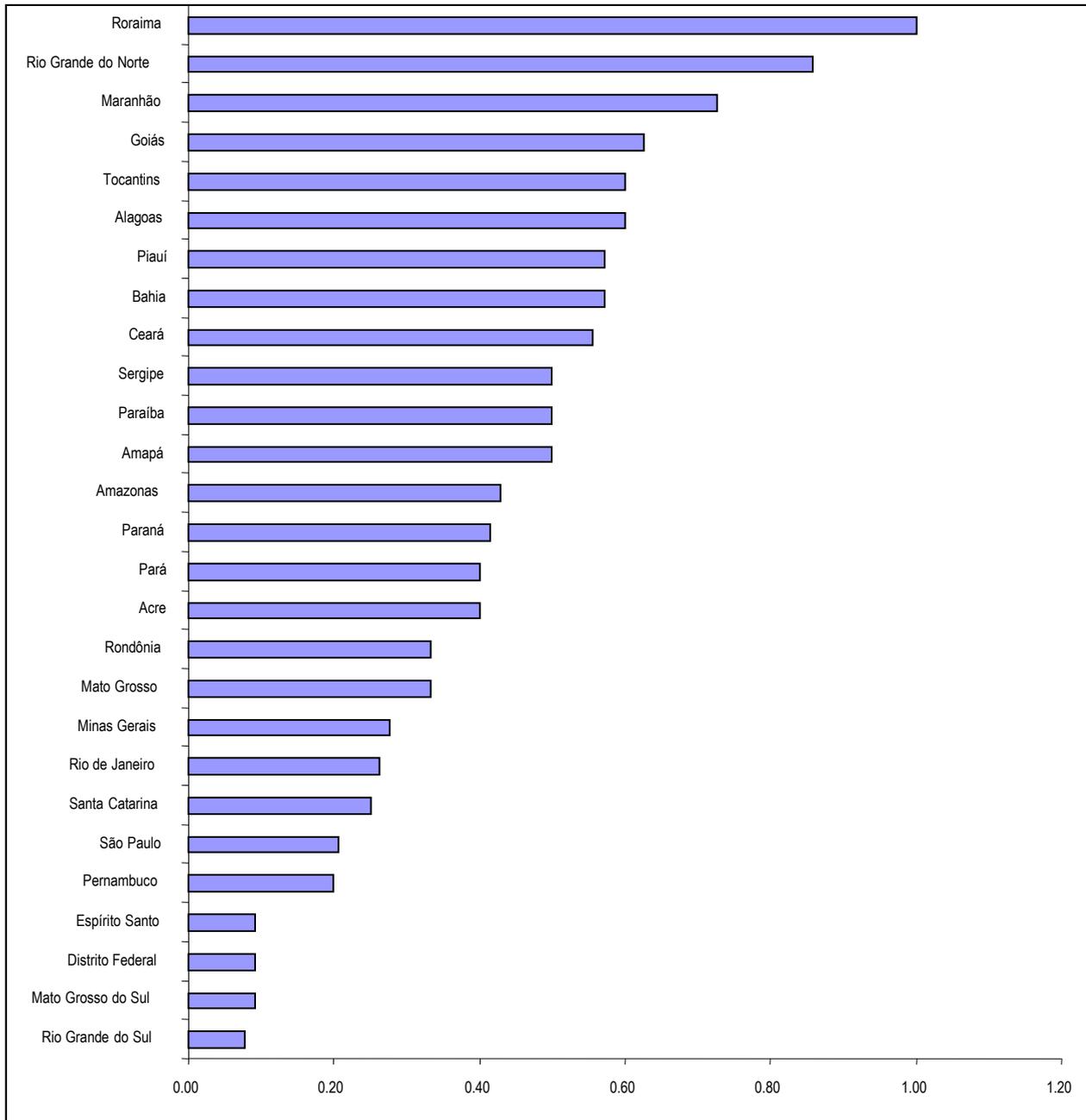
Accountability and C & B in the Brazilian States 1998-2002



Corruption increases in political monopolies



% Media owned by politicians in Brazilian states



Do citizens sanction corruption? Mixed findings

- Increased saliency of corruption
- Increasing intolerance of corruption
- But campaign spending mitigates electoral sanctions

The interplay of horizontal accountability and vertical accountability

- Legal sanctions – tribunales de cuentas
- Administrative sanctions – contralorias, auditorias and tribunales de cuentas
- Political sanctions - citizens

Do citizens sanction corruption? Mixed findings

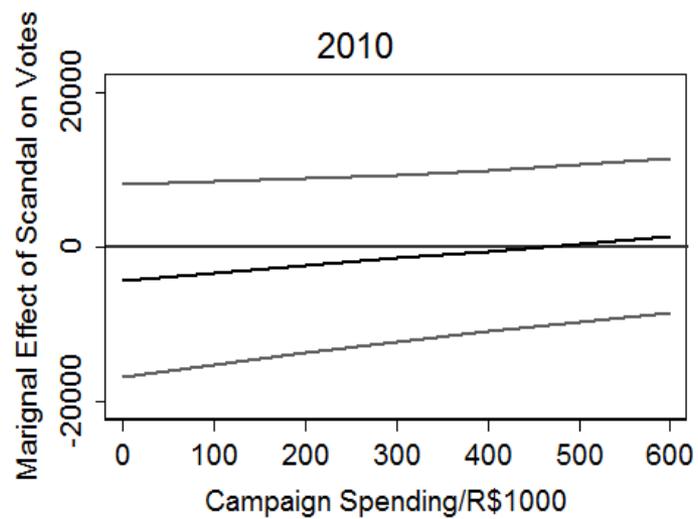
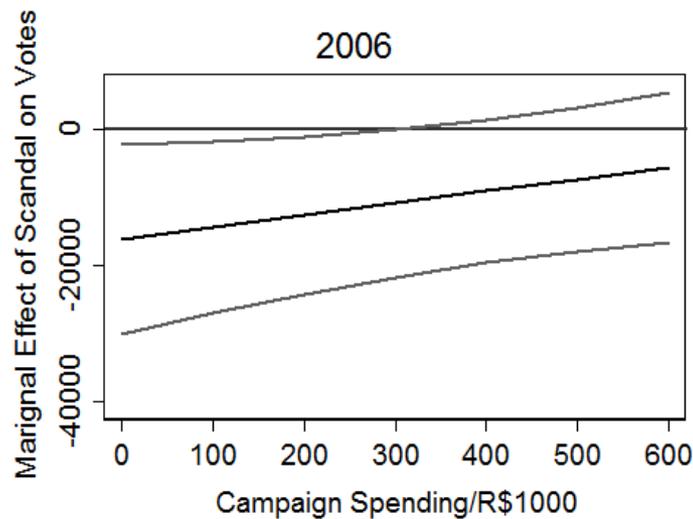
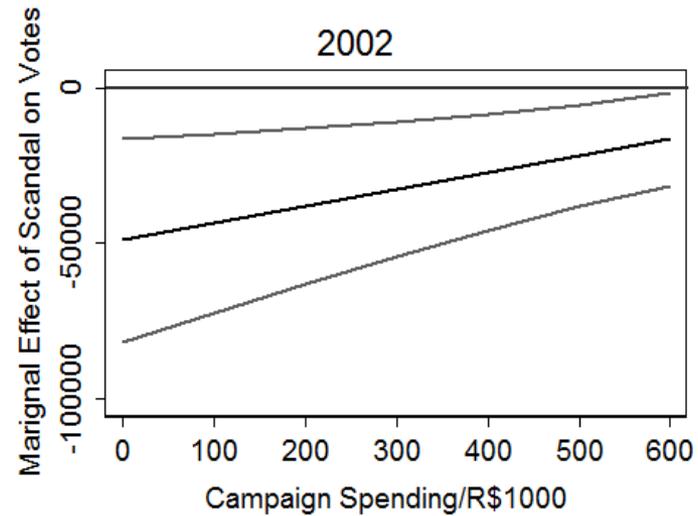
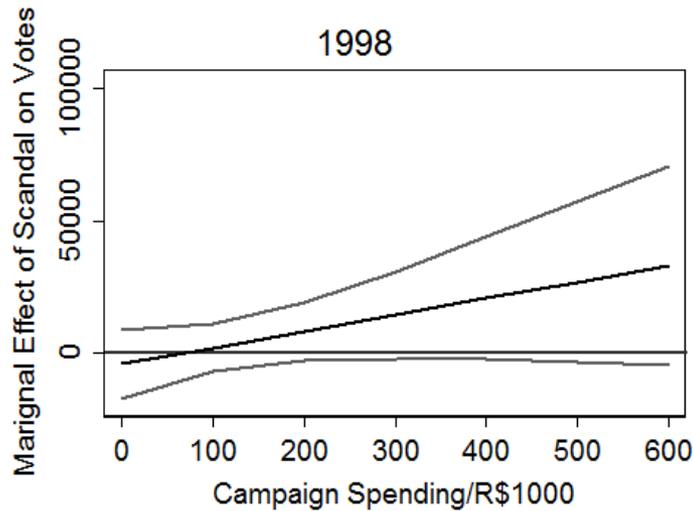
- Information has to be credible, timely and intensive!
- The probability of reelection for federal deputies and mayors implicated in illicit acts decreases by 18 and 11 percent
- But this effect is reduced by public spending
- People have short memory!

Table 1: Panel Probit Estimating Reelection Success for Incumbent Mayors (2000 and 2004 Elections)

Variables	Model 1	Model 2	Model 3	Model 4
Corruption				
Verified Denouncements	-.532** (.248)	-.530** (.249)		-.440** (.215)
Irregularity (Special Audits)	-.077 (.231)			-.0799 (.215)
Electoral Operations	-.263 (.210)	-.281 (.203)	-.318* (.185)	-.167 (.196)
Audit intensity		-.024 (.127)		
Previous Conviction			-.674* (.437)	
Information				
Illiteracy	-.406 (2.149)	-.437 (2.165)	-.268 (2.108)	-1.015 (2.087)
TV (Sets)	-.021** (.009)	-.022** (.009)	-.023** (.009)	-.024** (.013)
TV (Local Station)				.271 (.511)
Radio AM				.810 (.541)
Radio FM				.184 (.348)
Public Spending	.008** (.004)	.009** (.004)	.009** (.004)	.0146*** (.004)
Controls				
Difference of Votes	.000 (.000)	.000 (.000)	.000 (.000)	
Governor's Party	-.095 (.437)	-.088 (.443)	.044 (.445)	
Constant	.430 (1.085)	.410 (1.099)	.663 (1.107)	-.775 (1.463)
Sigma u	.0009 (.116)	.0009 (.386)	.0009 (.499)	.0015 (.016)
Log likelihood	-40.466	-40.505	-41.986	-40.800
Observations	82	82	82	82
Number of groups	77	77	77	77

* p<0.10, ** p<0.05, *** p<0.01. Robust Standard Errors reported in parentheses.

Figure 4 Marginal Effects of Corruption Scandal on Votes conditional on Campaign Spending



Marginal Effects of Corruption Scandal on Votes conditional on Campaign Spending

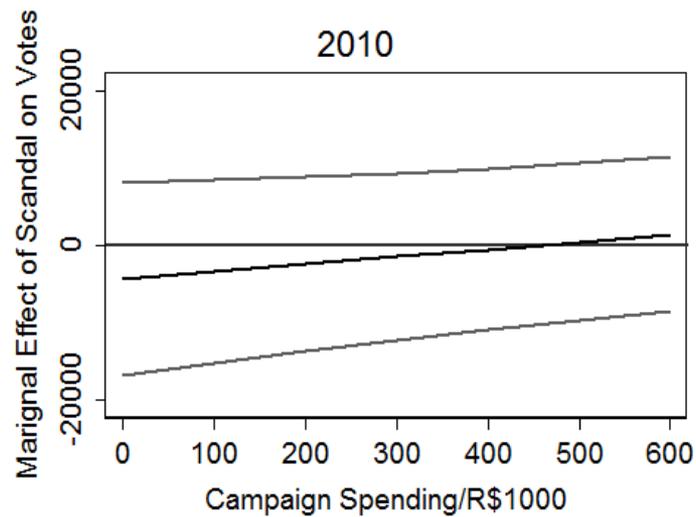
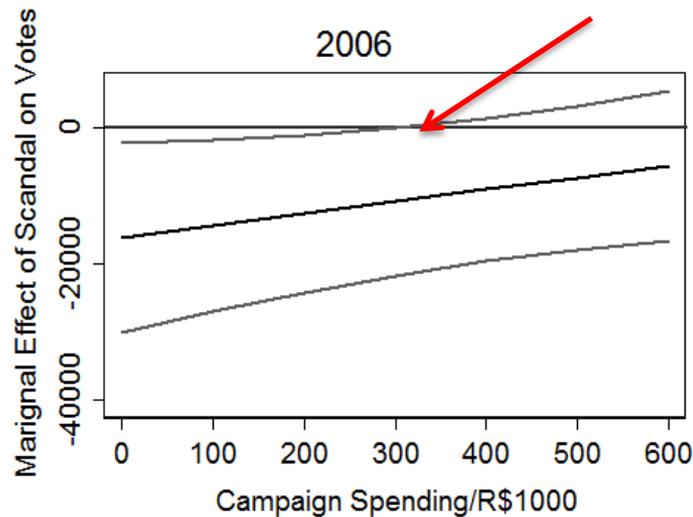
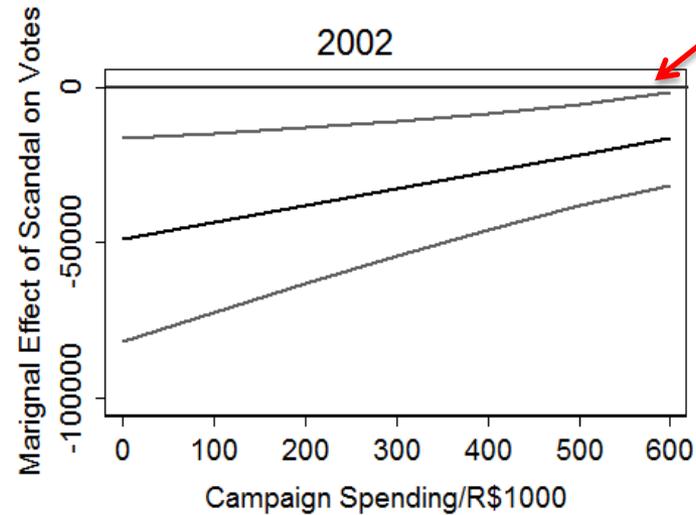
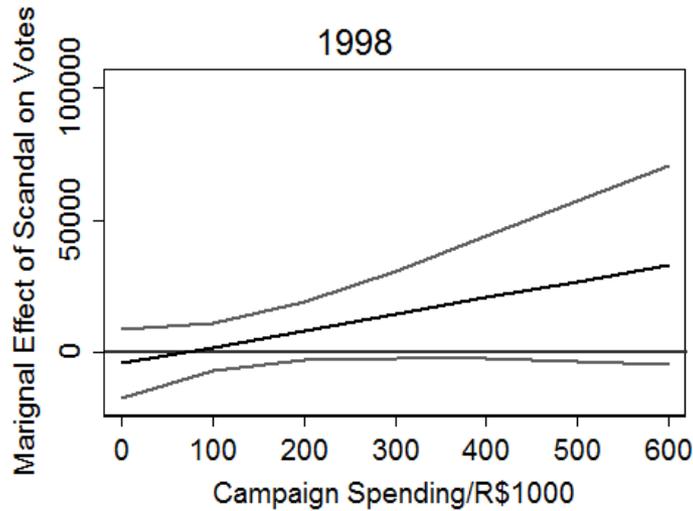


Figure 5: Average Marginal Effect of Corruption on Reelection with Changes in Radio FM – 95% Confidence Interval

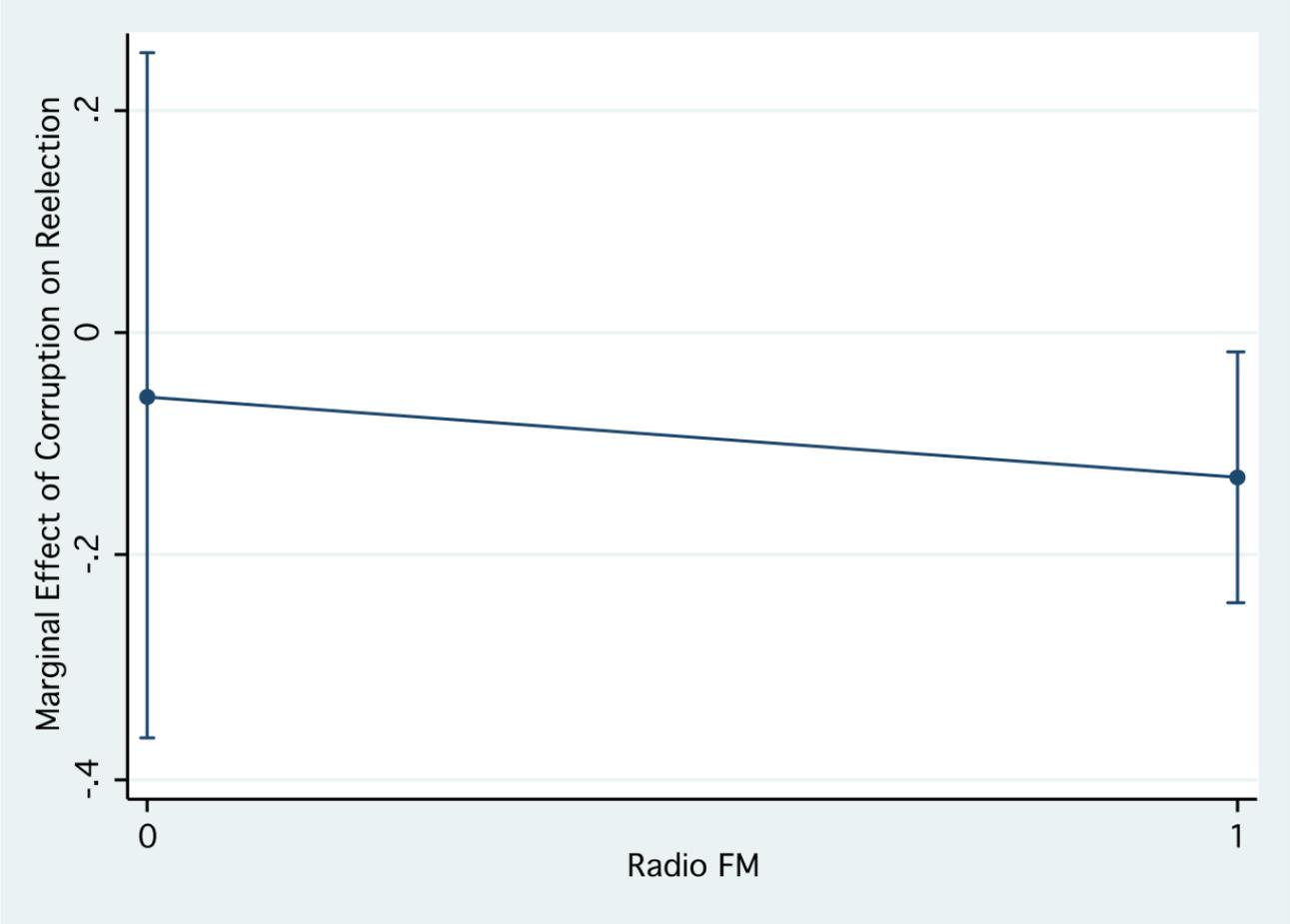


Figure 6: Average Marginal Effect of Corruption on Reelection with Changes in Illiteracy – 95% Confidence Interval

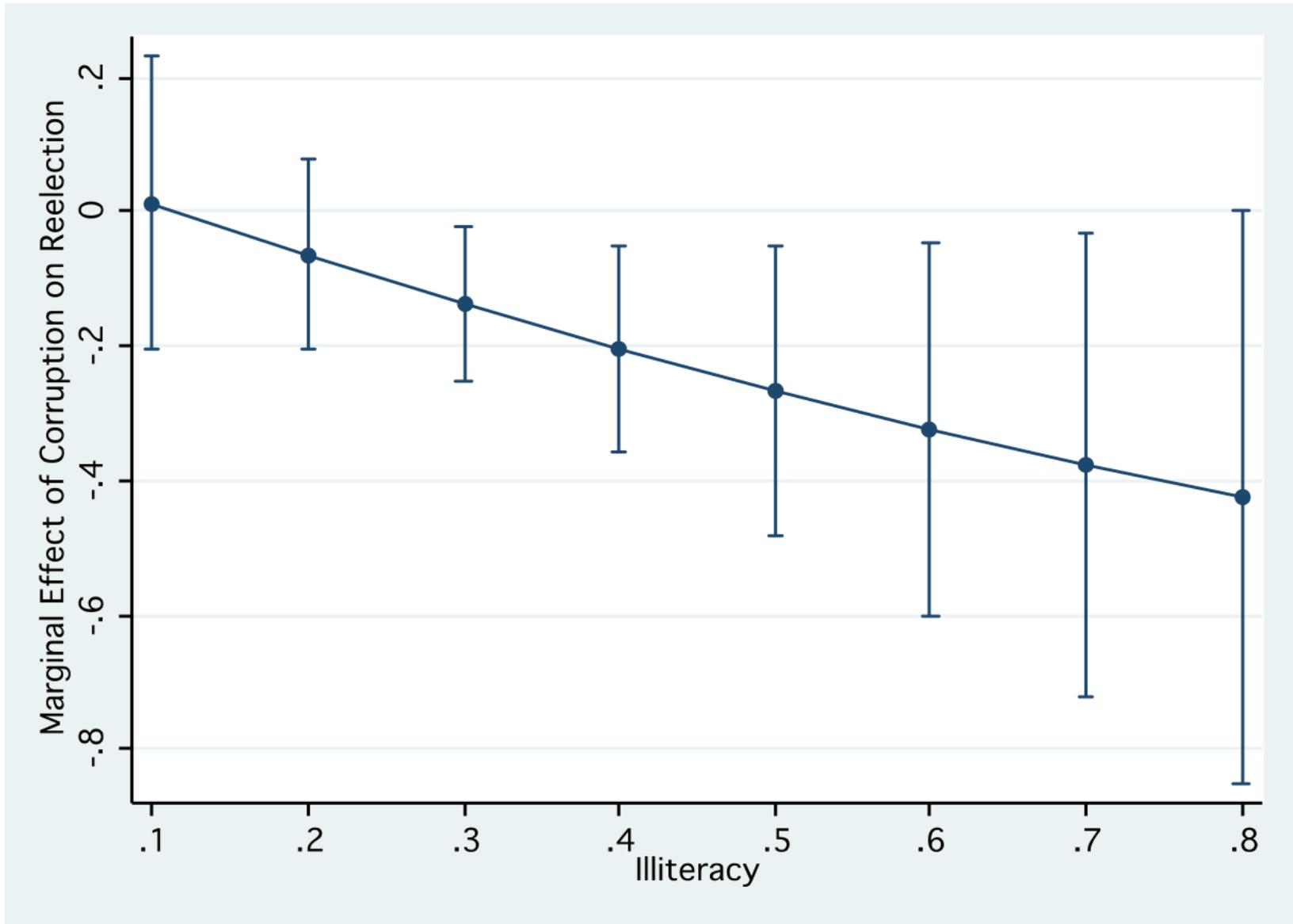
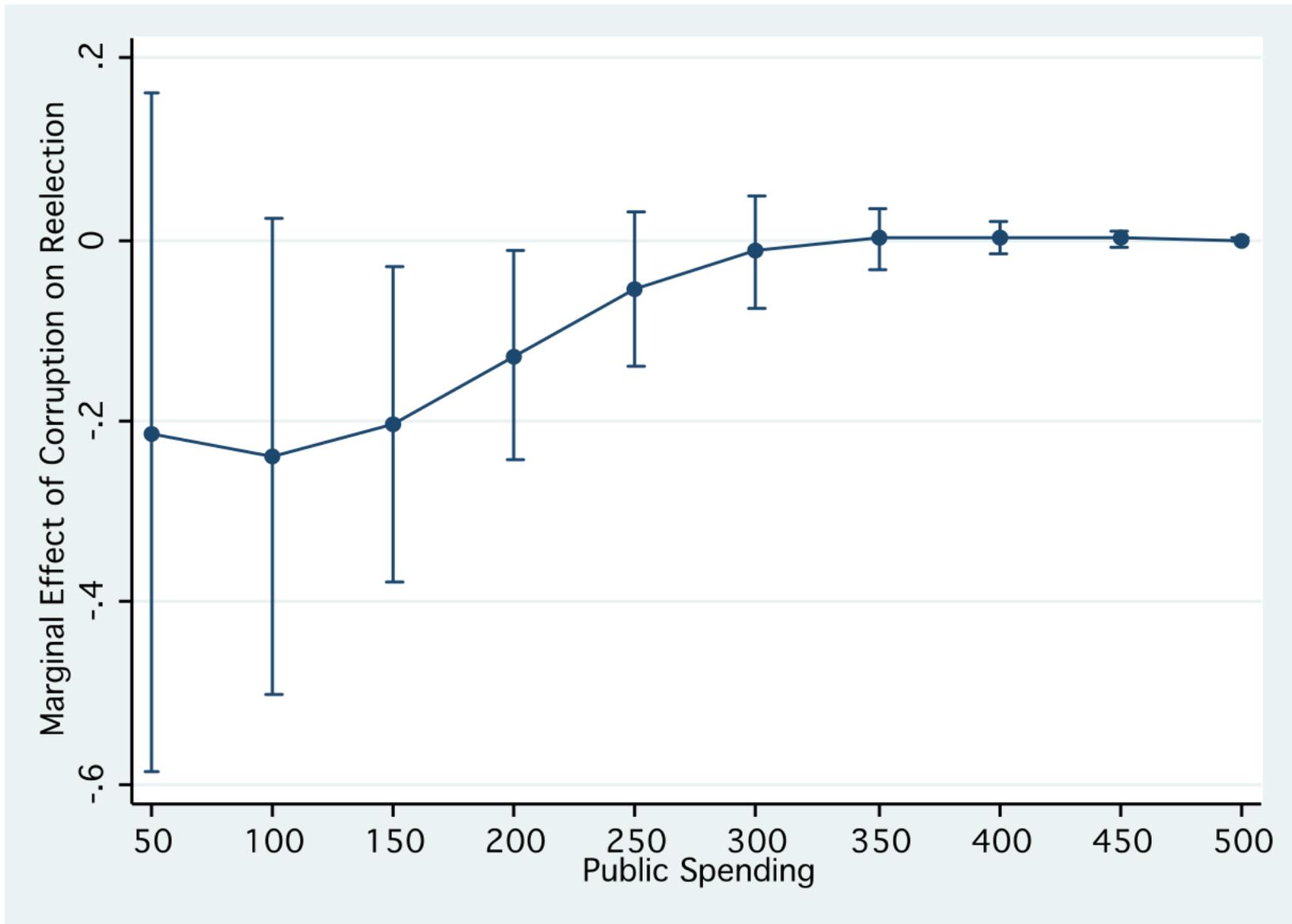


Figure 1: Average Marginal Effect of Corruption on Reelection with Changes in Public Spending – 95% Confidence Interval



Take away messages

- Crisis driven institutional change
- Improvements maybe perceived as failures
- The mutual synergies in the web of accountability
- Information has to be credible, massive and timely
- Social inequalities lead to assymetries in political financing undermining accountability

Rise of mass democracy

% of population voting in elections 1894-2010

