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## POLITICAL CORRUPTION AND DEMOCRACY

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### I. INTRODUCTION

Are democracies less corrupt than other forms of government? The desire for reelection constrains the greed of politicians. The protection of civil liberties and free speech, which generally accompanies democratic elections, makes open and transparent government possible. In contrast, nondemocratic states are especially susceptible to corrupt incentives because their rulers have the potential to organize government with few checks and balances. But this contrast is too sharp. One need look no further than municipal governments in the United States to find a number of well-established corrupt systems that compare quite well with autocratic systems. Recent payoff scandals have implicated elected politicians in many countries. Clearly, democratic forms do not always succeed in checking corruption. Thus it is worthwhile asking which features of democratic government help limit self-dealing and which contribute to corruption.

Democracies based on strong legal foundations provide a stable framework for economic activity. For this framework to operate efficiently, however, politicians must seek reelection and must feel

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insecure about their prospects, but not too insecure. This leads to a "paradox of stability." Too much security of tenure can further corrupt arrangements. Too much insecurity can have the same effect. A competitive political system can be a check on corruption. For elected politicians the most immediate form of "punishment" occurs at the polls. The electorate may extract a cost even if the payoffs are kept secret. Bribes and illegal campaign donations are given in return for a benefit. Often the quid pro quo is something the corrupt politician would not have done without the payoff. If politicians vote against the interests of their constituents, they can expect to suffer at the polls.

The distinctive incentives for corruption in democracies depend on the organization of electoral and legislative processes and on the methods of campaign finance. I will talk first about the relationship between electoral systems and corruption. Second, I ask how corrupt possibilities are related to the relationship between political structure and private wealth. I conclude with some thoughts on preconditions for reforms in corrupt democratic systems.

## II. ELECTORAL SYSTEMS

In a democracy, electoral voting rules and legislative processes interact with underlying political cleavages to affect the opportunities for corruption. Political systems provide various mixtures of both broad-based policies and narrowly focused private or group benefits. Some public goods like national defense also provide benefits to firms and regions that obtain defense contracts and military bases. Incentives for corruption are higher if the state provides individualized benefits, but the connection between corruption and political structure is complex.

Consider two contrasting types of democratic political organization. The first is a system that supplies narrowly focused benefits and does not need corruption to favor groups with political clout. In a plurality system with weak parties such as in the United States, the beneficiaries of government programs may be geographically concentrated population groups and local industries. Similarly, under proportional representation, narrow interests may be able to establish national political parties with pivotal influence. Thus, a system might rank quite low on the scale of political corruption simply because groups that are willing to pay bribes find that they do not need to do so.

Even in such systems, however, not all narrow groups have direct political influence. Some may try to buy benefits either through legal campaign gifts or illegal campaign contributions and bribes. These payments might be treated more tolerantly by politicians if government is

viewed by most citizens as a source of private benefits. The low expectations of the populace can fuel both legal patronage and illegal favors. Although one might expect the incidence of bribery to be inversely related to the level of legal benefits provided to narrow groups, this may not be true. Instead, society may be divided into two groups: those endowed with political clout by the structure of the political system and those obliged to buy influence through illegal payoffs.

Politicians might then try to structure policies so that these two groups are not in direct conflict. For example, a politician could support a project that benefits his or her constituents and then take bribes from those who want contracts or jobs. Although such practices may reduce the quality or raise the price of the project, this may not be obvious to most voters. Suppose, for example, that a politician obtains public money to build a port facility in his or her district. The politician might then give construction contracts to firms that make payoffs. The constituents get their pork-barrel project at the same time as corrupt firms obtain favors. Narrowly focused public projects and illegal payoffs go together.

Second, consider a political system with strong party discipline and two evenly matched national parties. Broadly speaking, this is a scenario that, in the absence of payoffs, is more likely to supply broad-based public services that benefit a majority of the population. Wealthy, but narrow, groups have no way to advance their political agenda directly without mounting a campaign that can garner broad support. Thus legal and illegal campaign contributions and corruption might be more, not less prevalent simply because other options are closed off. Corruptly obtained contracts or licenses to supply public services are an obvious source of payoffs. Operating against the possibility of high levels of malfeasance, however, is the likelihood that the public will favor a tough stance against corruption and money in politics generally. They will be better able to make their beliefs effective if the political scene is highly competitive—so that representatives have little freedom to act against their constituents' wishes.

In response, those who seek corrupt influence will focus on the politicians who are cheapest to purchase. Everything else equal, these will be representatives with safe seats facing little opposition, "sure losers" facing certain electoral defeat, or those who are planning to retire either voluntarily or through the operation of term limits. Term limits spur corruption by placing politicians in an end game in which they are sure that they will not be returned to office.<sup>1</sup>

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1. See SUSAN ROSE-ACKERMAN, *CORRUPTION: A STUDY IN POLITICAL ECONOMY* 15-58 (1978).

Political party leaders are not necessarily passive participants. Strong party discipline can be used to further public goals, but it can also be used to bargain for high payoffs. When wealthy organized interests exist on both sides of an issue, party leaders and agenda setters may encourage competitive bribe offers and may even threaten to introduce damaging legislation as a means of extorting payoffs.<sup>2</sup> If a single party or a stable coalition controls the legislature, it may be able to extract a large share of the gains from the corrupt deal especially when organized interests are in competition.

In deeply divided societies government may be based on the exchange of narrow political favors. The problem is not corruption per se so much as a well-entrenched system of narrowly-focused patronage relations. The political scientist, Arend Lijphart, however, argues that "consociational" systems of this type are desirable because they produce stability in divided societies.<sup>3</sup> Lani Guinier is less concerned with stability and more focused on providing minority groups with a greater share of political power.<sup>4</sup> These benefits may be achieved, however, through a series of inefficient rent-seeking deals. Even worse, the deals may benefit not ordinary people, but only the leaders of various constituencies.

Other scholars have argued that divided societies ought to organize political life to provide incentives for accommodation. Donald Horowitz, in particular, has proposed electoral systems for divided societies that reward politicians for making broad appeals across ethnic and other social groups.<sup>5</sup> The problem is not just instability but other aspects of government performance as well, including the incidence of corruption. A recent study by two World Bank researchers found that a high level of ethnic fragmentation makes it difficult to establish a functioning, competent government, but a state can overcome the disadvantages of ethnic divisions by establishing strong, corruption-free government institutions.<sup>6</sup> Where ethnic divisions have not been well handled, the result can be a state focused on sharing the spoils, not promoting overall prosperity. In Nigeria, for example, governments have been short-lived, and each represents a different ethnic coalition. Military rule alternates with periods of electoral politics. Political life has been focused on rent

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2. See FRED S. MCCHESENEY, *MONEY FOR NOTHING: POLITICIANS, RENT EXTRACTION, AND POLITICAL EXTORTION* (1997); See also ROSE-ACKERMAN, *supra* note 1, at 48-51.

3. AREND LIJPHART, *DEMOCRACY IN PLURAL SOCIETIES* (1977).

4. See LANI GUINIER, *THE TYRANNY OF THE MAJORITY* (1994).

5. See DONALD HOROWITZ, *ETHNIC GROUPS IN CONFLICT* (1985).

6. See William Easterly & Ross Levine, *Africa's Growth Tragedy: Policies and Ethnic Divisions*, 112 Q. J. ECON. 1203 (1997).

seeking, not productive activity.<sup>7</sup> Corruption indicates a lack of competence and political will at the top of government. Divisions can be so severe that government can aim for no more than the avoidance of civil war.

Some divided states have a dominant group that always retains political power. In such cases, majority politicians may espouse a populist ideology that demonizes minority ethnic groups, but then accept payoffs to permit them to flourish. This is a particularly common pattern if the minority group is also wealthy and active in business. Such corruption raises a difficult problem, especially if combined with patronage and close personal ties that cement monopoly business relationships. One might be tempted to excuse these payoffs as a way around the narrow-mindedness of ordinary people. But the corruption scandals that come to light will only fuel ethnic prejudices, especially if bribes are paid not just to operate businesses but also to limit competition in the interest of maximizing the gains to be shared by political and business leaders. Here one question for reformers is whether the dominance of one group is inevitable or whether a different method of selecting leaders could lead to the accommodation of other groups in legitimate, noncorrupt ways.<sup>8</sup>

The idea is not to organize the state to give one group monopoly power, but to give incumbents an incentive to take a long-run view and to anticipate that they have a good chance of either winning or losing the next election. Incumbents should be unsure of winning, but believe that they have a good chance of returning to office. Opposition parties play the role of monitors, threatening to make corruption a campaign issue. If voters care about policy, not private spoils, such a structure will encourage honest policy making.

To summarize, there are three dimensions that are central in determining the incidence of political corruption. They affect politicians' willingness to accept bribes and illegal campaign financing, voters' toleration of such payoffs, and the willingness to pay of wealthy groups. The first dimension is the existence of narrowly focused favors available for distribution by politicians. The second is the ability of wealthy groups to obtain these benefits legally. Third is the temporal stability of political alliances. Instability may arise from competition over the spoils of office, but governments in ideologically divided societies can also be unstable. Instability can induce both politicians and wealthy interests to get what

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7. See Larry Diamond, *Nigeria's Perennial Struggle Against Corruption: Prospects for the Third Republic*, 7 *CORRUPTION & REFORM* 215 (1993); Larry Diamond, *Nigeria: The Uncivic Society and the Descent into Praetorianism*, in *POLITICS IN DEVELOPING COUNTRIES: COMPARING EXPERIENCE WITH DEMOCRACY* 417 (Larry Diamond et al. eds., 2d ed. 1995).

8. See HOROWITZ, *supra* note 5.

private benefits they can in the short run. Reforms can focus on any or all of these dimensions. Thus, the system can first insulate politicians from making certain personalized choices, such as picking contractors or filling government jobs, or the electoral system can be modified to give politicians a greater incentive to satisfy broad-based constituencies. Second, civic education campaigns can educate voters to require public benefits from the political system, not personal favors. This might make corruption seem the only option for narrow groups, but it also makes the acceptance of illegal payoffs a risky strategy for a career politician. Third, structural reforms can seek to produce more stability but without leading to an essentially autocratic system. Politicians should worry about losing office, but should also believe that reelection is possible. If the divisions that produce instability are based on ideological or social divisions, reforms should give politicians an incentive to accommodate a broad range of opinions or a multiplicity of social groups.

### III. BUYING POLITICAL INFLUENCE

In democracies, corruption scandals are frequently associated with the financing of political campaigns. Some countries have little bureaucratic corruption but suffer from a corrupt political process. However, money cannot be entirely eliminated from politics. Elections must be financed, and wealthy interests concerned with legislative outcomes and government policy may be willing to foot the bill. Financial pressures give politicians an incentive to accept payoffs, thus working against the other corruption-reducing effects of competitive elections.

Democratic political systems must find a way to finance political campaigns without encouraging the sale of politicians to contributors. Governments have drawn the line between legal and illegal gifts in quite different ways, and legal frameworks vary greatly in the limits they place on quid pro quo deals by politicians.

Even entirely legal contributions from wealthy interests are a source of concern. Groups that give funds to elected officials expect help in the legislative process. They may also expect special treatment on individual problems in dealing with the bureaucracy or in seeking contracts and concessions. The electoral process can discipline politicians to represent the interests of their constituents, and voters may penalize candidates who seem too deeply beholden to special interests. But voters cannot act unless they know how their representatives behave and who has given them money. Legal gifts can have a corrupting effect if they need not be made public and if the quid pro quo is not itself obvious to voters.

Sometimes the expectations of a quid pro quo have been quite straightforward. In North Carolina in 1997, a construction firm that did not receive the favor it expected in return for a contribution to the incumbent governor's campaign asked for its money back.<sup>9</sup> In the early twentieth century, Canadian firms gave kickbacks to political candidates to help finance their campaigns in return for assistance in obtaining government contracts.<sup>10</sup> In Japan, politicians who assist local firms in obtaining contracts allegedly expect a percentage of the price in return.<sup>11</sup> During the 1980s in Germany, contributions disguised as charitable ones were given to political parties in an effort to obtain legislative quid pro quos. At the time, paying members of Parliament for favors was not a punishable offense.<sup>12</sup>

The worry about undue influence would be of little concern if campaign funds were unimportant to electoral success. Then strict legal spending limits could be enforced. However, although empirical work has not conclusively determined the impact of campaign donations on electoral success, politicians and contributors certainly act as if money matters.<sup>13</sup> The link between campaign funds and influence remains a persistent concern of critics of the American political system because the high cost of congressional races must be raised from private sources.<sup>14</sup>

In all democratic political systems some gifts to politicians violate domestic laws. Even when the legal restrictions on fund raising seem permissive, politicians and their wealthy patrons may prefer the anonymity of an illegal gift. Keeping a gift secret can help hide the illicit quid pro quo and will facilitate efforts to siphon off funds for personal use. Voters cannot be expected to look with tolerance on tax breaks or contracts granted in return for payoffs.

For example, the testimony of Italian political operatives in the Clean Hands investigations reveals how corrupt practices can become entrenched

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9. See Kevin Sack, *A Road-Building Scandal Forces a Governor's Hand*, N.Y. TIMES, Jan. 14, 1998, at A10.

10. See Allison R. Quinn, *National Campaign Finance Laws in Canada, Japan and the United States*, 20 SUFFOLK TRANSNAT'L L. REV. 193, 197, 230 (1996).

11. See *id.* at 231.

12. See Wolfgang Seibel, *Corruption in the Federal Republic of Germany Before and in the Wake of Reunification*, in DEMOCRACY AND CORRUPTION IN EUROPE 85, 94 (Donatella della Porta & Yves Mény eds., 1997).

13. See James M. Snyder, Jr., *Long-Term Investing in Politicians: Or, Give Early, Give Often*, 35 J.L. & ECON. 15 (1992).

14. See AMITAI ETZIONI, *CAPITAL CORRUPTION: THE NEW ATTACK ON AMERICAN DEMOCRACY* (1988).

in nominally democratic systems.<sup>15</sup> Party leaders placed would-be politicians in positions where the payment of bribes was routine.<sup>16</sup> Specialized “party cashiers” managed the collection of bribes and the distribution of contracts. They collected bribes for the party coffers, but some share of the gains was also kept by individuals.<sup>17</sup> Illegal contributors had quite specific favors they wanted from the state, and there was a large discrepancy between the amount the firms reported giving and the amount the political parties reported receiving.<sup>18</sup>

Reform proposals take many forms. In a highly competitive political system, with informed voters who do not expect personal favors for themselves, a policy of prompt and complete disclosure might be sufficient. Any politician who relied too heavily on special interest money and voted accordingly would be defeated. More direct restrictions are needed if the system is not very competitive and if voters are poorly informed. Without spending limits, politicians have leeway to favor large contributors, and the gifts can themselves be used to mislead voters as to the candidates’ positions and behavior.<sup>19</sup>

A basic problem in the design of a system of campaign finance is to avoid imposing restrictions that themselves encourage illegality. Limits on donations are justified as a way to curb corrupt influences,<sup>20</sup> but strict legal limits can encourage unreported illegal transfers. For example, the Japanese system in force between 1975 and 1993 encouraged illegal payoffs by limiting legal business contributions.<sup>21</sup> When the ban on corporate contributions in the current Japanese law comes into effect in 2000, a similar result may occur. Recent scandals in industrialized countries point to the importance both of clear rules governing the solicitation of private money and the provision of sufficient legal sources of funds. Furthermore, the impact of corporate gifts depends upon the ability of politicians to provide individualized favors to firms. If such favors are not outlawed or otherwise controlled, the difference between bribes and legal campaign contributions will be blurred and will depend, first, on reporting requirements and, second, on the reaction of voters. An

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15. See Silvia Colazingari & Susan Rose-Ackerman, *Corruption in a Paternalistic Democracy: Lessons from Italy for Latin America*, 113 POL. SCI. Q. 447 (1998). The prosecutions, launched in 1992, focused on corruption in Milan and elsewhere in Northern Italy.

16. See Donatella della Porta, *Actors in Corruption: Business Politicians in Italy*, 48 INT’L SOC. SCI. J. 349, 354-358 (1996).

17. See *id.* at 358-360.

18. See Colazingari & Rose-Ackerman, *supra* note 15.

19. See ROSE-ACKERMAN, *supra* note 1, at 33-45.

20. See William J. Connolly, *How Low Can You Go? State Campaign Contribution Limits and the First Amendment*, 76 B.U. L. REV. 483, 496 (1996).

21. See Quinn, *supra* note 10, at 207-208.



entrenched system of illegal payoffs may undermine efforts to reform the funding of political campaigns. In Italy campaign finance rules seem quite permissive. Yet illegal contributions featured prominently in recent anticorruption cases.<sup>22</sup> Reformers need to look beyond the details of the campaign finance law to seek ways to limit the discretion of politicians to favor gift givers.

The debate over campaign finance reform in the United States has focused mainly on the undue influence afforded to large givers.<sup>23</sup> This has led to calls for public financing and a modest attempt along these lines has been in place for presidential races since 1974.<sup>24</sup> One solution has been publicity. Firms must form Political Action Committees in order to make donations, and all gifts must be reported. All fifty states also have legislation requiring that donations be reported, but enforcement is quite weak, and loopholes are easy to find.<sup>25</sup> In many states and at the federal level contributions to political parties are not presently restrained.<sup>26</sup>

Solutions can approach the problem from four dimensions. First, the costs of political campaigns could be curtailed by reducing the length of time for the campaign. Systems where the date of the next election is uncertain can enforce such constraints fairly well, but in all systems time limits are hard to make operational. Restrictions could also be imposed on the methods of campaigning in an effort to keep costs down. Second, stronger disclosure rules can be established. The United States already has quite strong disclosure requirements, but many records are not made public until well after the election has taken place.<sup>27</sup> Disclosure not only permits citizens to vote against candidates who receive too much special interest money but also makes it possible for scholars to study the impact of gifts on behavior to see how close to bribes they are. Third, laws in many countries and in the American states limit individual donations, and other laws limit candidates' spending. In the United States the Supreme Court has found contribution limits in the federal law consistent with the protection of free speech, but lower limits in some state laws have been struck down by the federal courts.<sup>28</sup> The basic issue is important: To what

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22. See Colazingari & Rose-Ackerman, *supra* note 15.

23. See Jack Koszcuk, *Nonstop Pursuit of Campaign Funds Increasingly Drives the System*, CONG. Q. 770-774 (Apr. 5, 1997); Adam S. Tanenbaum, *Day v. Holahan: Crossroads in Campaign Finance Jurisprudence*, 84 GEO. L.J. 151 (1995).

24. See Quinn, *supra* note 10, at 212-216.

25. See HERBERT E. ALEXANDER, *REFORM AND REALITY: THE FINANCING OF STATE AND LOCAL CAMPAIGNS* 76-78, 110 (1991).

26. See Koszcuk, *supra* note 23; *Colorado Republican Federal Campaign Committee v. Federal Election Commission*, 518 U.S. 604, 116 S. Ct. 2309 (1996).

27. See ALEXANDER, *supra* note 25, at 76-78.

28. See Connolly, *supra* note 20.

extent can a democratic government interfere with its citizens' wishes to express their political interests through gifts to support political parties or individual candidates?

Fourth, alternative sources of funds can be found in the public sector. In the United States the federal government provides funds only for presidential candidates under certain conditions, and several American states provide public support for political campaigns.<sup>29</sup> Many other countries provide public funds for political campaigns or permit tax deductions or credits.<sup>30</sup> A number of proposals have been made for more extensive public funding in the United States. Those who oppose these reforms worry that public funding and spending limits will protect incumbents and unduly disadvantage nonmajor parties. Public funding formulas could be designed to overcome the incumbency advantage, but the design of a workable system may be difficult.<sup>31</sup>

Alternatively, public funds could be given to candidates who can demonstrate substantial public support. Bruce Ackerman has argued that this might be done by giving vouchers to voters to support the candidates of their choice.<sup>32</sup> This plan would combine public funding with an egalitarian system for allocating funds. In promoting democratic values, this plan would reduce the influence of wealthy interests. If not well-monitored, however, it might increase illegal payments. Wealthy individuals and firms with strong interests in politics would find an important legal avenue to influence closed. They could lobby members of Congress but not support them financially. The result could be more under-the-table payoffs, especially to the losers in the race for vouchers. Conflict-of-interest rules might need to be strengthened and enforced more stringently because the incentive for politicians to use that route to financial gain would be increased by the introduction of a voucher system. Campaign financing reform needs to be carefully designed if it is not to introduce new incentives for malfeasance by closing off formerly legal alternatives.

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29. See Tanenbaum, *supra* note 23.

30. See Werner Kaltefleiter & Karl-Heinz Naßmacher, *Das Parteiengesetz 1994—Reform der kleinen schritte*, 25 ZEITSCHRIFT FUER PARLAMENTSFragen 253 (1994); see also Quinn, *supra* note 10.

31. For example, Minnesota awarded public funds to candidates equal to one-half of the independent expenditures made against them. See Tanenbaum, *supra* note 23, at 156. The provision was overturned by a federal appellate court under the free speech provisions of the United States Constitution, but the Supreme Court has not ruled on this issue. See *id.* at 152. One study concluded, however, that the Minnesota law did not succeed in helping challengers. In 1992 incumbents obtained almost \$2,000 more in public funds than challengers. See JOEL A. THOMPSON & GARY F. MONCRIEF, *CAMPAIGN FINANCE IN STATE LEGISLATIVE ELECTIONS* 225 (1998).

32. See Bruce Ackerman, *Crediting the Voters: A New Beginning for Campaign Finance*, 13 AM. PROSPECT 71 (1993).

## IV. ACHIEVING REFORM IN DEMOCRACIES

Reform will not occur unless powerful groups and individuals inside and outside government support it. A political coalition must develop that supports change. There are two basic models of the reform process: one based on the exercise of political power and the other based on a contractual model of consensus. Those who expect to lose from reform can be outvoted and out-maneuvered, or they can be co-opted or compensated to accept change. A key strategic decision for reformers is whom to include in their coalition and whom to force to accept the costs of reform. Should one buy off corrupt officials and private persons and firms, or should one shut them out of the reformed system? How much will reform goals be undermined by the process of generating a coalition to support change?

Corruption can coexist with electoral politics. However, corrupt democratic governments are sometimes able to reform. In the nineteenth century the United States, Great Britain, and many urban American governments reformed their systems of public employment and procurement. Some Latin American countries with democratic structures have also had reform periods. Democratic structures can promote reform under some, but not all, conditions.

Barbara Geddes' work on civil service reform in Latin American democracies provides a useful starting point.<sup>33</sup> Assume that politicians and parties want to remain in power. They may then face what Geddes calls the "politicians' dilemma" where the country as a whole would benefit from an end to patronage, but no individual politician or political party has an incentive unilaterally to institute a merit system. Anyone who did so would give up votes to the opposition with no corresponding political benefit. Geddes then postulates a case in which the public benefits of reform are recognized by voters. A politician who advocates reform gains political support that can be balanced against the losses from the reduction in patronage jobs. Obviously, a minority party, with little hope of becoming part of a future government, can support reform more easily than a majority or governing party. In fact, it may face a paradox. If its reform position is popular enough to give it a real chance of winning the next election, that very fact may make it a less enthusiastic reformer. Once a party obtains power, it may violate its electoral promises with the result that voters do not believe subsequent promises, discouraging such promises in the future.

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33. See Barbara Geddes, *A Game-Theoretic Model of Reform in Latin American Democracies*, 85 AM. POL. SCI. REV. 371 (1991); BARBARA GEDDES, *POLITICIAN'S DILEMMA: BUILDING STATE CAPACITY IN LATIN AMERICA* (1994).

Geddes argues that politicians and political parties in Latin America recognize the dilemma of reform. In her analysis there are two situations in which reform is possible. First, a single party may have a dominant position, but government inefficiency, caused by corruption and patronage, threatens its hold on power. Then it may support reform in spite of the costs borne by public officials. Elections, even if they always return the same party to power, have a constraining effect on the ruling party. Second, if several parties are evenly matched in their access to patronage appointments, and if they will benefit symmetrically from reform, they may be able to collaborate to legislate change. Colombia, Uruguay and Venezuela provide examples of reforms carried out during periods of balance in access to patronage. In Colombia a further factor encouraging reform was partisan violence that threatened the democratic framework. All sitting politicians had an interest in reforms that would help end this violence.

Balanced political parties are not sufficient, however. An important deterrent to reform is the personalized nature of politics. The greater the importance of personalized circles of support, the harder it will be to carry out broad-based reforms. Geddes argues that in Colombia and Uruguay voting by closed-list proportional representation facilitated the reform effort because it limited the conflicts between individual politicians and political parties. With a closed list, the party determines the order of candidates on the ballot so individual candidates must please the party hierarchy in order to succeed, and party discipline is likely to be high. With an open list, the order of candidate selection is determined by the voters who select not just a party, but also express preferences for particular candidates. Thus politicians within each party must compete with each other. In an open-list system patronage ought to be especially difficult to eliminate because individualized benefits to voters and campaign workers loom large. In fact, the two systems that did not reform, Brazil and Chile, both had open-list systems. Coalition governments in Chile, whose members had little in common, were held together by patronage.

However, the contrast between closed- and open-list proportional representation is about necessary, not sufficient conditions. Thus under a closed-list system the rank and file will not be harmed by reform, but no reform will occur if party leaders use their positions to illicitly enrich themselves or their parties. If the party leadership is corrupt, it will want a closed-list system as a means of controlling members through control of positions on the list. Even if those at the top of the system are not corrupt, the leadership may protect less powerful members to preserve the party's image. In Germany, for example, the strength of the party system helped

protect individual corrupt politicians by weakening outside monitoring of individual politicians and by rewarding those who accepted donations in return for legislative *quid pro quos*.<sup>34</sup>

The Latin American cases analyzed by Geddes all used some form of proportional representation. One might also ask how proportional representation systems compare with plurality voting systems in encouraging reform. No simple answer is possible, except to note that plurality systems often produce two parties that represent the kinds of broad coalitions favorable to reform. The parties alternate in power so that no coalition government is necessary. Proportional representation systems encourage the development of multiparty systems and hence increase the probability of narrowly focused parties and unstable coalition governments. Plurality systems may be more likely to produce governments with the perspective needed to produce credible reform.

The Latin American experience has generally been quite disheartening. Political coalitions for reform are possible, but they are often fragile. Not only do some democratic forms make reform politically difficult, but even when reform does occur, it may not last. All of Geddes' "success" stories are followed by periods of breakdown when patronage, corruption, and inefficiency reappeared. Reforms that persisted affected only a small portion of the bureaucracy, and many were undermined by subsequent governments. Politically easy reforms that improved the working conditions of bureaucrats were maintained and extended. Without merit-based recruitment and promotion, these changes hardly count as reforms on their own. This research leads to two basic conclusions. First, "democracy" is too broad a category to use when analyzing reform. The details of the electoral system and, in particular, the political incentives to consider broad public values are critical. Second, reforms are likely to be fragile if they are the product of temporarily favorable political conditions. The underlying cleavages in society and the way they are reflected in the structure of government can affect the durability of reform. To be sustained, the first stage of reform ought to be implemented to produce supporters who push to maintain and extend the initial successes. A look at the history of reform in the United States and Great Britain can help shed light on this last issue. There are two issues. Why did reform occur, and how was it maintained?

An emphasis on the balance of political forces seems relevant in both the United States and Great Britain. When reform occurred, both used first-past-the-post voting rules that typically produced two balanced parties alternating in power. No political grouping benefited

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34. See Seibel, *supra* note 12, at 95.

disproportionately from its access to patronage, and all shared in the benefits of reform. Britain's parliamentary system, with strong party discipline, limited the scope for individual favor seeking. Even though members represented individual districts, they had a limited ability to trade favors for votes. The increase in the size of the electorate in the nineteenth century and the elimination of many small constituencies reduced the benefits of patronage appointments.<sup>35</sup>

In the United States party discipline did not prevail, a factor that discouraged reform, and, in fact, reform did come later in the United States than in Britain. The separately elected President at the head of the executive branch, however, could view the tradeoff between patronage and service efficiency from a national perspective. President Andrew Jackson developed a system of patronage to reward supporters. He believed that a spoils system would combat corruption by democratizing government service and eliminating entrenched officials. Instead, corruption grew more serious. By the late nineteenth century, a bipartisan political coalition that included President Chester Arthur supported the Pendleton Act that started the federal government on the road to establishing a civil service system.<sup>36</sup>

Both countries demonstrate the strains that arise when some constituents care about the efficiency and fairness of the services provided by the state, and others just want jobs. The strains are of two kinds: giving out government jobs can become a political cost instead of a benefit, and managing the conflict between constituents who want jobs and those who want efficient service can be difficult. If the quality of government services begins to loom large in voters' minds, politicians, both legislators and cabinet secretaries, begin to doubt the political benefits of patronage.

In the United States and Britain politicians complained about how much time and energy they spent dealing with job seekers.<sup>37</sup> If the number of jobs is not expanding rapidly, many applicants will be disappointed. The number of the disgruntled and their families may vastly exceed the number of satisfied patronage appointees. Dispensing patronage becomes a nuisance, not a privilege.<sup>38</sup> Neither the United States nor Britain experienced revenue windfalls during the reform period—so that fiscal

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35. See HENRY PARRIS, *CONSTITUTIONAL BUREAUCRACY: THE DEVELOPMENT OF BRITISH CENTRAL ADMINISTRATION SINCE THE EIGHTEENTH CENTURY* 70-71 (1969).

36. See ROBERT MARANTO & DAVID SCHULTZ, *A SHORT HISTORY OF THE UNITED STATES CIVIL SERVICE* 30-36, 50-55 (1991).

37. See NORMAN CHESTER, *THE ENGLISH ADMINISTRATIVE SYSTEM 1780-1870*, 155-156 (1981); Ronald N. Johnson & Gary D. Libecap, *Patronage to Merit and Control of the Federal Labor Force*, 31 *EXPLORATIONS ECON. HIST.* 91 (1994); MARANTO & SCHULTZ, *supra* note 36; PARRIS, *supra* note 35, at 50-79.

38. See CHESTER, *supra* note 37; PARRIS, *supra* note 35, at 71.

constraints made the distribution of jobs politically costly. The situation in Venezuela provides a useful contrast. There, windfall oil profits undermined reform efforts as the state went on a hiring spree.<sup>39</sup> In other countries statist policies require large numbers of state sector employees to staff state firms. The very size of the state sector lowers the political costs of patronage, as it increases the economic costs.

Reform politicians in America and England mobilized powerful business support for a more efficient public service. Nineteenth-century business interests wanted a post office that delivered the mail effectively, and they wanted their merchandise to pass through customs quickly. They might be willing to pay individual customs agents for speedy service, but they generally preferred a system that eliminated such payoffs.<sup>40</sup> Businessmen may tolerate a certain level of corruption, but begin to protest if the level of graft escalates, as it apparently did in urban America in the latter part of the nineteenth century. Urban reform in the United States was given a push when graft levels increased from 10 to 30 percent of the value of contracts and benefits.<sup>41</sup> In developing and transition countries businesses have voiced similar objections in the present day. For example, in Brazil President Collor's downfall was hastened by his reputed decision to increase "commissions" from an average of 15 percent of the value of deals under the previous regime to 40 percent.<sup>42</sup>

In short, the costs of allocating jobs and contracts through patronage and payoffs may come to outweigh the benefits for political leaders. In a democracy not everyone need support reform; it can be carried out if enough voters begin to see that it will be, on balance, beneficial. Reform ought to be more likely in governments with voting rules that limit the ability of politicians to benefit from patronage and in systems where power is balanced across political groupings. In particular, in proportional representation systems, a closed-list ought to be better than an open-list system, everything else equal. A plurality rule structure that produces two strong parties can facilitate reform if it produces stable governments. The United States reformed in the nineteenth century, however, in spite of the lack of strong parties. The existence of a separately elected President subject to powerful electoral pressures helped, but part of the explanation

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39. See BARBARA GEDDES, *POLITICIAN'S DILEMMA: BUILDING STATE CAPACITY IN LATIN AMERICA* (1994).

40. See Johnson & Libecap, *supra* note 37.

41. See Monte A. Calvert, *The Manifest Functions of the Machine*, in *URBAN BOSSES, MACHINES, AND PROGRESSIVE REFORM* 44 (Bruce M. Stave ed., 1972).

42. David Fleischer, *Political Corruption in Brazil*, 25 *CRIME L. & SOC. CHANGE* 297, 302 (1997); Luigi Manzetti & Charles Blake, *Market Reforms and Corruption in Latin America: New Means for Old Ways*, 3 *REV. INT'L POL. ECON.* 662, 676 (1996).

appears to be the growing importance to voters and business interests of competently provided public services.

## V. CONCLUSIONS

Democratic elections are not invariably a cure for corruption. Instead, some electoral systems are more vulnerable to special interest influence than others. When narrow groups wield power, some groups use legal means, and others are corrupt. The choice of tactics can be influenced by the nature of the political system. In all democracies competitive elections help limit corruption because opposition candidates have an incentive to expose corrupt incumbents. However, the need to finance political campaigns introduces new incentives to favor special interests that do not exist in autocratic regimes. These incentives are especially high if electoral campaigns allocate individualized favors to voters—that is, if politicians bribe voters.

Illegal campaign contributions and the bribery of politicians can undermine democratic systems. Even though payoffs from wealthy individuals and firms benefit campaign committees, political parties and voters, not the personal bank accounts of politicians, the distortionary impact of secret, illegal payments can be large. Payoffs are often made to obtain legislative or regulatory favors. Their effectiveness, however, depends on the organization of legislative and executive processes. Corrupt firms and individuals will focus on obtaining individual and firm-specific favors. Elections are not sufficient to check payoffs. Other means of public oversight are necessary to keep government accountable. Democratic governments must establish explicit policies to limit corrupt incentives.

Reform is possible and can become institutionalized and hard to reverse when it creates new supporters who resist efforts to undo past changes. The lessons of past and present reform efforts demonstrate the importance of powerful supporters outside government. In particular, reform is much easier if the domestic and international business communities believe that they will benefit from a reduction in corruption and patronage and if ordinary citizens see gains as well. In many cases such a broad constituency may be possible and may be able to overcome opposition from those who gain from the status quo. Democracy is not a cure for corruption, but democratic structures can provide the conditions needed for anticorruption policies to succeed.