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WASHINGTON UNIVERSITY IN ST. LOUIS

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Voting for Corruption:

How Poverty and Inequality Undermine Democratic Accountability in Latin America

by

Peter C. Casey

A dissertation presented to the
Graduate School of Arts and Sciences
of Washington University in
partial fulfillment of the
requirements for the degree of

Doctor of Philosophy

May 2014

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Peter C. Casey

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To Terry Clark, for helping me get this far. And, as always, to my mother.

ABSTRACT OF THE DISSERTATION

Voting for Corruption:

How Poverty and Inequality Undermine Democratic Accountability in Latin America

by

Peter C. Casey

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Washington University in St. Louis, May 2014

Professor Guillermo Rosas, Chair

Why do citizens fail to hold their elected officials democratically accountable for corruption? In this dissertation, I argue that poverty and inequality undermine democratic accountability for corruption by creating opportunities for elected officials to mobilize political support through targeted, personal exchange. I focus on two such types of exchange, clientelism and crony capitalism, and explain how corruption reinforces these two strategies of political mobilization.

I argue that the costs of corruption are very high for the poor, who often lose access to government resources they rely on to meet their basic needs. Because the cost of failing to meet their basic needs is so high, poor citizens are likely to rely on political patrons for access to resources in corrupt countries, making them especially susceptible to clientelism; the exchange of material benefits for political support. Clientelism thereby undermines democratic accountability for corruption, especially in countries with poor populations.

In contrast, corruption imposes economic costs upon wealthy citizens by increasing the costs and erecting barriers to market entry. These costs cannot be compensated by a political patron, so wealthy citizens are likely to hold elected officials democratically accountable for corruption. However, a small group of wealthy citizens may benefit from high barriers to entry, because they can collect economic rents in limited markets. These wealthy citizens may therefore tolerate corruption and continue to support the government as long as they are guaranteed access to limited markets, a relationship commonly referred to as crony capitalism. While those who benefit from limited market entry are likely to continue to support the government, those who are excluded from these markets are likely to punish the government for widespread corruption.

The impact of such an arrangement on support for the government depends on the distribution of income. In very unequal countries, only a few citizens are wealthy enough to enter markets, and therefore few people will be excluded by high barriers to entry. In these countries, wealthy citizens are likely to tolerate corruption. However, in countries where wealth is distributed more equally, a larger number of potential entrants will be excluded from markets by high barriers. Therefore, in more equal countries, wealthy citizens are likely to withdraw support from a government that fails to curb corruption.

I test the empirical implication of my theory using public opinion data from fifty-eight surveys collected in eighteen Latin American countries from 2004 to 2010 by the Latin American Public Opinion Project (LAPOP). I analyze this data in conjunction with survey-level indicators of corruption, economic development, and income inequality to provide evidence that the impact of corruption on individuals' support for the government varies with their socioeconomic status and the economic conditions within their country using multilevel models to account for variation across both individuals and countries. I conclude that economic development that raises people out

of poverty and leads to a more equal distribution of income is necessary for democratic institutions to effectively curb corruption.

Chapter 1

The Problem of Corruption in Poor and Unequal Countries

Political corruption – public officials’ abuse of their discretionary control over government resources – is a major impediment to development that imposes heavy costs on citizens and society. Corruption deters investment and slows economic growth (Campos, Lien and Pradhan 1999; Mauro 1995; Mo 2001). It distorts government spending and deteriorates the quality of government services and infrastructure (Mauro 1998; Bose, Capasso and Murshid 2008). It erodes trust in political institutions and between citizens (Anderson and Tverdova 2003; Chang and Chu 2006; Morris and Klesner 2010; Seligson 2002, 2006).

Because it is so costly for society, scholars have expected that democracy would curb corruption by allowing citizens to hold their public officials accountable through open and competitive elections (Adsera, Boix and Payne 2003; Rose-Ackerman 1978). However, despite its many costs, citizens do not always punish elected officials for corruption (Chang, Golden and Hill 2010; Pereira, Melo and Figuerido 2009; Peters and Welch 1980). In fact, while corruption is less common in older, more advanced democracies, it is often just as common in newer democracies

as it is in non-democratic regimes (Montinola and Jackman 2002; Sandholtz and Koetzle 2000; Sung 2004; Treisman 2000, 2007).

Why are democratic institutions effective at curbing corruption in some countries but not others? In particular, why do we see variation in citizens' propensity to hold elected officials accountable for corruption across countries? I argue that corruption persists in democracies that are poor and unequal, because elected officials have the opportunity to mobilize political support through targeted, personal exchange. Economic development that raises people out of poverty is therefore necessary for citizens to hold their elected officials democratically accountable for corruption. I focus on two types of personalistic exchange that undermine democratic accountability for corruption; clientelism and crony capitalism. Each is expected to impact the political support of different segments of the population and therefore should undermine democratic accountability for corruption under different socioeconomic conditions.

Clientelism, the exchange of material benefits for political support, is expected to be most effective among the poor, who are assumed to value material goods more than wealthier citizens (Brusco, Nazareno and Stokes 2004; Stokes 2005). For this reason, clientelism is expected to be more common (Weitz-Shapiro 2012) and more effective (Blaydes 2010) where populations are poor. Traditionally, scholars like Scott (1969, 1972) and Theobald (1990) have argued that corruption persists in poor countries, because poor citizens benefit from the targeted exchange of material benefits and therefore tolerate corruption. While there is some evidence that corruption persists and has less impact on citizens' support for the government in countries where clientelism is likely to thrive (Keefer 2007; Singer 2009; Manzetti and Wilson 2007), to date, there is no evidence that people who actually benefit from clientelist exchange continue to support corrupt governments, or that this is especially effective among poor citizens or in poor countries. Here, I provide some of the first cross-national evidence that poor citizens are the targets of

clientelism and that clientelism mitigates the negative impact of corruption on support for the government in poor countries.

In contrast, crony capitalism, the selective allocation of government resources required for economic activity to political allies, benefits a small group of wealthy citizens (Blaydes 2008; Haber 2002; Kang 2002). Generally, crony capitalism takes the form of corrupt exchanges between business elites and government officials, in which officials offer special access to government assets or legal requirements for doing business in exchange for bribes or campaign contributions. Corruption thereby increases the costs of government resources and legal requirements that are necessary for economic activity. For citizens who cannot afford these extra costs, corruption is therefore a barrier to market entry. However, for those who can afford these added costs, limited market entry creates opportunities to set non-competitive prices and collect economic rents (Glaeser, Scheinkman and Shleifer 2003; Bourguignon and Dessus 2009; Bourguignon, Ferreira and Walton 2007; Levy and Walton 2009a; World Bank 2005).

Because non-competitive pricing requires that only a small group of producers enter a market, I argue that wealthy citizens' response to corruption will depend on the distribution of income in society. The small group of wealthy citizens who gain exclusive access to markets will tolerate corruption, because it allows them to collect economic rents. However, other potential entrants who are excluded from these markets will oppose a government that fails to curb corruption. Therefore, I expect income inequality to be an important determinant of the impact of corruption on wealthy citizens' support for the government. In very unequal countries, where wealth is concentrated in a few hands, only a small number of potential entrants should be excluded from these markets. As a result, wealthy citizens, on average, tolerate corruption and continue to support the government. However, in countries where wealth is distributed more equally, there will be more potential entrants who are excluded from markets, and therefore oppose governments

that fail to curb corruption. Here, I provide some of the first evidence that income inequality mitigates the negative impact of corruption on support for the government, especially among wealthy citizens who are the most likely to punish the government in relatively equal societies.

While several scholars have investigated why citizens fail to hold their elected officials accountable for corruption, few have considered that corruption may be politically advantageous for elected officials, especially in poor and unequal countries. Most existing studies assume that citizens oppose corruption because they bear its costs. In these studies, scholars assume that citizens only fail to punish elected officials for corruption because they do not know about it (Adsera, Boix and Payne 2003; Rose-Ackerman 1978) or because other aspects of government performance, such as the economy, outweigh their concerns about corruption (Rundquist, Strom and Peters 1977). None take into account whether some citizens actually benefit from the targeted distribution of government resources, or whether this may undermine their propensity to hold their governments accountable for corruption. By taking into account the opportunities elected officials have to mobilize political support using their discretionary control over government resources, I am able to explain not only why democratic accountability for corruption varies across individuals, but also why it varies with socioeconomic conditions across countries.

I contribute to our understanding of democratic accountability for corruption by bringing together several parallel literatures. First, I borrow from our understanding of the structural determinants of corruption. Second, I borrow from two literatures that explore the impact of targeted, personalistic exchanges on democratic accountability; clientelism and crony capitalism. In bringing together these parallel literatures, I not only help us understand why citizens do not always hold their elected officials accountable for corruption, but I also answer several other open questions in the literature. I help reveal the micro-foundations that link some of the most powerful structural determinants, poverty and inequality, with corruption. I also clarify the relationship

between targeted exchanges intended to mobilize political support, like clientelism and crony capitalism, and political corruption and provide evidence for their relationship. Finally, I explain how poverty and inequality undermine democratic accountability for corruption by creating opportunities for elected officials to mobilize political support through targeted exchange. All of this helps explain why corruption persists in poor and unequal countries, despite the presence of democratic institutions.

I test the empirical implications of my theory with data from 58 surveys collected in 18 Latin American countries from 2004 to 2010 by the Latin American Public Opinion Project (LAPOP). Latin America represents a good sample to test my theory because, despite two decades of political and economic liberalization, corruption persists in the region. I attribute this to widespread poverty and vast income inequality throughout much of Latin America, which creates opportunities for elected officials to engage in targeted exchanges, such as clientelism and cronyism, that mobilize political support and undermine democratic accountability. I use multilevel models to show that the impact of corruption on political support for the government varies not only across individuals, but also across countries based on their economic context. Specifically, I find evidence that clientelism mitigates the impact of corruption on citizens' support for the government, especially in poor countries. I also find that corruption has less impact on wealthy citizens' support for the government in very unequal countries than in countries where the distribution of income is more equal. These results support my theory that elected officials have more opportunities to mobilize political support for the government through targeted exchanges in poor and unequal countries, thereby undermining democratic accountability for corruption.

In the next section, I delve further into the problem of democratic accountability for corruption, discuss some existing theories, and provide some preliminary evidence that poverty and

inequality undermine the corruption-curbing effects of democracy. I then discuss corruption, poverty and income inequality in Latin America, as well as evidence of clientelism and cronyism in Latin American politics. I then discuss the most important concepts in my theory, and lay out my theory in further detail. I end with a plan for the dissertation.

1.1 Poverty, Inequality, and Corruption

Although democracy curbs corruption in the long-run, corruption tends to persist in newer democracies (Montinola and Jackman 2002; Sandholtz and Koetzle 2000; Sung 2004; Treisman 2000, 2007). Treisman (2000, 2007) suggests that this is because democratic norms have not become fully inculcated yet in new democracies. However, even in countries that have had democratic institutions for decades, citizens do not always hold elected officials accountable for corruption (Chang, Golden and Hill 2010; Pereira, Melo and Figuerido 2009; Peters and Welch 1980).

Newer democracies also tend to be poorer and more unequal than older, more established democracies. I argue that corruption persists in poor and unequal democracies, and that economic development that eliminates widespread poverty is necessary to promote democratic accountability for corruption. Economic development is one of the strongest predictors of the level of corruption in a country; in general, poor countries are more corrupt than wealthier ones (Ades and Di Tella 1999; La Porta et al. 1999; Treisman 2000, 2007). While the tendency of corruption to impede economic growth could explain the observed relationship between corruption and development (Mauro 1995), a country's wealth almost two hundred years ago is a very strong predictor of its level of corruption today, even predicting the propensity of residents to report paying a bribe in the past year (Treisman 2007). Other scholars have shown that corruption

persists in countries where the distribution of income is more unequal (You and Khagram 2005), and several scholars have argued that inequality increases wealthy citizens' opportunities to influence outcomes through corrupt exchanges (Glaeser, Scheinkman and Shleifer 2003; Bourguignon, Ferreira and Walton 2007; Bourguignon and Dessus 2009; Levy and Walton 2009b).

There are two leading explanations for why corruption persists in poor countries; lack of state capacity and lack of political will. Some scholars argue that corruption persists in poor countries as the result of weak state capacity, because poor countries have fewer resources to curb corruption. In their classic model, Becker and Stigler (1974) show that a government can deter corruption if it regularly monitors bureaucratic agents and pays them competitive wages. This model suggests that state capacity is a major determinant of corruption and may explain why corruption is common in poor countries. Wealthier countries have a larger tax-base, which increases government revenue and thereby the resources at the government's disposal for monitoring and deterring corruption. Following this model, several scholars have shown that governments can deter bureaucratic corruption through regular audits (Olken 2007), higher wages (Di Tella and Schargrofsky 2003), and grassroots monitoring (Bjorkman and Svensson 2009).

However, even when they have sufficient resources, governments in poor countries may lack the political will to curb corruption. Several scholars have argued that corruption remains pervasive because high-ranking government officials are complicit (Andvig and Moene 1990; Cadot 1987; Shleifer and Vishny 1993; Gingerich 2009). These high-ranking government officials may tolerate, or even encourage, corruption because it enriches them personally. They may also encourage corruption in order to mobilize public resources for their own political advantage. For example, Gingerich (2013) provides evidence that party leaders in Latin America actually encourage low-level public officials to divert government resources for the political advantage of

their parties. If elected officials benefit from corruption personally and politically, then they are likely to resist reforms that would curb corruption. Bussell (2010, 2012) provides evidence from India that elected officials do not implement anti-corruption reforms where corruption is profitable and politically advantageous.

Many scholars have argued that elected officials can use their control over government resources to mobilize political support through targeted, personalistic exchange. Public officials can redirect government resources to fund political campaigns or exchange material benefits for political support (Scott 1969, 1972; Theobald 1990; Chang 2005; van de Walle 2003). They can offer public employment to supporters, providing them opportunities to collect political rents (Blaydes 2008; Geddes 1994). They can also offer government credit, contracts, and licenses to political allies in exchange for bribes and campaign contributions (Blaydes 2008; Haber 2002; Johnston 2005; Kang 2002; Kurer 1993).

If elected officials can use their discretionary control over government resources to mobilize political support through targeted exchange, then this would undermine democratic accountability for corruption. Beneficiaries of such targeted exchanges are likely to tolerate corruption, if the benefits of those exchanges outweigh the costs of corruption. For corruption to be politically advantageous, at least some of the beneficiaries of targeted exchanges must continue to support the government even when corruption is widespread. However, other citizens, who are either unresponsive to targeted exchanges or do not benefit from them, are likely to oppose elected officials who fail to curb corruption. Therefore, corruption is only politically advantageous if the political support of a sizable portion of the population can be mobilized and retained through targeted exchange. It is necessary to identify who benefits from targeted exchanges and under what conditions targeted exchanges are politically advantageous if we are to understand why democracy curbs corruption in some countries and not others. I argue that corruption persists in

democracies that are poor and unequal, because such conditions create opportunities for elected officials to mobilize political support through targeted, personalistic exchange.

Traditionally, scholars have argued that corruption is more common in poor countries because poor citizens are less likely to hold their governments accountable for corruption (Scott 1969, 1972; Theobald 1990). These scholars argue that poor citizens tolerate corruption because they often benefit from the targeted distribution of goods. In particular, poor citizens are often the targets of clientelism, the exchange of material benefits for political support, because they value material goods more than wealthy citizens (Brusco, Nazareno and Stokes 2004; Stokes 2005; Stokes et al. 2013). Therefore, while the poor are willing to exchange their votes for material goods, wealthier citizens are not. This has led several scholars to argue that clientelism should be a more common and more effective political strategy where populations are poorer (Blaydes 2010; Kitschelt and Wilkinson 2007; Weitz-Shapiro 2012). If this is true, then economic development should help mitigate corruption, because, by reducing poverty, it decreases the number of citizens who are responsive to clientelist exchange.

However, economic development alone may be insufficient to deter corruption if it does not raise a significant portion of the population out of poverty. If, instead, economic development, understood narrowly as economic growth, only benefits a small group of wealthy citizens, then the large number of citizens who remain in poverty are still vulnerable to clientelist appeals, undermining democratic accountability for corruption. Therefore, economic development must be combined with a change in the overall distribution of income in society to effectively curb corruption in democratic countries.

Other scholars have also argued that it is the wealthy, or at least a small group of politically-connected wealthy citizens, who benefit the most from corruption (Blaydes 2010; Haber 2002; Johnston 2005; Kang 2002). Several scholars have argued that, in unequal countries,

wealthy citizens can use their material advantages to gain political influence and consolidate oligopolistic or monopolistic control over certain industries, allowing them to collect economic rents through non-competitive pricing (Glaeser, Scheinkman and Shleifer 2003; Bourguignon and Dessus 2009; Bourguignon, Ferreira and Walton 2007; Levy and Walton 2009a; World Bank 2005). Oligopolistic markets require barriers to market entry (Stigler 1964), which create opportunities for public officials to use their discretionary control over market entry to collect bribes and other extralegal payments (Djankov et al. 2002). Wealthy oligopolists may accept the costs of corruption, if the economic rents they gain from limited market entry outweigh those costs. However, those potential entrants who are excluded from the market are likely to punish elected officials for widespread corruption. As a result, the distribution of income is an important determinant of democratic accountability for corruption. In very unequal countries, where wealth is concentrated in a few hands, wealthy citizens are likely to tolerate corruption because they benefit from economic rents in limited markets. However, where wealth is distributed more equally, more potential entrants must be excluded from these markets and likely to hold their governments accountable for corruption.

Democratic institutions allow citizens to hold their elected officials accountable for government performance. If curbing corruption is primarily a matter of political will, and not state capacity, then democratic institutions should encourage elected officials to curb corruption. However, if poverty and inequality undermine democratic accountability for corruption, then elected officials should lack the political will to curb corruption, even in democratic countries. Therefore, economic development and income inequality should have a greater impact on the level of corruption in democratic countries than they do in non-democratic countries. However, if corruption persists in poor and unequal countries simply because they lack state capacity, then corruption should persist in poor and unequal countries regardless of whether they have democratic institutions.

Figure 1.1 shows the impact of economic development on corruption in democracies (black) and non-democracies (gray).¹ The impact of economic development on corruption is stronger in democracies, where political institutions allow citizens to hold their governments accountable, than in non-democracies, where such institutions do not exist or are ineffective. Wealthy democracies are far less corrupt than poor democracies. Economic development still reduces corruption in non-democracies, suggesting that state capacity may be important, but not to the same extent as it does in democracies. The fact that corruption varies with economic development more in democracies than in non-democracies suggests that corruption is not merely the result of state capacity. Poverty appears to undermine the corruption-curbing effects of democracy, so economic development may bolster democratic accountability for corruption, which should impact elected officials' political will to reduce graft.

Figure 1.2 shows the impact of income inequality on corruption in both democracies (black) and non-democracies (gray).² The level of income inequality varies widely in both democracies and non-democracies, but, while the level of corruption in democracies varies substantially with income inequality, it has little effect on corruption in non-democracies. This suggests that democratic institutions are more effective at curbing corruption in countries where the distribution of income is more equal. In non-democracies, which lack institutional mechanisms by which citizens can hold their governments accountable, the distribution of income has no significant

¹Democracies are those scoring a 7 or higher on the Polity IV index, with all other regimes being treated as non-democracies. Corruption is measured by Transparency International's Corruption Perceptions Index, but reverse-coded so that an increase in the scale corresponds to an increase in corruption. Economic development is measured by GDP per capita, at purchasing power parity measured in constant 2005 international dollars, as provided by the World Bank's World Development Indicators. All data was taken from the Quality of Governance 2011 Cross-Section Data.

²Democracies are those scoring a 7 or higher on the Polity IV index, with all other regimes being treated as non-democracies. Corruption is measured by Transparency International's Corruption Perceptions Index, but reverse-coded so that an increase in the scale corresponds to an increase in corruption. Income inequality is measured by the Gini coefficient, as provided by the World Bank's World Development Indicators. All data was taken from the Quality of Governance 2011 Cross-Section Data.

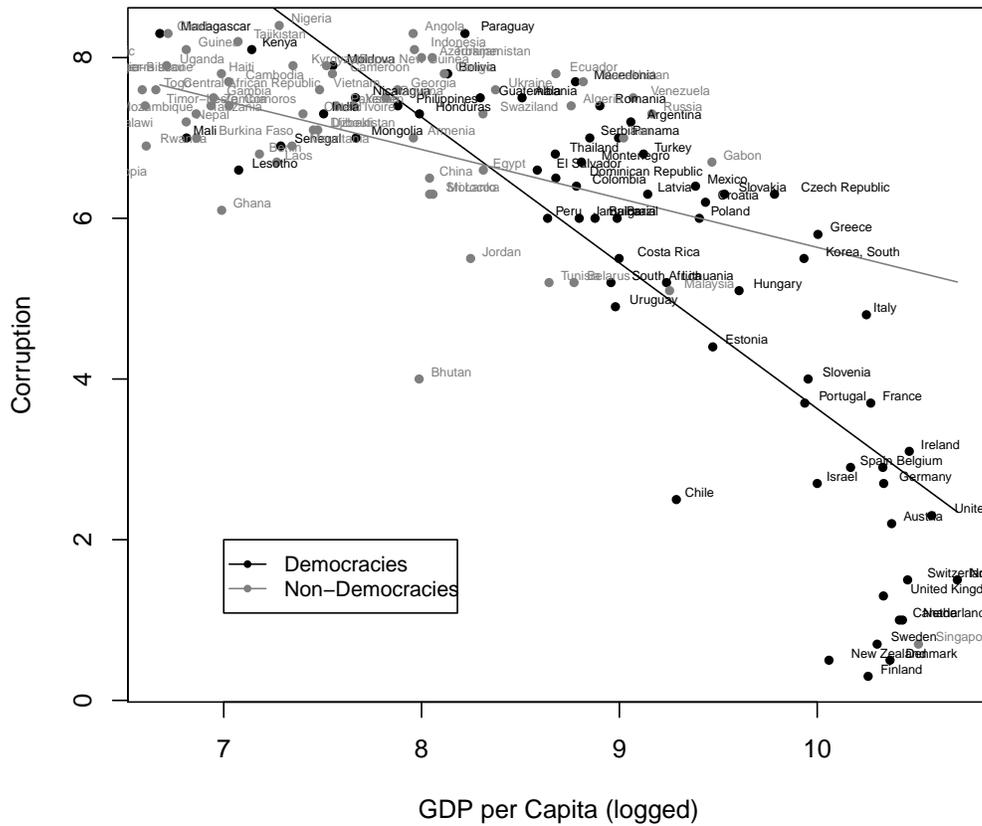


Figure 1.1: Economic Development and Corruption in Democracies and Non-democracies

Notes: Corruption is measured by Transparency International’s Corruption Perceptions Index, with the scale reverse-coded so that an increase in the scale corresponds to an increase in corruption. Economic development is measured as GDP per capita, purchasing power parity at 2005 International dollars. Democracies, in black, are regimes scoring a six or higher on the Polity IV index, while non-democracies, in gray, are all regimes scoring less than six. Sources: Quality of Governance Cross-Section Data; Transparency International Corruption Perception Index, World Bank’s World Development Indicators GDP per capita, PPP (constant 2005 international \$), Polity IV Democracy Index (Democracy = 6 or greater, Non-democracy = Less than 6).

impact on corruption. This suggests that income inequality has an impact of citizens' propensity to hold their governments accountable for corruption.

The fact that the relationships between development and corruption and inequality and corruption are contingent upon regime type suggests that political will is an important prerequisite for curbing corruption. Poverty and inequality undermine citizens' propensities to hold their elected officials accountable for corruption. However, previous research into why democratic citizens sometimes fail to hold elected officials accountable for corruption has not taken into account evidence that corruption is politically advantageous for incumbents or the fact that economic conditions have an important impact on the prevalence of corruption, especially in democracies. Instead, most scholars remain agnostic with regard to the incentives elected officials have to engage in corruption or how these might vary across countries.

Scholars also frequently assume that citizens' preferences over corruption are relatively uniform; that citizens simply oppose corruption because they bear its costs. Although there is a long tradition of scholarship linking persistent corruption with targeted, personal exchange (Scott 1969, 1972; Theobald 1990; Haber 2002; Johnston 2005), few scholars studying democratic accountability for corruption take such exchanges into account. Many scholars expect that citizens only fail to punish corrupt officials because they do not know about corruption (Adsera, Boix and Payne 2003; Rose-Ackerman 1978) or because other aspects of government performance outweigh their concerns about corruption (Rundquist, Strom and Peters 1977). However, while there is evidence supporting these hypotheses, there is also evidence that citizens' responses to information about corruption and their willingness to make trade-offs between corruption and other aspects of government performance varies both within and across countries.

Efforts to inform citizens about corruption have yielded mixed results. While Ferraz and Finan (2008) find that audits of local governments prior to mayoral elections in Brazil hurt incumbents'

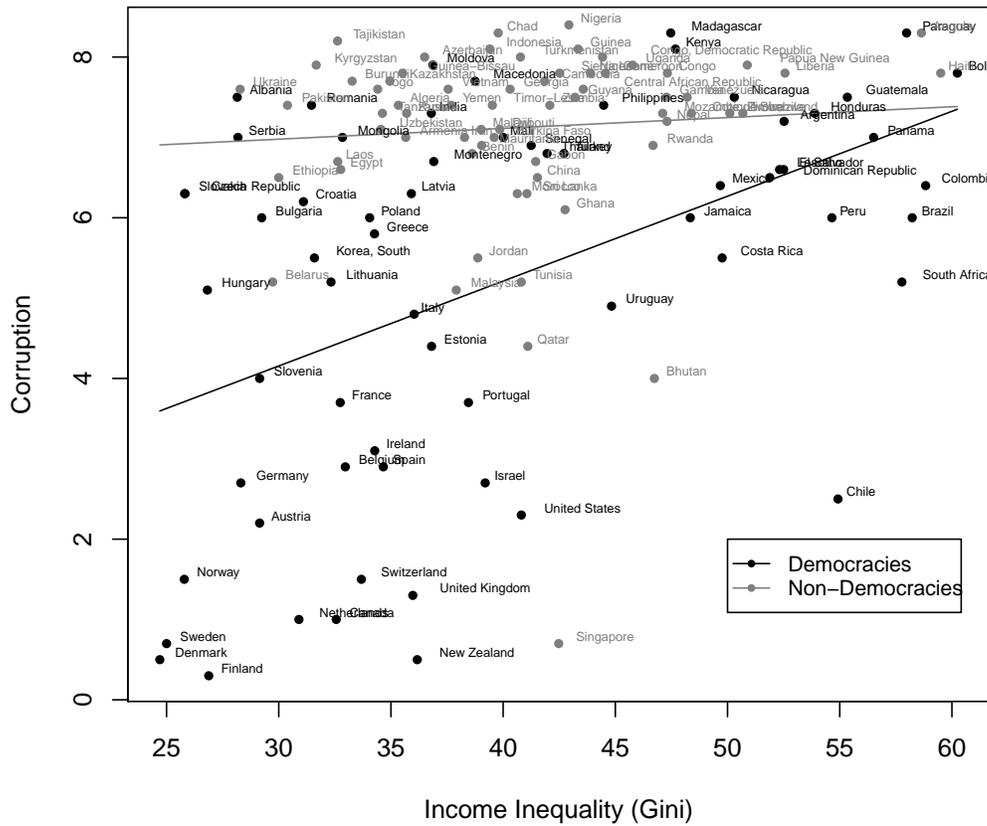


Figure 1.2: Income Inequality and Corruption in Democracies and Non-democracies

Notes: Corruption is measured by Transparency International’s Corruption Perceptions Index, with the scale reverse-coded so that an increase in the scale corresponds to an increase in corruption. Income inequality is measured as the Gini coefficient as estimated in the World Bank’s World Development Indicators. Democracies, in black, are regimes scoring a six or higher on the Polity IV index, while non-democracies, in gray, are all regimes scoring less than six. Sources: Quality of Governance Cross-Section Data; Transparency International Corruption Perception Index, World Bank’s World Development Indicators GDP per capita, PPP (constant 2005 international \$), Polity IV Democracy Index (Democracy = 6 or greater, Non-democracy = Less than 6).

prospects for reelection in corrupt municipalities, Chong et al. (2012) find that informing citizens about corruption in Mexican municipalities also reduced voter turnout and the vote-share of the opposition. In a mayoral election in São Paulo, de Figuerido, Hidalgo and Kasahara (2010) found that informing citizens about corruption allegations against both candidates affected the vote-share of one but not the other. In India, Banerjee et al. (2012) found that discouraging citizens from voting for corrupt officials did not affect the vote-shares of candidates with public criminal records, but discouraging them from voting along ethnic lines did. These findings suggest that information about corruption has inconsistent effects of citizens' support for political candidates, though this variation remains mostly unexplained.

There is evidence that citizens may not always punish elected officials for corruption because they make "trade-offs" between corruption and other aspects of government performance. Rundquist, Strom and Peters (1977) pioneered this theory, and showed that citizens tolerated corruption when they prefer elected officials' policy positions. Other scholars have provided evidence from cross-national studies that corruption has less impact on support for the government where the economy performs well (Choi and Woo 2010; Manzetti and Rosas 2012; Zechmeister and Zizumbo-Colunga 2012).

However, there is also evidence that citizens' propensity to make trade-offs between corruption and other aspects of government performance varies both within and across countries. In a survey experiment in Brazil, Winters and Weitz-Shapiro (2013) find that, while all citizens are less likely to vote for corrupt politicians, wealthy citizens do not prefer clean politicians if corrupt politicians do a better job providing public goods. In contrast, poor citizens always prefer less corrupt politicians. In survey experiments in Sweden and Moldova, Klasnja and Tucker (2013) find that citizens in Moldova are more willing to support corrupt politicians who provide strong economic growth than citizens in Sweden. These results suggest that citizens' preferences over corruption

are not uniform and neither is their willingness to tolerate corruption in favor of other aspects of government performance.

I help explain why citizens are less likely to hold their government officials accountable in some countries than in others by accounting for how economic conditions create opportunities for elected officials to mobilize political support through targeted, personal exchange. Corruption impacts citizens' welfare differently across socioeconomic groups, because citizens in these groups use government services for different purposes. Poor citizens rely on government services to help them meet their basic needs. Wealthy citizens, in contrast, utilize government services that are necessary for entering into economic markets, such as licenses, permits, and government contracts and assets. Corruption increases the costs of government services for all citizens. For wealthy citizens, this often means paying added costs for entering markets. However, for the poor, who often cannot afford such added costs, corruption can be a significant barrier to accessing government services. Therefore, while wealthy citizens experience corruption as an added cost and barrier to market entry, poor citizens experience corruption as a significant barrier to meeting their basic needs.

Differences in the costs corruption imposes on poor and wealthy citizens leads to different coping strategies. Wealthy citizens, who use government services primarily to fulfill the requirements of market entry, either have to pay bribes or forego these services, and therefore experience corruption as an economic cost. However, poor citizens lose access to services that help them meet basic needs, such as food programs or public health clinics, which is extremely costly and potentially life-threatening. Because poor citizens cannot meet their basic needs in private markets or through official bureaucratic processes, they are more likely to rely on political patrons for access to resources in corrupt countries. Their dependence of political patrons for access to resources makes poor citizens especially vulnerable to clientelism; the exchange of material

benefits for political support. In countries where the government wields political control over the bureaucracy, as is often the case in corrupt countries (Dahlstrom, Lapuente and Teorell 2010), poor citizens' reliance on political patrons for access to public resources should undermine democratic accountability for corruption.

In contrast, wealthy citizens are not likely to rely on political patrons for access to important resources and their political support is not likely to be swayed by the distribution of material benefits. Therefore, wealthy citizens are likely to punish elected officials for widespread corruption because it increases the cost of market entry. However, a small group of wealthy citizens can benefit from limited market entry. When only a few producers can enter a market, they can monitor each other's behavior, which creates opportunities for them to set non-competitive prices and collect economic rents (Stigler 1964). If the economic rents they receive from limited market entry outweigh the costs of bribes and other extralegal payments, then these wealthy oligopolists should tolerate corruption and continue to support the government.

The political advantages of limiting market entry therefore depend on the distribution of wealth in society. In very unequal countries, where wealth is concentrated in a few hands, wealthy citizens should tolerate corruption because they benefit from limited market entry. However, in countries where wealth is distributed more equally, a larger number of wealthy potential entrants should be excluded from these markets and should punish elected officials for widespread corruption. I therefore expect that the impact of corruption on wealthy citizens' support for the government varies with the distribution of income in their country.

I test this theory using public opinion data from fifty-eight Americasbarometer surveys collected in eighteen Latin American countries from 2004 to 2010 by the Latin American Public Opinion

Project (LAPOP).³ I analyze this data in conjunction with national-level indicators of corruption, economic development, and income inequality to provide evidence that the impact of corruption on individuals' support for the government varies with their socioeconomic status and the economic conditions within their country. In the next section, I discuss why Latin America is a good sample for exploring the impact of poverty and inequality on democratic accountability for corruption.

1.2 Corruption, Poverty, and Inequality in Latin America

Over the past three decades, democracy has become the norm in Latin America. Most countries in the region have made progress toward functioning democratic politics, with only two countries, Ecuador and Venezuela, sliding back into non-democratic patterns of governance in recent years. Yet, despite this democratizing trend, corruption remains pervasive throughout the region. According to Transparency International's Corruption Perceptions Index (TI-CPI), corruption in Latin America was higher on average than in the rest of the world. From 2004 to 2010, about twenty percent of respondents in LAPOP's Americasbarometer surveys reported that they had been asked for a bribe at least once in the past twelve months, and four out of five said that corruption among public officials was common or very common.

I argue that corruption persists in Latin America because poverty and inequality create opportunities for elected officials to mobilize political support through personalistic exchange,

³The sample includes surveys from Argentina (2008-2010), Bolivia (2006-2010), Brazil (2006-2010), Chile (2006-2010), Colombia (2004-2010), Costa Rica (2004-2010), Dominican Republic (2006-2010), Ecuador (2006-2010), El Salvador (2004-2010), Guatemala (2006-2010), Honduras (2004-2010), Mexico (2004-2010), Nicaragua (2004-2010), Panama (2004-2010), Paraguay (2006-2010), Peru (2008-2010), Uruguay (2006-2010), and Venezuela (2006-2010). Five Americasbarometer surveys were not included in the sample, because they were missing indicators I use in the analysis; Bolivia 2004, Dominican Republic 2004, Ecuador 2004, Guatemala 2004, and Peru 2006. Each country is represented in the sample at least twice.

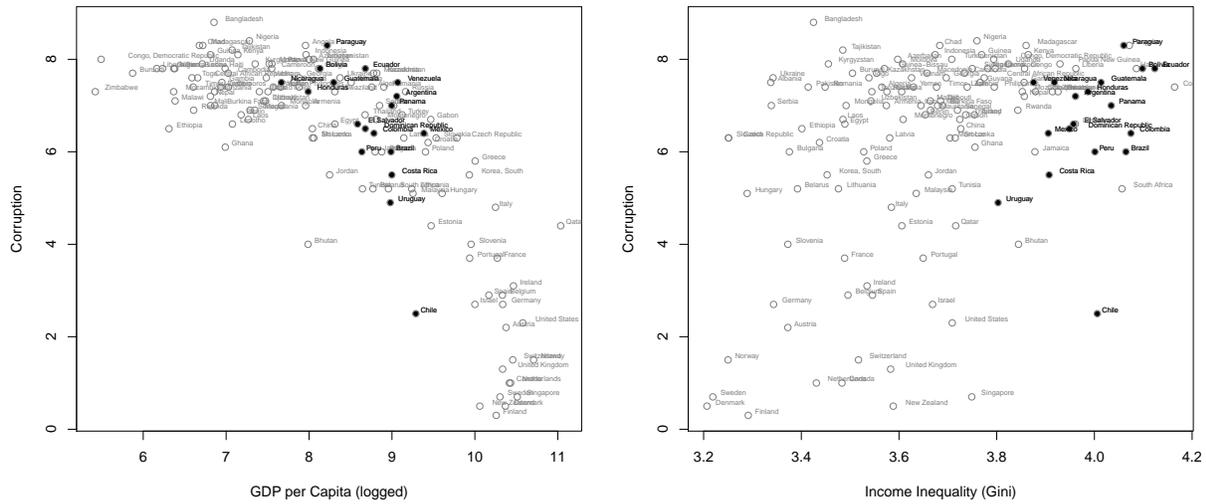


Figure 1.3: Income Inequality and Corruption in Democracies and Non-democracies

Notes: Black dots represent Latin American countries in the sample, while gray dots represent all other countries in the Quality of Governance Cross-Section Data. Corruption is measured by Transparency International's Corruption Perceptions Index, with the scale reverse-coded so that an increase in the scale corresponds to an increase in corruption. Income inequality is measured as the Gini coefficient as estimated in the World Bank's World Development Indicators. Sources: Quality of Governance Cross-Section Data; Transparency International Corruption Perception Index, World Bank's World Development Indicators GDP per capita, PPP (constant 2005 international \$), Polity IV Democracy Index (Democracy = 6 or greater, Non-democracy = Less than 6).

which undermines democratic accountability. Despite rapid economic growth in Latin America over the past two decades, poverty and inequality continue to plague the region. Figure 1.3 shows where the eighteen Latin American countries fall relative to other countries along dimensions of corruption, economic development (GDP per capita), and income inequality (Gini coefficient).

The sample comprises of mostly middle-income countries with an average GDP per capita of US\$7967, ranging from US\$2943 in Nicaragua in 2004 to US\$14520 in Chile in 2010. Variation in the region represents about one standard deviation in the global distribution of wealth per

capita from 2004 to 2010. Despite two decades of rapid economic growth, poverty remains widespread in the region. According to the World Bank, about one in five Latin Americans lived on less than two dollars a day during this period. Similarly, about one in five respondents in the Americasbarometer surveys from 2004 to 2010 said that they lived in a home without indoor plumbing, a common measure of poverty in the region. However, poverty rates vary widely across Latin America. Only about five-percent of people in Uruguay or Chile are poor by either of these standards, while in other countries, like Honduras and Nicaragua, about a third of people live in dire poverty.

Inequality also remains a major challenge in Latin America. The countries in this sample are some of the most unequal in the world. However, while inequality is high in the region, the sample represents more than two standard deviations in the global distribution of Gini coefficients, with a minimum Gini coefficient of 39.5 in Venezuela in 2010 and a maximum of 55.0 in Guatemala in 2006.⁴ As a result, the average Gini coefficient for the sample (47.5) is only slightly higher than the global average (44.4). Both Venezuela and Argentina have Gini coefficients that are consistently below the global mean, while Honduras, Guatemala, Bolivia, and Brazil have Gini coefficients more than one standard deviation above the global mean from 2004 to 2010.

In this dissertation, I explore the impact of poverty and income inequality on democratic accountability for corruption and present evidence that some citizens continue to support the government because they benefit from targeted, personal exchange. I focus on two types of exchange that are widely cited in Latin America, clientelism and crony capitalism. I provide evidence that corruption impacts the welfare of poor and wealthy citizens differently, because

⁴Income inequality is measured by Gini coefficients from Solt's (2009) Standardized World Income Inequality Database (SWIID), which uses an imputation algorithm to account for variation in the collection methods of income data to increase comparability and breadth of coverage.

people in each group rely on government services for different reasons. This, in turn, shapes elected officials' opportunities to mobilize political support through targeted exchange.

Poor people are especially susceptible to clientelism, the exchange of material benefits for political support, because they rely on government services for access to resources that help them meet their basic needs. In corrupt countries, poor citizens lose access to these resources through official bureaucratic processes, and therefore must rely on political patrons to help them meet their basic needs. Patrons should therefore have more influence over poor people's political support in corrupt countries, which should undermine democratic accountability for corruption.

Wealthy citizens, in contrast, can meet their own basic needs, and have sufficient income to save and invest. Wealthy citizens, therefore, access government services to fulfill the requirements of market entry, such as processing permits or applying for government contracts and assets. For wealthy people, corruption is an added cost and barrier to market entry. However, there is a small group of wealthy citizens who benefit from corruption, because they receive economic rents from limited market entry. As a result, elected officials can capture the political support of a small group of wealthy citizens by maintaining high barriers to market entry. However, elected officials lose the political support of potential entrants who are excluded from the market. The distribution of income is therefore an important determinant of elected officials' ability to retain political support despite widespread corruption, because it determines the proportion of the population they must exclude from the market in order to protect the economic rents of their wealthy cronies.

1.3 Overview of the Dissertation

I discuss my theory in greater detail in Chapter 2. I begin by defining the most important concepts in my theory. I explain how distinguishing between corruption and targeted exchanges, such as clientelism and cronyism, can help us understand democratic accountability for corruption and why it persists in poor and unequal countries. I then discuss the theory in detail and layout the observable implications I will test in the rest of the dissertation.

In Chapter 3, I discuss how corruption impacts poor and wealthy citizens differently. I provide evidence that wealthy citizens experience more incidents of corruption, in which they are asked for a bribe when accessing a government service. However, I show that this is because poor citizens access fewer government services in corrupt countries. I also provide evidence that poor and wealthy citizens use government services to fulfill different needs. While poor citizens are more likely to utilize services that help them meet their basic needs, such as public health clinics, wealthy citizens are more likely to utilize services that are necessary for participating in private markets, such as processing permits. I then show that poor citizens even forego those government services that help them meet their basic needs where corruption is widespread, while wealthy citizens continue to access these services. This helps us understand how corruption impacts citizens' welfare across socioeconomic groups and why poor and wealthy citizens may cope with corruption differently.

In Chapter 4, I explore the impact of clientelism on democratic accountability for corruption. I focus on the role of local public officials in clientelist networks, and justify the use of help from a local official as a measure of clientelism. I show that poor citizens are more likely than wealthy ones to get help from local officials, and that people who get help from local officials show more support for the government in corrupt countries, but not in countries where corruption is

uncommon. I also find evidence that local officials have more influence over poor citizens' support for the government in poor, corrupt countries than in wealthy ones. However, I find some evidence that poor people are also less likely to ask local officials for help in corrupt countries than they are in countries where corruption is less common. I suggest that corruption might deter poor citizens who do not anticipate benefiting from clientelism from seeking help from local officials.

In Chapter 5, I explore the impact of income inequality on democratic accountability for corruption, and show that wealthy citizens' support for the government depends on the distribution of income. Following my argument that a small group of wealthy citizens benefits from corruption by gaining political influence and limited access to markets from which they can collect economic rents, I show that the impact of citizens' income on their political support varies with the distribution of income in society. In very unequal countries, where only a small number of citizens are very wealthy, corruption has little impact on citizens support for the government. However, in countries where the distribution of income is more equal, wealthy citizens withdraw significantly more support from the government.

In Chapter 6, I conclude by summarizing my findings and discussing their implications for my theory. I argue that economic development that raises a large portion of the population out over poverty is necessary to guarantee democratic accountability for corruption. As long as a large portion of the population remains poor, elected officials can mobilize political support through clientelism. This is especially true where corruption limits poor citizens' access to government resources through official bureaucratic processes. Wealthy citizens may be more likely to punish elected officials for corruption, but elected officials can retain the support of a small group of wealthy citizens who benefit from economic rents in oligopolistic markets. In highly unequal

countries, where few potential entrants are excluded from these markets, elected officials can limit market entry without losing political support.

However, prospects for economic development in corrupt countries may be limited. There is evidence that corruption deters investment and slows economic growth (Campos, Lien and Pradhan 1999; Mauro 1995; Mo 2001). Furthermore, elected officials may resist reforms that allow them to use their discretionary control over government resources to their own political advantage. Therefore, poor and unequal countries may fall into “corruption traps,” in which corruption slows economic development and poverty and inequality undermine democratic accountability for corruption. Regardless, there may be opportunities for development organizations to intervene in ways that can promote equalizing economic growth and democratic accountability for corruption in both the long- and short-term. I discuss such prospects in this final chapter.

This study contributes to the wider literature on corruption and democratic accountability by providing evidence that economic development may be necessary for democratic institutions to be an effective foil against political corruption. By accounting for the structural determinants of corruption, as well as recent evidence that corruption may be politically advantageous, I help explain both why citizens sometimes tolerate corruption and why it persists in poor and unequal countries. This adds to previous research on democratic accountability for corruption by explaining why citizens may respond to information about corruption and make trade-offs between corruption and other aspects of government performance differently both within and across countries. Citizens’ socioeconomic status and national economic conditions affect elected officials’ ability to mobilize political support through targeted, personalistic exchange. Only economic development, which benefits people at all levels of society and raises people out of poverty, can ensure that corrupt officials are held democratically accountable.

Chapter 2

How Poverty and Inequality Undermine Accountability for Corruption

Corruption persists in poor and unequal countries, even where democratic institutions exist. In fact, as I showed in the previous chapter, poverty and inequality are important determinants of the level of corruption in democratic countries, but have much less impact on the level of corruption in non-democracies. While corruption is less common in wealthier countries regardless of the presence of democratic institutions, economic development has a much greater impact on the level of corruption in democracies than in non-democracies. This suggests that, while increased state capacity may help curb corruption, democratic institutions are also more effective where populations are wealthier. Furthermore, while corruption is more common in very unequal democracies than it is in relatively equal ones, income inequality is unrelated to the level of corruption in non-democracies. This evidence suggests that poverty and inequality contribute to the persistence of widespread corruption by undermining the effectiveness of democratic institutions.

Democratic institutions are expected to reduce political corruption because they create opportunities for citizens to hold their public officials accountable through open and competitive

elections (Adsera, Boix and Payne 2003; Rose-Ackerman 1978). Democratic accountability is expected to provide elected officials the political will to curb corruption. Therefore, if poverty and inequality reinforce widespread corruption in democracies, it is because they undermine democratic accountability. In my dissertation, I present a theory that explains the microfoundations by which poverty and inequality undermine democratic accountability for corruption. I argue that poverty and inequality create opportunities for elected officials to mobilize political support through targeted, personalistic exchange, which undermines democratic accountability for corruption. I focus on two types of exchange; clientelism and crony capitalism.

Clientelism, the exchange of material benefits for political support, is expected to influence the political support of poor citizens who place greater value on material benefits. We know from previous research that poor citizens' political support is influenced by clientelism more than wealthier citizens' support (Brusco, Nazareno and Stokes 2004; Stokes 2005; Stokes et al. 2013). We also know that clientelism is especially common and effective where populations are poor (Blaydes 2010; Weitz-Shapiro 2012). I argue, therefore, that corruption will have less impact on citizens' support for the government in less economically developed countries, where populations are poorer. Following Golden (2006), I also argue that citizens are especially likely to rely on political patrons for resources where widespread corruption limits their access to government services through official bureaucratic pathways. Therefore, clientelism is especially likely to influence citizens' support for the government where populations are poor and corruption is widespread.

Several other scholars have argued that a small group of politically-connected wealthy citizens can benefit from corruption in the form of crony capitalism; the selective allocation of government resources necessary for economic activity (Blaydes 2008; Haber 2002; Johnston 2005; Kang 2002). These scholars have argued that public officials use their discretionary control

over government resources to benefit their political allies, often in exchange for bribes or *quid pro quo* campaign contributions. Such exchanges limit market entry to a small group of politically-connected economic elites who can collect economic rents from non-competitive pricing.

I contribute to this theoretical literature by arguing that crony capitalism is only an effective strategy for mobilizing political support where the distribution of wealth is highly unequal. Non-competitive pricing is only possible in oligopolistic markets, where market entry is limited to a few producers (Stigler 1964). Corruption is a serious barrier to market entry, especially where it institutionalizes oligopolistic markets that benefit politically-connected economic elites. I argue that, where the number of potential entrants who are excluded from the market is large, corruption is likely to face greater political resistance, especially from those wealthy citizens who have the means to invest. As a result, the distribution of wealth is an important determinant of the viability of crony capitalism as a strategy for mobilizing political support. In highly unequal countries, where wealth is concentrated in a few hands, wealthy citizens are likely to tolerate corruption because they benefit from market entry. However, in countries where wealth is distributed more equally, a larger portion of the population is excluded from economic markets by widespread corruption. In these more equal countries, wealthy citizens should punish a government that fails to curb corruption.

Latin America is a prime example of a region where corruption has persisted despite more than two decades of democracy. Poverty and inequality are also rife in Latin America, which creates opportunities for elected officials to mobilize political support through targeted, personalistic exchanges. Several scholars have noted the common use of clientelism in the region (Hilgers 2012; Stokes et al. 2013), while others have pointed out the propensity of politicians to grant favors to wealthy supporters (Haber 2002; Levy and Walton 2009b). All of these conditions are

indicative of an environment in which corruption can thrive, despite the existence of democratic institutions. Where elected officials can mobilize a sufficient portion of the population through targeted, personalistic exchanges, they will face little incentive to engage in reforms that would curb widespread political corruption. The incentives to allow corruption to persist are even stronger when one considers that corrupt activity may allow elected officials to redirect resources for the sake of personalistic exchange (Bussell 2010, 2012; Gingerich 2009, 2013).

In this chapter, I provide a detailed account of my theory, its empirical implications, and an explanation of the research design. I begin by defining important concepts. I then describe my theory in detail, and outline its empirical implications. I then explain my research design and how it provides evidence that helps explain why corruption persists in poor and unequal democracies.

2.1 Definitions of Important Concepts

2.1.1 Corruption

A common problem in the literature on corruption is that scholars tend to use vague definitions of corruption that do not help us understand the mechanism by which it affects citizens' welfare or political support. In fact, most definitions of corruption focus on it as a violation of public office for personal gain (Bardhan 1997; Nye 1967) or political advantage (Gingerich 2013). Here, the implication may be that citizens only care about corruption because it is a legal or normative violation, and not because of the very real effects it has on their welfare. Corruption redirects political resources from their intended purpose, which hurts the welfare of their intended recipients. While citizens may oppose corruption for normative reasons, it is likely that the

impact of corruption on citizens' welfare also has an important, if not overriding, effect on how they allocate political support.

Because it is public officials who engage in political corruption, we can assume that it benefits them in some way. However, when considering the impact of corruption on citizens' political support, it may be better to remain agnostic to the purpose of corruption and focus instead on the mechanism by which it impacts citizens' welfare. Indeed, the purpose of corruption is irrelevant, except in so far as it impacts political support. If corruption is used for personal gain, then its impact on incumbents' political support should be almost entirely negative. However, if corruption is associated with some kind of political advantage, then the effects of corruption on political support could be mixed, depending on who pays its costs and who benefits from it.

Because corruption can be used for either personal gain or political advantage, it is better to remain neutral as to its purpose, and rather focus on the mechanism by which it impacts citizens' welfare. First, corruption impacts citizens' welfare negatively by increasing the costs or otherwise limiting access to government resources. Second, corruption can lead to the inefficient allocation of government resources, leading to poor service provision or market distortions that impact citizens' welfare indirectly. By separating the mechanism by which corruption imposes costs on citizens from its ultimate purpose, we can investigate how using targeted exchanges to mobilize political support undermines democratic accountability for corruption.

Here I define corruption as the abuse of discretionary control over government resources associated with public office. This encompasses two major types of corruption; bribery and embezzlement. Bribery is a public official's use of her discretionary control over government resources to extract extralegal payments. Embezzlement is a public official's use of her discretion to steal or otherwise misappropriate government resources for a purpose other than their intended, legal use.

Unlike other definitions that focus on corruption for personal benefit or political advantage, this definition remains neutral on the intended use of corruption rents. Corruption can be either for the sake of a public officials' personal benefit or political advantage. The focus in my theory is on corruption as an added cost and barrier to government resources and the formal requirements of market entry (i.e., licenses, assets, contracts). Bribery increases the costs of government resources by forcing citizens to make extralegal payments for access to them, thereby creating barriers for citizens who cannot afford such extra costs. Embezzlement misappropriates government resources, denying access to those who were intended to receive them.

My definition therefore allows me to distinguish between corruption, as a barrier to government resources, and other forms of personalistic exchange such as clientelism and cronyism.

Clientelism is the exchange of material benefits for political support. Corruption may be for the sake of clientelism. For example, a public official may use her discretionary control over government resources in order to exchange them for political support. However, clientelism is distinct from corruption in my theory, because it defines the purpose of the misappropriated resources. Furthermore, corruption is an added cost and barrier to government resources for citizens. Therefore, for citizens, corruption represents an economic loss. In contrast, clientelism represents an economic gain for the citizen involved in the transaction. For this reason, corruption should decrease citizens' support for public officials, while clientelism should increase citizens' support for public officials who offer them material benefits. Therefore, we might expect clientelism to actually mitigate the negative impact of corruption on the political support of those who benefit from such exchanges (Scott 1969, 1972; Theobald 1990; Manzetti and Wilson 2007).

I also consider the role of cronyism in mobilizing political support for the government. Here, I focus on economic cronyism,⁵ often referred to as crony capitalism (Haber 2002; Kang 2002).

⁵The other form of cronyism is political cronyism; the selective allocation of public office to political allies.

Crony capitalism is the selective allocation of government resources required for economic activity to political allies. Like clientelism, cronyism may be associated with corruption. Public officials may favor bribe-payers or political allies in the allocation of government permits, contracts, or assets. In exchange, wealthy cronies offer public officials bribes or campaign contributions for access to public assets or market protections that allow them to collect economic rents. Wealthy cronies usually earn rents by setting non-competitive prices, either for fulfilling government contracts or by gaining exclusive access to markets where limited market entry creates opportunities for collusion between producers and price-setting. As long as the value of economic rents outweighs the costs of corruption for wealthy cronies, they will continue to support the government. In contrast, those who lose access to markets, because corruption increases costs and creates barriers to entry, will oppose a government that fails to curb corruption.

2.1.2 Socioeconomic Status and the Income Distribution

Corruption is an added cost and barrier to citizens' access to government services. Therefore, an individual's household income determines the impact of corruption on her welfare, because it determines the kinds of services she accesses through the government. People with a very low income are likely to rely on government services that help them meet their basic needs, such as cash transfers, food assistance, and public health clinics. However, as people's income increases, they are more capable of meeting their own basic needs independently in private markets.

Wealthier people are therefore less likely to rely on government services to help them meet their basic needs. Instead, wealthier citizens' income may be sufficient for them to save and invest.

Therefore, as citizens' income increases, they are more likely to access government services that help them meet the requirements of market entry.

Citizens' income also determines how corruption impacts their lives. Poor citizens often cannot afford the costs of bribes for government services. Furthermore, the services that poor citizens access are more susceptible to embezzlement. In contrast, wealthier citizens often can afford the costs of bribes and the services they access cannot be embezzled. Therefore, for wealthy citizens corruption is often an added cost and barrier to market entry. Differences in the impact of corruption on people's welfare across socioeconomic groups shapes elected officials' opportunities to mobilize political support through targeted exchanges.

As I move forward, I use a simple conceptual dichotomy to distinguish between those who struggle to meet their own basic needs, who I consider poor, and those whose income is sufficient for them to save and invest, who I consider wealthy. The distinction I make between the poor and the wealthy is, of course, highly stylized. However, it helps me highlight an important distinction in how people in different socioeconomic groups are likely to experience corruption. For the poor, who struggle to meet their basic needs, corruption is primarily a barrier to government services that help them augment their consumption. However, for the wealthy, who have capital to invest, corruption is an added cost and barrier to market entry. Corruption therefore impacts each group's welfare differently, which in turn affects what strategies they use to cope with corruption and how it impacts their support for the government.

The income distribution can tell us about the distribution of citizens across these groups. In highly unequal societies, wealth is concentrated in the hands of a few very wealthy citizens. Especially in developing countries, this implies that a large proportion of the population remains poor, while very few are wealthy enough to save and invest. In more equal countries, in contrast, the distribution of income is more even, and more citizens are able to meet their basic needs, save, and invest. Because a larger portion of the population is economically secure, they are less responsive to clientelist appeals, and many experience corruption as a barrier to market entry.

2.1.3 Government Support and Accountability

The goal of my study is to understand the conditions under which individual citizens hold their governments accountable for corruption. Corruption negatively affects citizens' welfare by increasing the costs of government services and limiting access to them. Widespread corruption should therefore lead citizens to approve less of the government's performance, making them more likely to vote against the incumbent in up-coming elections. Because corruption affects citizens' voting behavior by impact their support for the government, I focus on the impact of corruption on citizens' assessments of the government's performance under the current president.⁶

Focusing on citizens' assessments of the government's performance under the current president has several advantages. First of all, while corruption affect citizens' voting behavior by affecting their approval of the government's performance. The impact of corruption on people's assessments of their government's performance is therefore a prerequisite for democratic accountability. However, several other factors may impact whether a citizen votes for or against the incumbent, such as their partisan affiliation, the field of candidates, or the costs of voter participation. By focusing on the impact of corruption on citizens' assessments of the government's performance, I circumvent the more complicated path from corruption to voting behavior.

By focusing on citizens' approval of the government's performance under the current president, I am also able to circumvent the impact of institutional variation on corruption and democratic accountability. Several scholars have argued the variation in democratic institutions explains why widespread corruption persists in some democracies and not others. One of the institutions that is expected to have the most impact on corruption is the legislative electoral system. There are two

⁶M1. Speaking in general of the current administration, how would you rate the job performance of the President?

leading theories about how the legislative electoral system impacts corruption. One theory argues that corruption will be more common where elected officials have high personal vote-seeking incentives, because elected officials will redirect government resources to pay for the high cost of their campaigns (Golden 2003; Golden and Chang 2001; Chang 2005). However, Gingerich (2013) has argued that variation in electoral systems does not affect the extent of corruption in a country, but rather who the corruption serves. Gingerich provides evidence that elected officials in countries with closed-list electoral systems also redirect government resources for their own political advantage, but that party leaders have more control over the distribution of these resources. Other scholars have argued that corruption should be more common under closed-list proportional representation systems, because it is more difficult for voters to assign responsibility for corruption and hold elected officials accountable (Kunicova and Rose-Ackerman 2005; Persson, Tabellini and Trebbi 2003). Tavits (2007) also identifies several other conditions that may make it more difficult for citizens to assign responsibility for corruption to elected officials, including whether the government controls a majority in the legislature, the duration of the cabinet, and the effective number of parties.

However, democratic institutions are less likely to obscure responsibility for corruption in a presidential system, where the president often acts as a focal point for people's assessments of the government's performance. This is especially true in Latin America, where presidents have extensive executive and legislative powers and parties and legislatures are often weak. Variation in the legislative electoral system across Latin American countries may affect the level of corruption, but it is unlikely to affect the impact of corruption on people's assessments of the government's performance under the current president. Therefore, it is not necessary to control for variation in the legislative electoral system across countries. I do, however, control for the president's tenure in office, since this may affect citizens' propensity to hold the current government responsible for widespread corruption.

Finally, questions about respondents' government approval are available for each Americasbarometer survey from 2004 to 2010, while questions about their voting intentions have only come available since 2008. This allows me to expand the coverage of my analysis. Further analysis of the impact of corruption on citizens' voting intentions may be fruitful as more data becomes available.

2.2 The Argument

Corruption is costly for citizens, and therefore it is generally assumed that it will reduce their support for the government (Adsera, Boix and Payne 2003; Rose-Ackerman 1978). However, I argue that poverty and income inequality create opportunities for elected officials to mobilize political support through targeted, personalistic exchange. Elected officials may actually engage in corrupt activity in order to redirect government resources for the sake of mobilizing political support. Mobilizing political support through personalistic exchange undermines democratic accountability, which allows corruption to persist.

I argue that corruption impacts citizens' lives differently across socioeconomic groups, because they use government services to meet different needs. These differences create different opportunities for elected officials to mobilize political support through targeted, personal exchange. Poor citizens lose access to government services they rely on to meet their basic needs, and therefore rely more heavily on political patrons for access to resources, making them more susceptible to clientelism. Wealthy citizens lose access to certain markets, which benefits a few wealthy citizens who collect economic rents from non-competitive pricing. As a result, it is those wealthy citizens who are excluded from limited markets and do not benefit from clientelism that are most likely to hold elected officials accountable for corruption.

2.2.1 Socioeconomic Status and the Costs of Corruption

The poor and wealthy respond differently to corruption, because corruption imposes different costs on them in their daily lives. For both, corruption increases the costs of government services, which may limit their access to those services. However, the poor and wealthy use government services for different purposes. The poor tend to rely on government services to meet their basic needs, like food programs and public health clinics, because their income is insufficient to meet those needs on their own. In contrast, the wealthy can meet their own basic needs, and often have enough income to save and invest. The wealthy therefore access government services that are necessary for pursuing market opportunities, such as permits, assets, and contracts.

As a result, corruption imposes different costs on the poor and the wealthy. For the poor, corruption is a barrier to meeting their basic needs. Poor citizens often cannot afford the added costs of bribes to access government services. Furthermore, the kinds of services the poor access, such as programs that provide cash, food, or medicine, are especially vulnerable to embezzlement. High-level corruption may also limit the availability of resources for these programs. For these reasons, poor people often lose access to government services. Because they rely on government services to help them meet their basic needs, corruption is especially costly for the poor.

For the wealthy corruption is an added cost and barrier to pursuing economic opportunities. Corruption increases the costs of permits, assets, contracts, and other requirements for engaging in economic activity in formal markets. Corruption increases the costs of engaging in economic activity and may even stop some wealthy citizens from entering markets altogether, if the costs are too high. As a result, wealthy citizens experience corruption as primarily an economic cost.

In Chapter 3, I explore the impact of corruption on poor and wealthy citizens' welfare. I expect that poor citizens will access fewer government services in corrupt countries, either because those

services are unavailable or because they cannot afford the costs of corruption. However, I expect that wealthy citizens will continue to access government services in corrupt countries and will therefore have more firsthand experiences with corruption. I also expect that poor and wealthy citizens access different government services. I expect that poor citizens utilize government services that help them meet their basic needs, while wealthy citizens access government services that are required for economic activity in formal markets. However, I also expect that poor citizens will lose access to those services they rely on to meet their basic needs in corrupt countries, while wealthy citizens will continue to access government services that are necessary for economic activity, though they will experience corruption when they do. I provide evidence that is consistent with this theory in Chapter 3.

2.2.2 Poverty and Clientelism in Corrupt Countries

Because corruption is costly for all citizens, regardless of their socioeconomic status, we might expect all citizens to hold their elected officials accountable for corruption. However, corruption impacts citizens' welfare differently across socioeconomic groups. In particular, poor citizens lose access to government services they rely on to meet their basic needs. Because failing to meet their basic needs is incredibly costly, even life-threatening, poor citizens must find other ways to access important resources. Since they cannot meet these needs in private markets, poor citizens are especially likely to rely on political patrons for access to resources in corrupt countries where official bureaucratic processes are unreliable. Because they rely on political patrons for access to resources, poor citizens living in corrupt countries are especially susceptible to clientelism; the exchange of material benefits for political support.

Because poor citizens rely on political patrons for access to government services in corrupt countries, they should prefer that those patrons retain office. In particular, clientelism is usually embedded in dyadic, iterated relationships that reinforce reciprocal exchange (Hicken 2011). Laboratory experiments have shown that repeated interactions between partners reinforce mutually-beneficial exchanges that are work for the rest of the group (Abbink, Irlenbusch and Elke 2002), while regular rotation of partners disrupts such relationships of reciprocity (Abbink 2004). Several scholars have argued that local “party brokers” play a central role in clientelist networks because they can maintain dyadic, iterated relationships with clients that reinforce reciprocal exchange (Auyero 2000; Stokes et al. 2013; Szwarcberg 2012*b*). Recent evidence from Paraguay suggests local party brokers can predict the performance of community members in reciprocity games (Finan and Schechter 2012).

While some scholars have argued that dyadic and iterated relationships benefit patrons, because they can monitor and punish clients for defecting from clientelist exchanges (Stokes 2005), I argue that clients also prefer such relationships because they guarantee future access to government resources. Especially in corrupt countries, where they cannot access resources through official bureaucratic processes, poor citizens are likely to rely on access to services through political patrons. Poor citizens will therefore prefer to mitigate uncertainty about future access to services by insuring that their patrons remain in office. In corrupt countries, clients may continue to support the government, despite widespread corruption, if they have access to government resources through a party broker.

Local public officials often serve as brokers in clientelist networks. Local public officials have two major advantages as party brokers. First, they have access to government resources that they can provide to their clients in exchange for political support. Second, their positions and career ambitions can be tied to the political survival of the incumbent government. As Camp (2011)

argues, political machines function best when they align the interests of otherwise self-interested political actors. In countries where the bureaucracy is highly politicized, as it is in much of Latin America, national political actors can easily align the interests of local public officials with their own by making their career aspirations depend on the political survival of the incumbent government. This very problem was cited by Geddes (1994) as a reason that corruption persists in Latin America. Gingerich (2013) provides evidence that low-level bureaucratic officials come under pressure from elected officials to redirect government resources for the political benefit of their party and that their career aspirations are often tied to their ability to do so. So, local officials' access to government resources and their relationship with the national government make them ideal intermediaries for parties utilizing a clientelist strategy to mobilize political support.

I test the empirical implications of this theory in Chapter 4. I begin by justifying my assumption that local officials act in the interests of the incumbent government as brokers in clientelist networks. I then test a series of hypotheses drawn from my theory. Assuming that local officials act as brokers in clientelist networks, I expect that poor citizens are more likely than wealthy ones to ask local officials for help addressing problems, especially where corruption is widespread. Furthermore, assuming that local officials are brokers acting in the interests of the incumbent government, I expect that those who get help from local officials will show more support for the government, especially in corrupt countries. Finally, because poor citizens are especially likely to rely on political patrons for access to resources in corrupt countries, I expect that getting help from a local official will impact citizens' support for the government in poor, corrupt countries, but not in wealthy, corrupt countries.

2.2.3 The Distribution of Income and Accountability for Corruption

Poverty undermines democratic accountability for corruption because it creates opportunities for elected officials to mobilize political support through clientelist exchange. Economic development should strengthen democratic institutions if it raises people out of poverty so that they can meet their own needs and no longer rely on clientelist exchange with political patrons for access to resources. However, corruption may persist if economic growth does not lend to a more equal distribution of wealth. If economic growth only accrues to the wealthiest citizens, then a large portion of the population remains in poverty, and vulnerable to mobilization through clientelist exchange. Furthermore, in vastly unequal countries, wealthy citizens may tolerate corruption because they have iniquitous influence over political outcomes (Levy and Walton 2009*b*). In particular, a small group of economic elites may benefit from crony capitalism; the selective allocation of government resources to political allies. I argue that a more equal distribution of wealth strengthens democratic accountability for corruption, because more potential entrants are barred from markets by political favoritism, leading to greater resistance to widespread corruption.

Several scholars have argued that politically-connected economic elites benefit from the selective allocation of government resources that are necessary for economic activity, a practice referred to as crony capitalism (Blaydes 2008; Haber 2002; Johnston 2005; Kang 2002). Crony capitalism benefits economic elites, because it limits entry into markets, allowing them to collect economic rents through non-competitive pricing. Limited market entry is necessary, because setting non-competitive prices requires that producers in a market can observe each other's behavior (Stigler 1964). In markets where prices are set high, producers in those markets will face incentives to sell at lower prices, because they can increase their own market share and profits. However, where the number of producers in a market is small, a phenomenon referred to as

oligopoly, producers can observe each other's behavior and coordinate on non-competitive prices. Therefore, wealthy oligopolists benefit from barriers to market entry, because it allows them to observe the behavior of other producers and keep out potential competitors who might try to increase their market share by setting lower prices.

Because oligopolistic markets require limited market entry, public officials face incentives to create barriers to market entry that benefit their political allies. These barriers can take several forms. First of all, formal barriers may be put in place in the form of legal requirements for starting a business or importing goods. Such formal requirements do not only increase the cost of entering a market, but also create opportunities for public officials to collect bribes through their discretionary control over these resources (Djankov et al. 2002). Public officials may also benefit their political allies by favoring them in the allocation of government resources. Crony capitalism often involves a *quid pro quo* exchange in which public officials provide political allies with access government resources necessary for economic activity in exchange for bribes or campaign contributions. Therefore, in addition to the formal barriers that public officials may erect to benefit their political allies, corruption is an added barrier to market entry that benefits a small group of wealthy citizens who can collect economic rents from oligopolistic markets.

Crony capitalism is an especially attractive strategy for mobilizing political support, because it favors wealthy political allies, whose campaign contributions can give a party a significant advantage in competitive elections. However, crony capitalism is a less beneficial and less viable strategy for mobilizing political support if elected officials must exclude a large portion of the population from markets in order to benefit their political allies. While the small number of wealthy citizens who benefit from limited market entry are likely to tolerate corruption and continue to support the government, potential entrants who are excluded from these markets are likely to punish elected officials who fail to curb corruption.

The distribution of wealth in society therefore plays an important role in whether corruption is tolerated or opposed by wealthy citizens. In highly unequal countries, where wealth is concentrated in a few hands, wealthy citizens are likely to tolerate corruption, because they benefit from limited market entry. However, in countries where wealth is distributed more equally, a larger portion of the population will have capital to invest, and so more potential entrants will be excluded from markets. Therefore, in more equal countries, where more wealthy citizens are excluded from market entry, more wealthy citizens should oppose a government that fails to curb corruption. In contrast, in very unequal countries, wealthy citizens, on average, should continue to support the government despite widespread corruption.

In Chapter 5, I test the implications of this theory. I begin by providing evidence that barriers to market entry are high in Latin America and that several industries are highly concentrated, contributing to conditions ripe for oligopolistic collusion. I also show that large gaps exist between the very wealthy and other citizens in highly unequal Latin American countries, while, in more equal countries, a larger proportion of the population is at least moderately wealthy. I then test several hypotheses implied by the theory that household income and the distribution of wealth in society impact citizens' propensity to hold elected officials accountable for corruption. I expect that corruption will have more impact on wealthy citizens' support for the government than poor citizens' support, because wealthy citizens are not influenced by clientelism. I also expect that wealthy citizens' support for the government varies with the distribution of income. I expect that corruption will have a larger impact on wealthy citizens' support for the government in relatively equal countries than it does on their support in very unequal countries.

2.3 Research Strategy

In what follows, I test the implications of my theory using national economic indicators and public opinion data from eighteen Latin American countries from 2004 to 2010. My theory can be boiled down to two basic arguments. First, poor citizens are less likely than wealthy citizens to hold their governments accountable for corruption, because they are more likely to engage in clientelist exchange with political patrons. Second, wealthy citizens are more likely to hold their governments accountable for corruption, but this varies with the distribution of income in society.

I argue that poverty and inequality undermine democratic accountability for corruption by creating opportunities for elected officials to mobilize political support through targeted, personalistic exchange, such as clientelism and crony capitalism. According to my theory, conditions such as economic development and income inequality should help predict the impact of corruption on citizens' support for the government. Economic development and income inequality are characteristics of populations, often measured at the national-level, while support for the government is a characteristic of individuals that is impacted by both their own demographic characteristics and conditions around them, such as the quality of governance and economic performance. Therefore, the empirical implications of my theory demand that I use multilevel models to account for variation across both countries and individuals. In particular, I must account for cross-national variation in the impact of corruption on the government approval of individuals who are nested within countries.

I explore the impact of corruption on citizens' support for the government at the individual-level using data from fifty-eight Americasbarometer surveys collected the Latin American Public Opinion Project in eighteen Latin American countries from 2004 to 2010. I consider how these attitudes vary across countries, and whether that variation is correlated with economic

development and income inequality. I measure economic development using per capita gross domestic product from the World Bank's World Development Indicators (WDI).⁷ I measure income inequality using the Gini coefficient as estimated in Solt's (2009) Standardized World Income Inequality Database (SWIID). I measure corruption differently depending on the demands of the analysis. When I measure corruption at the national level, I use Transparency International's Corruption Perceptions Index, which is constructed using data from various surveys of experts and firms doing business in these countries. I also measure individuals' perceptions and experiences of corruption using responses to the Americasbarometer surveys.

2.4 Conclusion

In this chapter, I have outlined the microfoundations of a theory explaining why corruption persists in poor and unequal countries, even where democratic institutions exist. I argue that poverty and inequality create opportunities for elected officials to mobilize political support through targeted, personal exchange, which undermines democratic accountability for corruption. Corruption imposes different costs on citizens across socioeconomic groups, and this allows elected officials to influence their political support with targeted exchanges.

Corruption increases the costs and erects barriers to accessing government services. Poor citizens lose access to government services that help them meet their basic needs. This creates opportunities for elected officials to mobilize their support through clientelist exchange. Clientelism is an especially effective strategy where a large portion of the population is poor. Wealthy citizens, however, experience corruption as an added cost and barrier to market entry. This excludes some wealthy citizens from markets, but limited market entry benefits some other

⁷I use GDP per capita adjusted for purchasing power parity in 2005 international dollars.

wealthy citizens who collect economic rents from non-competitive pricing. Elected officials can mobilize political support among a few wealthy citizens by erecting barriers to entry that allow them to collect economic rents. If elected officials can benefit a few wealthy citizens by erecting barriers to market entry without excluding many other market entrants, then doing so is political advantageous.

In the following chapters, I explore the empirical implications of this theory. I provide evidence that is consistent with my theory that corruption persists in poor and unequal countries because elected officials can mobilize political support through targeted, personal exchange. This suggests that economic development that reduces poverty and increases the number of people who can enter markets is necessary if democratic institutions are to effectively curb corruption.

Chapter 3

The Costs of Corruption for the Poor and Wealthy

My theory is based on the premise that corruption impacts poor and wealthy citizens' welfare differently. Corruption limits poor citizens' access to government services, which they rely on to help meet their basic needs. I argue this forces poor citizens to rely on political patrons for access to resources, which makes them susceptible to clientelism. In contrast, wealthy citizens use government services to fulfill the requirements of entry into formal markets, such as permits, contracts, and assets. Corruption is therefore an added cost and barrier to market entry. I argue that this benefits a small group of wealthy citizens, who collect economic rents from limited markets. In this chapter, I provide evidence that poor and wealthy citizens access different kinds of government services and that corruption impacts their welfare differently.

Corruption increases costs and creates barriers to government services. Corruption impacts citizens' lives differently across socioeconomic groups because they access government services for different purposes. Poor citizens use government services to help them meet their basic needs. Wealthy citizens can meet their own basic needs, and are more likely to access government services that are necessary to invest and participate in economic markets. Furthermore, while the

poor cannot generally afford the costs of bribes, wealthy citizens may bear the costs of bribes in order to gain access to government resources.

As a result, corruption imposes different costs on the poor and the wealthy. For the poor, corruption generally acts as a barrier to accessing government services that help them meet their basic needs. Poor citizens usually cannot afford the added cost of paying bribes for access to government services, and therefore must often forego those services where corruption is widespread. Furthermore, the kinds of resources that the poor access through government services are usually material goods that can be sold on private markets, increasing the value of embezzling those resources. High-level corruption may also divert resources away from services that poor citizens access. Corruption is therefore likely to limit poor citizens' access to the resources they rely on most.

In contrast, wealthy citizens access government resources that are necessary to invest and participate in economic markets, such as permits, contracts, and assets. Because they have sufficient income, and because the value of market entry is so high, wealthy citizens are less likely to be deterred by the added costs of corruption. Furthermore, many of the services that wealthy citizens access, such as permits and contracts, can be exchanged for extralegal payments like bribes, but do not have their own private market. Therefore, wealthy citizens are more likely to access government resources, despite the added cost of corruption, and are therefore more likely to experience corruption firsthand where it is widespread.

Other scholars have shown that wealthier citizens are more likely to experience corruption firsthand (Donchev and Ujhelyi 2009; Mocan 2008; Morris 2008; Seligson 2006), though Rose and Mishler (2007) find that, in Russia, wealthier citizens are no more likely to report being asked for a bribe than poor citizens. Seligson (2006) suggests that wealthier citizens experience more

corruption because they are more likely to access government services, but he does not present a theory explaining why this may be the case or present evidence supporting his argument.

In this chapter, I present some of the first evidence that wealthy citizens are asked for more bribes because, unlike poor citizens, widespread corruption does not deter them from accessing government services. In countries where corruption is relatively rare, poor citizens actually access more government services than wealthy ones. However, in countries where corruption is widespread, poor citizens access fewer government services than wealthy citizens, and therefore report fewer incidents of corruption. This is true even of government services that poor citizens rely on to help them meet their basic needs, like public health clinics. This shows that the costs of corruption vary across socioeconomic groups. While wealthy citizens experience more corruption firsthand, poor citizens also bear the costs of corruption because they lose access to government services.

3.1 Corruption in Latin America

Corruption remains widespread in Latin America, despite two decades of economic and political liberalization. Transparency International's Corruption Perceptions Index (TI-CPI) is a composite score of perceived political corruption utilizing data from multiple surveys of experts and firms doing business in countries around the world. Transparency International rates countries on a theoretical scale ranging from very corrupt (=0) to very clean (=10). From 2004 to 2010, the average index score for the eighteen Latin American countries in the sample (3.5) was only slightly lower than the global average (4.0). However, there is substantial variation in the level of corruption across the countries in the sample. For example, in 2010, Transparency International ranked Chile and Uruguay among the twenty-five least corrupt countries in the world, with index

scores more than one standard deviation above the global mean. Venezuela, in contrast, was one of the twenty most corrupt countries in the world according to Transparency International, with an index score one standard deviation below the global mean. Honduras and Nicaragua were also ranked among the fifty most corrupt countries in the world.

Latin Americans' experiences with corruption also vary widely across countries. In each of the Americasbarometer surveys in the sample, respondents were asked whether they had been asked for a bribe by a public official, police officer, or when accessing one of several other government services.⁸ Almost a fifth of all respondents in the sample had been asked for at least one bribe in the past twelve months, with about seven-percent reporting that they had been asked to pay bribes two or more times. However, the proportion of respondents who report being asked to pay a bribe varies widely across countries. In some countries, like Mexico and Bolivia, about a third of respondents reported being asked for at least one bribe in the past twelve months, with about half those reporting that they were asked for a bribe on at least two separate occasions. In contrast, in countries like Uruguay and Chile, less than one in ten respondents reported being asked for a bribe.

Latin Americans' experiences with corruption do not necessarily capture the full range of corruption in their country. For example, according to Transparency International, Venezuela is the most corrupt country in Latin America and Costa Rica is the third least corrupt country in the region. However, roughly the same proportion of Venezuelans and Costa Ricans (16.4%) report being asked for bribes. Furthermore, while twice as many Bolivians and Mexicans report being asked for bribes, Transparency International ranks each as significantly less corrupt than Venezuela.

⁸Such services included being asked to pay a bribe to process a document or permit, to the courts, at their workplace, at a public clinic, or at a school.

This disjuncture between people's experiences with corruption and perceptions of corruption have led to criticism of corruption perceptions measures (Donchev and Ujhelyi 2009; Mocan 2008; Morris 2008; Rose and Mishler 2007). These scholars have criticized the imprecision of corruption perceptions measures on the grounds that they are incongruent with people's actual experiences with corruption. However, the disjuncture between individuals' experiences with corruption and perceptions of corruption both at the individual and national level make sense once one takes into account the fact that corruption takes several forms and impacts citizens' lives in various ways.

Measures of individuals' experiences with bribery only capture a very narrow sliver of the range of types of corruption that occur at different levels of government and impact citizens' welfare. Individuals experience corruption when they access government services and are asked for a bribe. This represents a form of low-level corruption that increases the costs of government services and has a direct impact on citizens' welfare. However, if citizens anticipate being asked for a bribe, they may choose to forego government services altogether. This produces a bias in measures of corruption based on experience, because people may experience less corruption because they avoid official bureaucratic processes in corrupt countries.

Furthermore, low-level corruption may take other forms. For example, low-level public officials may choose to embezzle government resources, rather than use them to extract bribes. This also has a direct impact on citizens' welfare, because it diverts government resources away from their intended purposes and limits their availability to citizens. This may also occur at higher levels of government, though it may be less detectable. If citizens are aware that government resources intended for their consumption are being diverted from that purpose, it is likely to affect their perceptions of corruption and their political support.

As I show in this chapter, widespread corruption can impact citizens' welfare by increasing the costs of accessing government services, but it can also hurt their welfare by denying them access to these services. In particular, wealthy citizens usually experience more corruption because they continue to access government services, despite widespread corruption. However, poor citizens often lose access to government services where corruption is widespread, whether this is due to lack of access or whether they are deterred by the possibility of being asked for a bribe. These results suggest that corruption impacts citizens' welfare differently across socioeconomic groups, and that measures based on corruption experience may be insufficient to capture the full impact of corruption on people's lives.

3.2 Experiencing Corruption Across Income Groups

Corruption imposes different costs on citizens depending on their household incomes. Because of their constrained income, poor citizens often cannot afford the added costs of bribes, and therefore must forego government services, even those that help them meet their basic needs. In contrast, wealthy citizens may be able to afford the added costs of bribes when accessing government services. As a result, widespread corruption will not deter wealthy citizens from accessing government services, and they will be more likely to experience corruption firsthand. Poor citizens, however, will lose access to government services.

In order to show how citizens' experiences with corruption vary across income groups, I consider two dependent variables; the number of times they report being asked for a bribe and the number of services they say they have accessed in the past twelve months. In each of the Americasbarometer surveys from 2004 to 2010, respondents were asked whether they had been asked to pay a bribe by a public official or police officer. Respondents were also asked whether

they had accessed several different government services, including processing a permit or other document, going to court, going to a public clinic, or enrolling a child in school, and whether they had been asked for a bribe, and employed respondents were asked whether they had been asked for a bribe in their work. As a measure of respondents' personal experiences with corruption, I take the sum of their corruption experiences, which ranges from zero to seven.⁹ To measure the number of government services they accessed, I take the sum of services they have accessed, ranging from zero to four.¹⁰ After looking at the number of services citizens access across socioeconomic groups, I focus on two specific services, public health clinics and processing documents and permits. This allows me to test my hypothesis that people access different services across socioeconomic groups, and that losing access to services is especially dangerous for the poor, who rely on them for basic needs, such as health care.

I consider how citizens' experiences with corruption vary with their household income and the overall level of corruption in their society. In all of the Americasbarometer surveys from 2004 to 2010, respondents were asked to place themselves in a quantile of their country's income distribution. The quantiles were based on previous data on the distribution of household income in each country and remained the same from 2004 to 2010 (Cordova 2008).¹¹ In order to improve

⁹Questions from the Americasbarometer surveys include;

EXC2. Has a police officer asked you to pay a bribe during the past year?

EXC6. During the past year, did any government employee ask you for a bribe?

EXC11. During the past year, to process any kind of document (like a permit, for example), did you have to pay any money above that required by law?

EXC13. At your workplace, have you been asked to pay a bribe in the past year?

EXC14. Did you have to pay a bribe to the courts within the past year?

EXC15. In order to receive attention in a hospital or clinic during the past year, did you have to pay bribe?

EXC16. Have you had to pay a bribe at school during the past year?

¹⁰Questions include;

EXC11A. During the past year did you have any official dealings in the municipality/local government?

EXC14A. During the past year, have you had any dealing with the courts?

EXC15A. Have you used any public health services during the past year?

EXC16A. Have you had a child in school during the past year?

¹¹Quantiles were used to increase the response rate by offering respondents greater privacy when answering questions about their household income. Respondents also chose the quantile anonymously during the survey interview.

the comparability of individuals' responses across countries, I standardize their responses centered around the survey mean for that country in that year, so a unit change in household income represents moving one standard deviation in the distribution of responses in that survey. This improves the comparability of household income across surveys, while controlling for between-survey variance by setting the survey-means to zero (Enders and Tofighi 2007). I measure national corruption using Transparency International's Corruption Perceptions Index, reverse coded to increase with the level of corruption in a country. This allows me to construct a national measure of corruption that is not directly influenced by respondents' experiences with corruption. This will help me determine whether corruption really does deter citizens from accessing government services, and whether this affects poor citizens more than wealthy ones.

My theory requires analyzing variation in individuals' experiences with corruption and access to services across both individuals and countries. I therefore use multilevel models to estimate the effect of both individual- and survey-level variables on the number of incidents of corruption individuals experience and the number of services they access. Table 3.1 presents the results of two models estimating the impact of an individuals' household income on the number of incidents of corruption they experienced and how that varies with the level of corruption in their country.¹² In the first model, I estimate the direct effects of an individual's household income and the national level of corruption on the number of incidents with corruption she experienced. I therefore estimate a multilevel model with an intercept modeled as a function of national-level corruption. Coefficients for individuals' household income and other individual-level controls are fixed.¹³ Unsurprisingly, people living in countries where corruption is widespread experience

¹²Throughout this analysis, I include several demographic control variables that may be related to a person's household income and may also influence their propensity to access government services and experience corruption; sex, age, education, and whether they live in an urban or rural area. I also include a person's past voting behavior; whether they voted for the incumbent in the previous presidential election, some other candidate, or abstained or spoiled the ballot (baseline).

¹³The functional form of the model is

more incidents of corruption firsthand. Furthermore, wealthy people experience more corruption than poor people. This latter result is consistent with earlier findings about the impact of wealth on individuals' propensity to experience corruption (Donchev and Ujhelyi 2009; Mocan 2008; Morris 2008; Seligson 2006).

Several other variables also impact how often citizens experience corruption. Individuals who voted in the previous election, whether for the incumbent or for some other party, report experiencing more incidents of corruption than those who did not vote. Women experience fewer incidents of corruption than men. Educated people and people living in urban areas experience more corruption, while older people experience less corruption.

The second model in Table 3.1 allows the impact of individuals' household income on their experiences with corruption to vary with the level of corruption in their country. Both the intercept and the coefficient describing the effect of an individual's income on the number of incidents of corruption she experiences are therefore modeled as functions of national-level corruption. All other coefficients are fixed.¹⁴ This can be interpreted as a cross-level interaction, with the marginal effect of an individual's household income varying with the level of corruption in a country. The coefficient describing the interactive effect of household income and national-level corruption is positive and statistically significant, indicating that wealthier citizens

$$\text{corruption experienced}_{ij} = \alpha_j + \beta \text{income}_i + \mathbf{B}X_i + \epsilon_i$$

$$\alpha_j = \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha$$

The intercept α_j is modeled as a function of national-level corruption. The coefficient on household income β and all other coefficients B on individual-level controls X_i are fixed.

¹⁴The functional form of the model is

$$\text{corruption experienced}_{ij} = \alpha_j + \beta_j \text{income}_i + \mathbf{B}X_i + \epsilon_i$$

$$\alpha_j = \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha$$

$$\beta_j = \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \eta_j^\beta$$

Both the intercept α_j and the coefficient on household income β_j are modeled as functions of national-level corruption. All other coefficients B on individual-level controls X_i are fixed.

Table 3.1: Corruption Experienced across Income Groups

	Model 1	s.e.	Model 2	s.e.
Intercept	.030	.055	.029	.055
Household Income	.029	.003	-.013	.013
National Corruption	.050	.014	.050	.014
National Corruption × Household Income			.011	.003
Voted for incumbent	.020	.006	.020	.006
Voted for opposition	.045	.007	.044	.007
Female	-.127	.005	-.127	.005
Urban	.065	.006	.064	.005
Age	-.013	.002	-.013	.002
Education	.010	.001	.010	.001
Groups		58		58
<i>N</i>		97849		97849
Average AIC		212335		212215
Average Deviance		212231		212096

Notes: This table presents the pooled results of multilevel models analyzing five imputed data sets. The outcome variable for each model is the number of bribes a person said they were asked for in the past year, ranging from 0 to 7. In Model 1, the intercept is modeled as a function of national corruption (reverse-coded TI-CPI), and all other coefficients are fixed. In Model 2, both the intercept and the coefficient for household income are modeled as functions of national corruption.

experience more incidents of corruption than poor citizens where corruption is more common. However, the baseline coefficient on household income is not significant and has the opposite sign, indicating that wealthier citizens are not asked for more bribes than poor citizens in countries where corruption is relatively uncommon.

Figure 3.1 shows how a person's household income affects the number of experiences they have with corruption across national levels of corruption.¹⁵ The left panel shows how the marginal effect of moving up one standard deviation in a country's income distribution affects the number of experiences a person has with bribery. In countries where corruption is relatively rare, such as Chile and Uruguay, an individual's income does not have a significant effect on the the number of bribes she is asked for. However, in countries where corruption is more common, wealthier citizens report being asked for significantly more bribes than poor citizens.

The center panel of Figure 3.1 plots the expected number of bribes a poor person is asked to pay at different levels of corruption, and the right panel plots the number of bribes a wealthy person is expected to be asked to pay. Here, a poor person is one with an income one standard deviation below their country's mean, and a wealthy person is one with an income one standard deviation above their country's mean. Neither poor nor wealthy citizens are expected to be asked for a bribe in countries where corruption is very rare. For countries like Chile and Uruguay, the number of bribes a person is expected to pay does not vary significantly from zero, regardless of whether they are poor or wealthy. However, in more corrupt countries, both poor and wealthy citizens report experiencing more incidents of corruption. Furthermore, wealthier citizens report experiencing significantly more incidents of corruption than poor citizens, even in countries

¹⁵Cook's distances for Model 2 in Table 3.1 show that one case in particular is highly influential, Bolivia 2010 ($D = 1.0$). Removing this case has little effect on the estimated coefficients and the coefficients of interest remain significant. The second most influential cases Mexico 2010 ($D = .19$) and the third and fourth are Bolivia 2008 ($D = .17$) and Bolivia 2006 ($D = 15$). Removing both Mexico 2010 and Bolivia 2006 from the sample still has little effect on the estimated coefficients and the coefficients of interest retain significance.

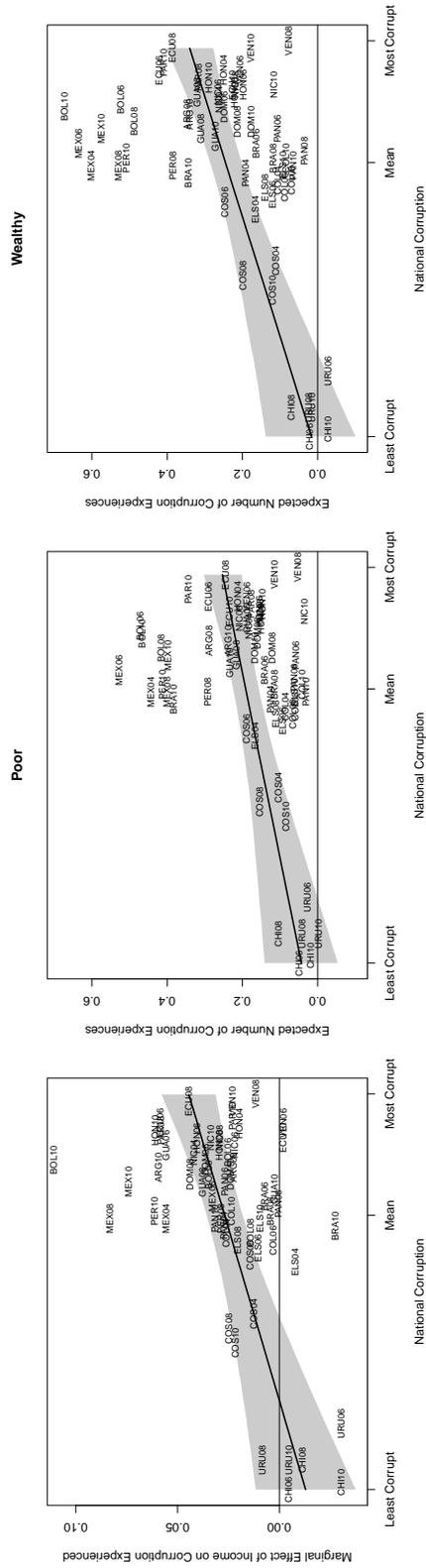


Figure 3.1: Effect of Income on Corruption Experience

Notes: This figure shows how the number of bribes an individual is asked to pay varies with her household income and the level of corruption in her country. The left panel plots the marginal effect of an individual's household income on the number of bribes she is asked to pay across levels of corruption. Household income is standardized at this survey level, so that a unit increase represents moving one standard deviation in a country's income distribution. The center panel plots the expected number of bribes a person is asked to pay if she is poor, with an income one standard deviation below her country's mean. The right panel plots the expected number of bribes a person is asked to pay if she is wealthy, with an income one standard deviation above her country's mean. National corruption is measured by Transparency International's Corruption Perceptions Index, reverse-coded to increase with the level of corruption.

where Transparency International estimates that corruption is below the regional mean. This difference is greatest in very corrupt countries, like Venezuela and Paraguay.

While these results show that individuals' experiences with corruption do vary with their household incomes and the prevalence of corruption in their society, they do not tell us *why* wealthy citizens experience more corruption than poor ones. There are two reasons why wealthy citizens experience more corruption than poor citizens. For one, public officials may target wealthy citizens for bribes, since wealthy citizens are more likely to be able to afford bribes and can also pay larger bribes. Alternatively, wealthy citizens may access more government services, and therefore have more opportunities to experience corruption firsthand. I argue for a variation on the second explanation; because widespread corruption deters poor citizens from accessing government services, wealthy citizens access more services in corrupt countries and therefore experience more incidents of corruption.

To test this theory, I consider two models estimating how the number of services an individual accesses varies with her household income and the level of corruption in her country. Model 1 in Table 3.2 presents the results of a model estimating the direct effects of household income and national-level corruption on the number of services an individual accesses. Therefore, as in the first model, the intercept is modeled as a function of national corruption, while all other coefficients, including the coefficient on household income, are fixed.¹⁶ An individual's household income does affect the number of services she accesses. Wealthier citizens report accessing significantly more services than poor citizens do. However, the level of corruption in a

¹⁶The functional form of the model is

$$\begin{aligned} \text{services accessed}_{ij} &= \alpha_j + \beta \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha \end{aligned}$$

The intercept α_j is modeled as a function of national-level corruption. The coefficient on household income β and all other coefficients B on individual-level controls X_i are fixed.

country does not have a direct effect on the number of services that individuals access. This is consistent with the theory that wealthy citizens experience more incidents of corruption because they access more services than poor citizens, but there is no evidence that national-level corruption has a direct impact on the number of services citizens access.

Several other individual-level variables also affect a person's propensity to access government services. Individuals who report voting in the previous election, whether for the incumbent or the opposition, also report accessing more government services than those who did not vote. Women access more services than men. Older and more educated people access more services, while those living in urban areas access fewer services. Interestingly, these results are antithetical to Seligson's (2006) expectations. Younger people, people living in urban areas, and men experience more corruption even though they access fewer services. Older people, people living in rural areas, and women, who access more services, actually experience less corruption. This suggests that targeting does occur and may deter people from accessing government services. In contrast, targeting does not appear to occur along socioeconomic lines, but rather wealthier citizens experience more corruption because they access more services.

The Model 2 in Table 3.2 estimates the effect of individuals' household incomes on the number of services they access across levels of corruption. It allows me to test whether wealthier citizens experience more corruption because they access more services than poor people in countries where corruption is common. In this model, the coefficient explaining the effect of an individual's household income on the number of services they access is modeled as a function of

Table 3.2: Services Accessed across Income Groups

	Model 1	s.e.	Model 2	s.e.
Intercept	.091	.097	1.098	.098
Household Income	.014	.004	-.071	.029
National Corruption	-.035	.024	-.036	.024
National Corruption × Household Income			.022	.007
Voted for incumbent	.248	.009	.248	.009
Voted for opposition	.231	.010	.229	.010
Female	.108	.007	.108	.007
Urban	-.013	.008	-.022	.008
Age	.017	.002	.018	.002
Education	.011	.001	.011	.001
Groups		58		58
<i>N</i>		97849		97849
Average AIC		291000		290688
Average Deviance		290903		290580

Notes: This table presents the pooled results of multilevel models analyzing five imputed data sets. The outcome variable for each model is the number of government services a person said they accessed in the past year, ranging from 0 to 4. In Model 1, the intercept is modeled as a function of national corruption (reverse-coded TI-CPI), and all other coefficients are fixed. In Model 2, both the intercept and the coefficient for household income are modeled as functions of national corruption.

national-level corruption, as is the intercept.¹⁷ This can be interpreted as a cross-level interaction, with the marginal effect of individuals' income on the number of services they access varying with the level of corruption in their country.

The results are consistent with my theory. The coefficient for the interaction is positive and significant, indicating that wealthier people access more government services than poor people in countries where corruption is common. Furthermore, the baseline coefficient for household income is negative and significant, indicating that, in the least corrupt countries in the sample, poor citizens actually access *more* government services than wealthy citizens. This shows that, as corruption become more common in a country, poor citizens lose access to government services and utilize fewer services than wealthy citizens.

Figure 3.2 shows how an individual's income affects the number of services they access across national levels of corruption.¹⁸ The left panel plots the marginal effect of moving up one standard deviation in a country's income distribution on the number of services an individual accesses at different levels of corruption. In the least corrupt countries in the sample, household income has a negative marginal effect on the number of services an individual accesses. In other words, in countries where corruption is very uncommon, such as Chile and Uruguay, poor people actually access more government services than wealthy ones. This makes sense, given that poor citizens

¹⁷The functional form of the model is

$$\begin{aligned} \text{services accessed}_{ij} &= \alpha_j + \beta_j \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha \\ \beta_j &= \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \eta_j^\beta \end{aligned}$$

Both the intercept α_j and the coefficient on household income β_j are modeled as functions of national-level corruption. All other coefficients B on individual-level controls X_i are fixed.

¹⁸Cook's distances for Model 2 in Table 3.2 show that the most influential case is Chile 2010 ($D = .39$). Removing this case has little effect on the estimated coefficients and the coefficients of interest remain significant. The second most influential case is Uruguay 2008 ($D = .185$). Excluding this case alone has little effect on the estimated coefficient, but excluding both of the most influential cases from the sample renders the interaction coefficient insignificant.

rely on government services to help them fulfill a wide variety of needs. However, as corruption increases in a country, poor citizens access fewer government services relative to wealthy citizens. In fact, in the most corrupt countries in the sample, an individual's household income has a significant positive effect on the number of services they access. Therefore, in very corrupt countries, like Venezuela and Paraguay, wealthy citizens actually access significantly more government services than poor ones. This suggests that corruption limits poor citizens' access to government services, but does not necessarily deter wealthy citizens from accessing services. Because wealthy citizens continue to access government services in corrupt countries, they experience more incidents of corruption than poor citizens.

The center and right panels in Figure 3.2 show how the expected number of services poor and wealthy citizens access varies across levels of corruption. Poor citizens, who have an income one standard deviation below their country's mean, access significantly fewer services as the level of corruption in their country increases. In countries like Chile and Uruguay, where corruption is rare, poor people access significantly more services than they do in countries where corruption is more common. In contrast, wealthy citizens, with an income one standard deviation above their country's mean, continue to access about the same number of services in corrupt countries as they do in countries where corruption is uncommon. In fact, in countries where corruption is very common, like Venezuela and Argentina, wealthier citizens access significantly more services than poor ones. Again, this explains why wealthy citizens experience more incidents of corruption than poor ones. While poor citizens access fewer government services in corrupt countries, either because they are deterred by bribe-taking or because the services they access cease to be available, wealthy citizens continue to access services in corrupt countries and therefore experience more incidents of corruption.

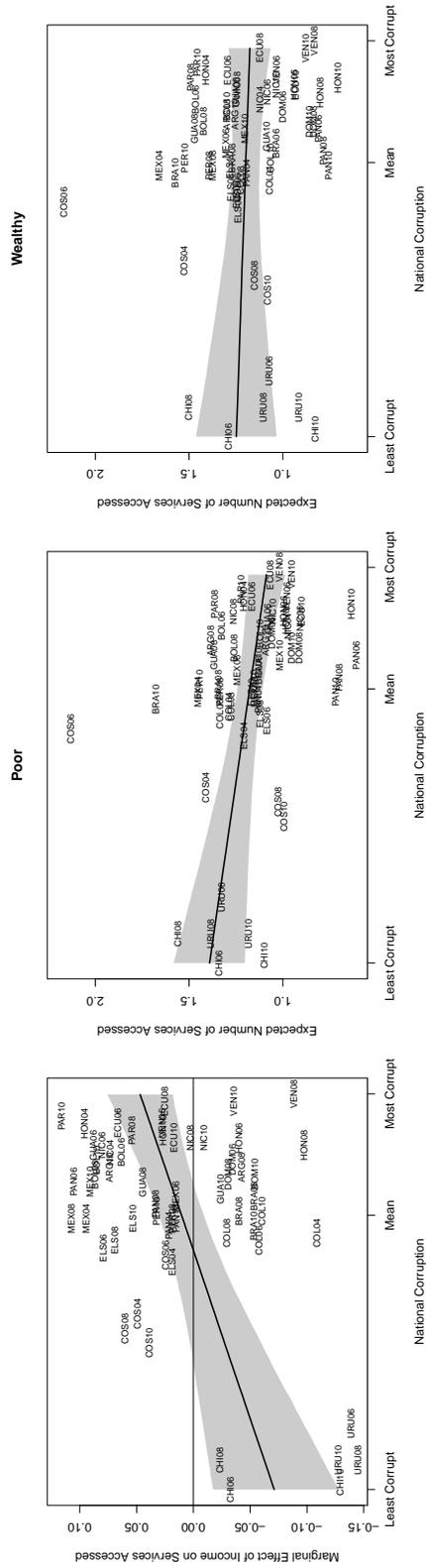


Figure 3.2: Effect of Income on Access to Services

Notes: This figure shows how the number of services an individual accesses varies with her household income and the level of corruption in her country. The left panel plots the marginal effect of an individual's household income on the number of government services she accesses across levels of corruption. Household income is standardized at this survey level, so that a unit increase represents moving one standard deviation in a country's income distribution. The center panel plots the expected number of services a person will access if she is poor, with an income one standard deviation below her country's mean. The right panel plots the expected number of services a person will access if she is wealthy, with an income one standard deviation above her country's mean. National corruption is measured by Transparency International's Corruption Perceptions Index, reverse-coded to increase with the level of corruption.

These results show that corruption imposes different costs on poor and wealthy citizens. While wealthy citizens often experience corruption firsthand, widespread corruption limits poor citizens' access to government services. Poor citizens may forego government services in corrupt countries because of the added cost of bribes they must pay or they may lose access to government services because the resources they access are embezzled by low-level public officials, who keep them or sell them for their own benefit. High-level corruption may also limit poor citizens' access to government services by diverting public resources from their intended purpose. In other words, corruption may impact citizens' welfare in many ways, from increasing the cost of services through bribes to redirecting public resources from such services.

In the next section, I consider the kinds of services that poor and wealthy citizens access in order to determine the kinds of costs they may face where corruption is widespread. In particular, I argue that poor citizens mostly use government services to help them meet their basic needs. Therefore, losing access to government services is very costly and even life-threatening for the poor, because it limits their access to important resources, such as health care. In contrast, wealthy citizens mostly access government services that are necessary for participating in formal markets, such as documents and permits. Furthermore, because they can afford the costs of bribes, widespread corruption is less likely to deter wealthy citizens from accessing such services, even if it makes those services more costly.

I provide evidence that poor citizens access more government services that help them meet their basic needs, like public health clinics, while wealthy citizens access more services necessary for market entry, such as permits. I also show that corruption limits poor citizens' access to both types of services. In fact, in countries where corruption is rare, poor citizens are more likely to go to clinics and are as likely to apply for permits. However, in very corrupt countries, poor citizens are less likely to process permits and are no more likely than wealthy citizens to utilize public

clinics. This paints a grim picture of the impact of corruption on the poor, who lose access to services that both help them meet their basic needs and may help them escape poverty.

3.3 Types of Services and Corruption Across Income Groups

In this section, I provide evidence that poor and wealthy citizens do, in fact, access different government services, and that corruption therefore imposes different costs on them. In each of the Americasbarometer surveys in the sample, respondents were asked whether they had accessed several different services and whether they were asked for a bribe when they did. I focus here on the likelihood that a person accesses two different kinds of government services; public health clinics and processing permits. I choose these services because each represents a different kind of need. Public health clinics provide health care to people who cannot afford private hospitals. Therefore, public health clinics are likely to be accessed by poor citizens. In contrast, processing a document, such as a license or permit, is something that is necessary for participating in formal economic markets. Because market entry usually requires the investment of at least some capital, wealthier citizens should be more likely to process such documents. Furthermore, when people do not have sufficient income to meet their basic needs, they may be more likely to avoid legal requirements, like processing official documents, if they can. Therefore, I expect that individuals' household incomes will predict their likelihood of accessing these services in opposite directions. Poor people will be more likely to access public health clinics, while wealthy people will be more likely to process documents, such as permits or licenses. Furthermore, I expect that poor citizens will be less likely to access either of these services in corrupt countries than they are in countries where corruption is uncommon.

From 2004 to 2010, about half of all respondents (50.6%) reported going to a public clinic. Of those who did, only 6.5% reported being asked for a bribe. This varied across countries, of course. More than two-thirds of Costa Ricans (69.4%) and nearly as many Brazilians (63.4%) reported going to a public clinic between 2004 and 2010. However, while only 4.3% of Costa Ricans who went to a public health clinic reported being asked for a bribe, 13.5% of Brazilians reported being asked for a bribe when they went to a public health clinic, more than in any other country.

In contrast, only about a quarter (25.8%) of respondents reported processing a document, such as a permit or license, from 2004 to 2010. However, more than one in ten (11.1%) of those who processed a document reported being asked for a bribe. This also varies across countries. More than a third of respondents reported processing a document in Argentina and Uruguay. However, only about one in ten respondents in Venezuela or the Dominican Republic reported processing a document. Of those who did process a document in Venezuela or the Dominican Republic, about fifteen-percent reported being asked for a bribe. However, in Mexico, more than a third of respondents reported processing a document, and a fifth of those said they had been asked for a bribe, more than in any other country. Clearly, more than the level of corruption determines whether a person chooses to process a document. In countries with healthy, growing economies, people may fulfill the legal requirements for market entry despite widespread corruption. However, widespread corruption may impact *who* enters the market; in particular, whether they are poor or wealthy.

I estimate a series of multilevel models to determine the impact of household income and national-level corruption on citizens' likelihood of accessing these services and being asked for a bribe. The outcome variables for each of these models are binomial, so I use logistic regression to estimate the likelihood that an individual accesses these services or is asked for a bribe when doing so. Models 1 and 2 in Table 3.3 estimate the likelihood that an individual processes a

permit and Models 3 and 4 estimate the likelihood that an individual was asked for a bribe while doing so.

Model 1 in Table 3.3 estimates the direct effects of individuals' household income and the level of corruption in their country on their likelihood of processing a permit. The model therefore includes a random intercept that is modeled as a function of national-level corruption. All other coefficients, including the coefficient for household income, are fixed.¹⁹ The results of the model show that wealthier citizens are more likely to process documents such as a permit. The coefficient for household income is positive and statistically significant, indicating that wealthy citizens are more likely to process a permit than poor ones, all else equal. However, the level of corruption in a country does not have a direct effect on individuals' likelihood of processing documents.

As in previous models, several other individual-level variables predict a person's likelihood of processing a document, such as a license or permit. People who voted in the previous election, whether for the incumbent or opposition, are significantly more likely to process a permit. Women are actually significantly less likely to process a permit than men, while older, more educated Latin Americans are more likely to process permits. However, people who live in urban areas are no more likely to process a permit than those who live in rural areas.

Model 2 considers whether the impact of an individual's income on their likelihood of processing a permit varies with level of corruption in their country. In this model, I therefore model both the intercept and the coefficient describing the effect of household income as functions of

¹⁹The functional form of the model is

$$\begin{aligned} \text{processed permit}_{ij} &= \alpha_j + \beta \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha \end{aligned}$$

Both the intercept α_j is modeled as a function of national-level corruption. All other coefficients are fixed.

Table 3.3: Experiencing Corruption While Processing a Permit

	<u>Model 1</u>	<u>Model 2</u>	<u>Model 3</u>	<u>Model 4</u>
	Get Permit	Get Permit	Bribe for Permit	Bribe for Permit
	s.e.	s.e.	s.e.	s.e.
Intercept	-1.532	-1.522	-5.278	-5.250
Household Income	.086	-0.11	.063	-0.085
National Corruption	-.114	-0.116	.217	.209
Corruption \times Income		.027		.040
Female	-.167	-0.169	-.344	-.346
Urban	.002	-0.006	.270	.271
Age	.078	.077	.015	.014
Education	.061	.061	.061	.061
Voted for incumbent	.238	.239	.104	.105
Voted for opposition	.267	.268	.222	.223
Groups	58	58	58	58
<i>N</i>	97849	97849	97849	97849
Average AIC	103468	103334	25227	25224
Average Deviance	103448	103308	25287	25198

Notes: This table presents the pooled results of multilevel logistic regression models analyzing five imputed data sets. The outcome variable for Model 1 and Model 2 is whether or not a person processed a document in the past year (1) or not (0). The outcome variable for Model 3 and Model 4 is whether a person reports being asked for a bribe while processing a document (1) or not (0). In Model 1 and Model 3, the intercept is modeled as a function of national corruption (reverse-coded TI-CPI), and all other coefficients are fixed. In Model 2 and Model 4, both the intercept and the coefficient for household income are modeled as functions of national corruption.

national-level corruption. All other coefficients in the model are fixed.²⁰ The results of the model show that the impact of an individual's income on her likelihood of processing a permit varies significantly with the level of corruption in her country. The coefficient describing the interactive effect of income and corruption on a person's likelihood of processing a permit is positive and significant, indicating that wealthy citizens are more likely to process a permit relative to poor citizens where corruption is common. However, the baseline effect of income is not statistically significant, indicating that wealthy citizens may not be any more likely to process a document than poor citizens where corruption is rare.

Figure 3.3 shows how the predicted probability of processing a permit varies with an individual's household income and the level of corruption in her country. The left panel shows how the predicted probability of a person processing a permit changes if her income increases one standard deviation in her country's income distribution. In the least corrupt countries in the sample, Chile and Uruguay, a person's predicted probability of processing a permit does not vary significantly with her income. However, in more corrupt countries, wealthier people are significantly more likely to process a permit than poor ones. This difference is largest in countries like Venezuela where corruption is very common. The center and right panels show how poor and wealthy people's predicted probability of processing a permit varies with the level of corruption in their country. Poor people, who have an income one standard deviation below their country's mean, have about a thirty-percent predicted probability of processing a permit in countries where corruption is very uncommon. However, in countries where corruption very common, a poor

²⁰The functional form of the model is

$$\begin{aligned} \text{processed permit}_{ij} &= \alpha_j + \beta_j \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha \\ \beta_j &= \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \eta_j^\beta \end{aligned}$$

Both the intercept α_j and the coefficient for household income β_j are modeled as functions of national-level corruption. All other coefficients are fixed.

person's predicted probability of processing a permit falls to less than twenty-percent. In contrast, a person's predicted probability of processing a permit changes little if they are wealthy, with an income one standard deviation above their country's mean. In the least corrupt countries in the sample, a wealthy person's predicted probability of processing a permit is also about thirty-percent, but in very corrupt countries, their predicted probability of processing a permit is still more than twenty-percent.

In Table 3.3, Models 3 and 4 estimate the likelihood that an individual will be asked for a bribe while processing a document. Model 3 estimates the direct effects of household income and national-level corruption on an individual's likelihood of being asked for a bribe while processing a document. Again, the intercept is modeled as a function of national-level corruption, but all other coefficients are fixed.²¹ Unsurprisingly, individuals living in countries where corruption is more common are more likely to report being asked for a bribe when processing a permit. Furthermore, the significant, positive coefficient for the effect of household income shows that wealthy citizens are more likely to report being asked for a bribe when processing a permit than poor citizens, all else equal.

Several other variables impact an individual's likelihood of being asked for a bribe when she processes a permit or other document. Interestingly, while all people who voted in the previous election are more likely to process a permit, only those who said they voted for the opposition are significantly more likely to report being asked for a bribe. This may suggest that incumbents' supporters are somewhat sheltered from corruption, or otherwise less likely to report it. Women,

²¹The functional form of the model is

$$\begin{aligned} \text{bribe for permit}_{i,j} &= \alpha_j + \beta \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha \end{aligned}$$

Both the intercept α_j is modeled as a function of national-level corruption. All other coefficients are fixed.

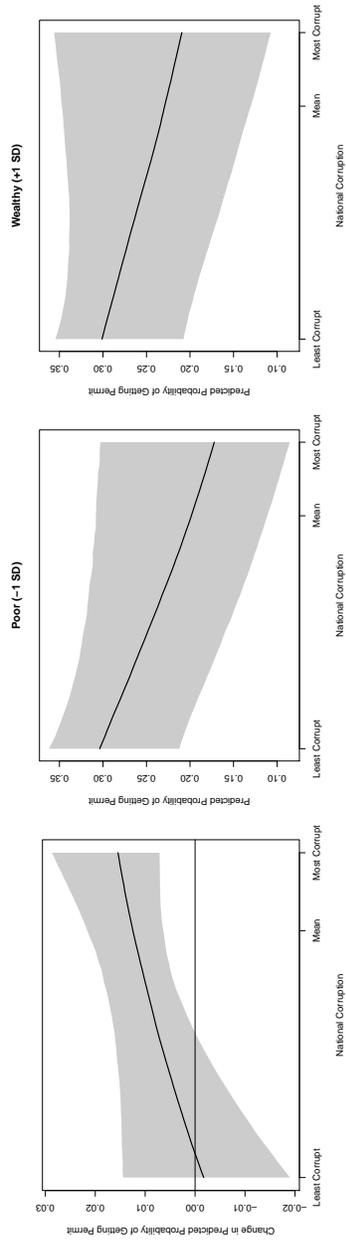


Figure 3.3: Effect of Income on Processing a Permit

Notes: This figure shows how an individual's predicted probability of processing a permit varies with her household income and the national level of corruption. The left panel shows who an individual's predicted probability of processing a permit changes if her income increases one standard deviation in her country's income distribution. The center panel plots a person's predicted probability of processing a permit if she was poor, with an income one standard deviation below her country's income distribution. The right panel plots the predicted probability of a person processing a permit if that person was wealthy, with an income one standard deviation above her country's mean. National corruption is measured by Transparency International's Corruption Perceptions Index, reverse-coded to increase with corruption.

who are less likely to process permits and other documents, are also less likely than men to be asked for a bribe while doing so. More educated people are more likely to report being asked for a bribe while processing a permit, but older people are not. Furthermore, even though they are no more likely to process a document, people in urban areas are more likely to report being asked for a bribe than those in rural areas.

Model 4 considers whether the impact of a person's household income on her likelihood of being asked for a bribe while processing a permit varies with the level of corruption in her country. In this model, I model both the intercept and the coefficient describing the effect of household income as functions of national-level corruption, leaving all other coefficients fixed.²² The results of this model suggest that the impact of a person's income on their likelihood of being asked for a bribe does vary with the level of corruption in their country. Consistent with results from previous models, the coefficient for the interaction is positive and significant, indicating that wealthy citizens are more likely to be asked for a bribe when processing a document in a corrupt country relative to poor citizens.

Figure 3.4 shows how the predicted probability of being asked for a bribe while processing a permit varies with a person's household income and the level of corruption in her country. The left panel shows how a person's predicted probability of being asked for a bribe changes if her income increases one standard deviation in her country's income distribution. In countries where corruption is relatively rare, like Chile and Uruguay, a person's income has no significant impact

²²The functional form of the model is

$$\begin{aligned} \text{bribe for permit}_{i,j} &= \alpha_j + \beta_j \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha \\ \beta_j &= \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \eta_j^\beta \end{aligned}$$

Both the intercept α_j and the coefficient for household income β_j are modeled as functions of national-level corruption. All other coefficients are fixed.

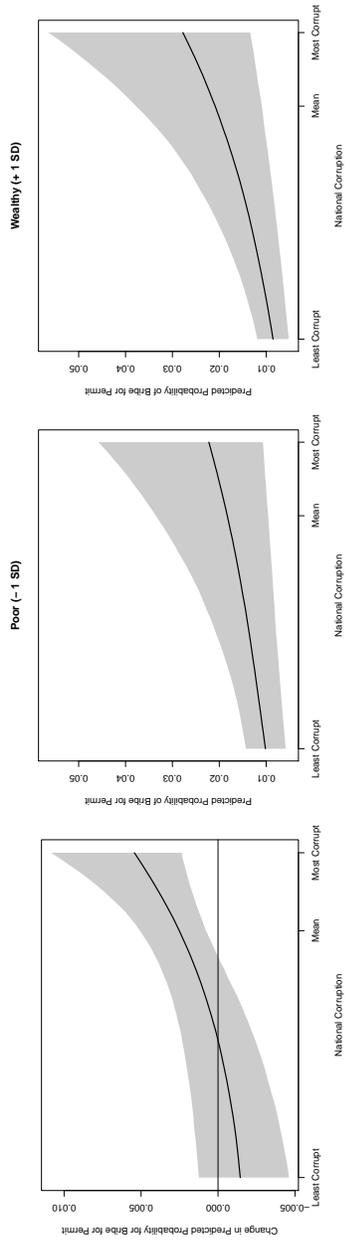


Figure 3.4: Effect of Income on Experiencing Corruption while Processing a Permit

Notes: This figure shows how an individual's predicted probability of being asked for a bribe while processing a permit varies with her household income and the national level of corruption. The left panel shows how an individual's predicted probability of being asked for a bribe while processing a permit changes if her income increases one standard deviation in her country's income distribution. The center panel plots a person's predicted probability of being asked for a bribe while processing a permit if she was poor, with an income one standard deviation below her country's income distribution. The right panel plots the predicted probability of a person being asked for a bribe while processing a permit if that person was wealthy, with an income one standard deviation above her country's mean. National corruption is measured by Transparency International's Corruption Perceptions Index, reverse-coded to increase with corruption.

on her predicted probability of being asked for a bribe. However, in more corrupt countries, like Venezuela or Paraguay, a wealthier person, who is more likely to process a permit, is also more likely to be asked for a bribe while doing so. The center and right panels plot a person's predicted probability of being asked for a bribe while processing a permit if she is poor or wealthy. In the least corrupt countries in the sample, neither poor nor wealthy people are very likely to be asked to pay a bribe while processing a permit. Both poor and wealthy people are significantly more likely to be asked for a bribe while processing a permit in more corrupt countries, but the predicted probability of a wealthy person being asked for a bribes increases more than a poor person's predicted probability.

Together, these results add some nuance to my theory that wealthy citizens will be more likely to access government services that are necessary for participating in formal economic markets. While wealthy Latin Americans are more likely than poor ones to process permits and other documents, all else equal, this is not the case in countries where corruption is uncommon. In the least corrupt countries in the sample, poor citizens are as likely as wealthy ones to report processing a document. It is only in countries where corruption is widespread that poor citizens become significantly less likely than wealthy citizens to process documents. In these countries, all citizens are more likely to be asked to pay a bribe when processing a document, which likely deters poor citizens from even trying. Wealthy citizens, however, continue to process permits and other documents, and therefore are more likely to report being asked for a bribe.

However, poor citizens are also likely to utilize government services that help them meet basic needs. To explore this part of my theory, I turn to the impact of corruption on citizens' access to public health clinics. Table 3.4 presents the results of four models estimating the likelihood that an individual goes to a public health clinic and is asked to pay a bribe. The Models 1 and 2

estimate the likelihood that a person goes to a public clinic, while Models 3 and 4 estimate the likelihood that a person is asked to pay a bribe at a public clinic.

Model 1 in Table 3.4 estimates the direct effects of individuals' household income and the level of corruption in their country on their likelihood of utilizing a public clinic. In order to account for variation across surveys, I model the intercept as a function of national-level corruption. All other coefficients in this model, including the coefficient describing the effect of household income, are fixed.²³ The results show that poor citizens are more likely to utilize public clinics than wealthy ones. The coefficient describing the effect of household income is negative and significant, indicating that wealthier citizens are less likely to utilize public clinics. However, widespread corruption does not have a significant effect on citizens' likelihood of going to a public clinic.

Several other variables impact an individuals' likelihood of utilizing a public clinic. People who voted in the previous election are more likely to go to a public clinic than those who did not, regardless of whether they voted for the incumbent or the opposition. Unlike getting a permit, women are more likely to go to a public clinic than men. Older people are also more likely to utilize a public clinic than young people, though neither a person's education nor their place of residence (urban or rural) predict their likelihood of going to a public clinic.

Model 2 in Table 3.4 lets the impact of an individual's household income on her likelihood of utilizing a public clinic vary with the level of corruption in her country. The coefficient describing the effect of an individual's income on her likelihood of utilizing a public clinic is therefore modeled as a function of national-level income, as is the model intercept. All other coefficients in

²³The functional form of the model is

$$\text{public clinic}_{ij} = \alpha_j + \beta \text{income}_i + \mathbf{B}X_i + \epsilon_i$$

$$\alpha_j = \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha$$

Both the intercept α_j is modeled as a function of national-level corruption. All other coefficients are fixed.

Table 3.4: Experiencing Corruption While Utilizing a Public Clinic

	<u>Model 1</u>		<u>Model 2</u>		<u>Model 3</u>		<u>Model 4</u>	
	Get Clinic	s.e.	Get Clinic	s.e.	Bribe for Clinic	s.e.	Bribe for Clinic	s.e.
Intercept	-.064	.170	-.058	.172	-3.989	.240	-4.020	.243
Household Income	-.093	.008	-.430	.073	-.078	.021	-0.189	.096
National Corruption	-.070	.042	-.069	.043	.142	.058	0.146	.059
Corruption × Income			.086	.018			.026	.023
Female	.350	.013	.354	.013	.123	.036	.123	.036
Urban	-.014	.016	-.044	.016	.065	.042	.059	.042
Age	.019	.005	.021	.005	-.030	.013	-.030	.013
Education	.000	.002	.000	.002	-.017	.005	-.016	.005
Voted for incumbent	.224	.017	.224	.017	-.083	.045	-.080	.045
Voted for opposition	.181	.018	.176	.018	.082	.049	.081	.048
Groups		58		58		58		58
N		97849		97849		97849		97849
Average AIC		131046		130259		28464		28447
Average Deviance		131026		130233		28444		28421

Notes: This table presents the pooled results of multilevel logistic regression models analyzing five imputed data sets. The outcome variable for Model 1 and Model 2 is whether or not a person utilized a public in the past year (1) or not (0). The outcome variable for Model 3 and Model 4 is whether a person reports being asked for a bribe while at a public clinic (1) or not (0). In Model 1 and Model 3, the intercept is modeled as a function of national corruption (reverse-coded TI-CPI), and all other coefficients are fixed. In Model 2 and Model 4, both the intercept and the coefficient for household income are modeled as functions of national corruption.

the model are fixed.²⁴ The results of the model show that, while poor citizens are more likely to utilize public clinics than wealthy ones, they become less likely to use clinics in corrupt countries relative to wealthy citizens. The baseline coefficient for household income remains negative and significant, indicating that, in the least corrupt countries in the sample, poor citizens are still more likely to utilize public clinics than wealthy ones. However, the interaction coefficient is positive and statistically significant, indicating that, in corrupt countries, poor citizens become less likely to utilize public clinics relative to wealthy ones.

Figure 3.5 shows how the predicted probability of utilizing a public clinic varies with a person's household income and the level of corruption in her country. The left panel shows how a person's predicted probability of utilizing a public clinic changes as her income increases one standard deviation in her country's income distribution. In countries where corruption is uncommon, like Chile and Uruguay, poor people are significantly more likely to utilize public clinics than wealthier people. However, as corruption becomes more common in a country, poor people become less likely to utilize public clinics relative to wealthier ones, and, in the most corrupt countries in the sample, poor people are no more likely to utilize a public clinic. The center and right panels show a person's predicted probability of utilizing a public clinic varies with the level of corruption depending upon whether they are poor or wealthy. A poor person's predicted probability of utilizing a public clinic a country where corruption is relatively uncommon is almost seventy-percent, but this decreases rapidly as the level of corruption in her country increases. In a very corrupt country, a poor person has a less than fifty-percent predicted

²⁴The functional form of the model is

$$\begin{aligned} \text{public clinic}_{ij} &= \alpha_j + \beta_j \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha \\ \beta_j &= \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \eta_j^\beta \end{aligned}$$

Both the intercept α_j and the coefficient for income β_j are modeled as functions of national-level corruption. All other coefficients are fixed.

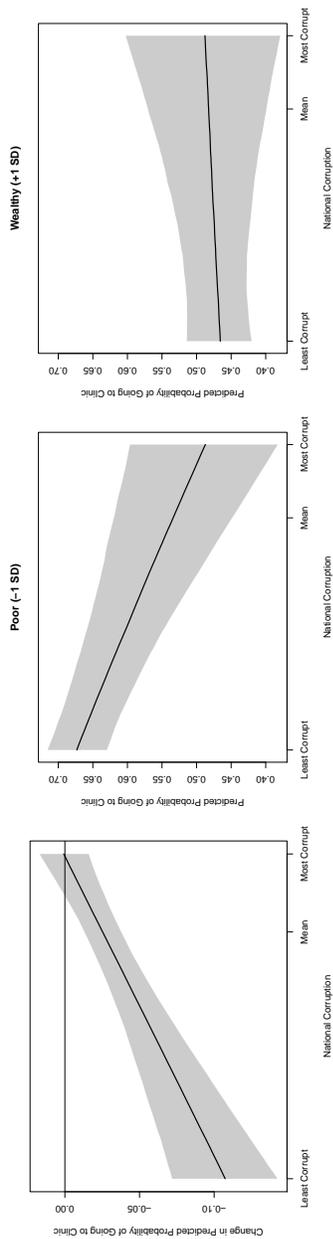


Figure 3.5: Effect of Income on Utilizing a Public Clinic

Notes: This figure shows how an individual's predicted probability of utilizing a public clinic varies with her household income and the national level of corruption. The left panel shows who an individual's predicted probability of utilizing a public clinic changes if her income increases one standard deviation in her country's income distribution. The center panel plots a person's predicted probability of utilizing a public clinic if she was poor, with an income one standard deviation below her country's income distribution. The right panel plots the predicted probability of a person utilizing a public clinic if that person was wealthy, with an income one standard deviation above her country's mean. National corruption is measured by Transparency International's Corruption Perceptions Index, reverse-coded to increase with corruption.

probability of utilizing a public clinic. In contrast, wealthy people only have a forty five-percent predicted probability of utilizing a public clinic in a country where corruption is uncommon, and this changes little with the level of corruption.

Models 3 and 4 in Table 3.4 estimates the likelihood that an individual reports being asked for a bribe at a public clinic. Model 3 estimates the direct effects of an individual's household income and the level of corruption in their country on their likelihood of being asked for a bribe at a public clinic. The intercept is therefore modeled as a function of national-level corruption. All other coefficients are fixed.²⁵ The results of the model show that poor citizens, who are more likely to utilize public clinics, are also more likely to experience corruption at public clinics. The significant, negative coefficient describing the effect of household income shows that poor citizens are significantly more likely to be asked for a bribe at a public clinic than wealthy citizens. People living in countries where corruption is more common are also more likely to report being asked for a bribe at a public clinic.

Other variables also impact an individual's likelihood of being asked to pay a bribe at a public clinic. Women, who are more likely to utilize public clinics, are also more likely than men to say they were asked for a bribe at a public clinic. However, older citizens are more likely to utilize public clinics than younger citizens, but less likely to report being asked to pay a bribe at a public clinic. More educated people are also less likely to be asked to pay a bribe at a public clinic, even though they are no more likely to utilize clinics. Although those who voted in the previous election are more likely to report utilizing public clinics than those who did not, they are no more

²⁵The functional form of the model is

$$\begin{aligned} \text{bribe at clinic}_{ij} &= \alpha_j + \beta \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha \end{aligned}$$

Both the intercept α_j is a function of national-level corruption. All other coefficients are fixed.

likely to report being asked to pay a bribe. Whether a person lives in an urban or a rural area does not affect their likelihood of being asked for a bribe at a public clinic. These results suggest that the victims of corruption at public clinics tend to be younger, less educated people, especially women.

Model 4 considers whether the impact of a person's income on their likelihood of being asked for a bribe at a public clinic varies with the level of corruption in their country. I therefore model both the intercept and the coefficient describing the effect of household income as functions of national-level corruption. All other coefficients are fixed.²⁶ The results of the model suggest that the likelihood of poor people experiencing corruption at a public clinic may not vary significantly with the level of corruption in their country, even though they are less likely to utilize clinics in corrupt countries. In Model 4, the coefficient describing the interactive effect of income and corruption on an individual's likelihood of being asked for a bribe at a public clinic is not significant, and neither are the baseline coefficients for income or corruption.

However, Figure 3.6 shows that a poor person's predicted probability of being asked for a bribe may vary slightly with the level of corruption. The left panel shows how a person's predicted probability of being asked for a bribe changes if her income increases one standard deviation in her country's income distribution. A person's predicted probability of being asked for a bribe varies little with her household income, though poor people are slightly more likely to be asked for a bribe at a public clinic than wealthier people. This is likely due to the fact that they are much

²⁶The functional form of the model is

$$\begin{aligned} \text{bribe at clinic}_{ij} &= \alpha_j + \beta_j \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \eta_j^\alpha \\ \beta_j &= \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \eta_j^\beta \end{aligned}$$

Both the intercept α_j and the coefficient for household income β_j are modeled as functions of national-level corruption. All other coefficients are fixed.

more likely to utilize public clinic. The center and right panels show the predicted probability of poor and wealthy people being asked for a bribe at a public clinic across levels of corruption. There is little difference in poor and wealthy people's predicted probability of being asked for a bribe at a public clinic, and neither is much more likely to be asked for a bribe in a very corrupt country than they are in a country where corruption is uncommon. This is likely due to the fact that poor people are much more likely to utilize public clinics in less corrupt countries. In countries where corruption is more common, poor people avoid being asked for bribes by utilizing public clinics less.

These results suggest that corruption imposes different costs on poor and wealthy citizens. While wealthy citizens experience more incidents of corruption, in the form of being asked for bribes, poor citizens lose access to government services. Corruption is therefore an added cost for wealthy people to access government services, but for poor citizens it is a major barrier to these services. Furthermore, poor and wealthy citizens utilize government services to meet different needs. Poor citizens are more likely to utilize government services that help them meet their basic needs, such as public clinics, while wealthy citizens are more likely to utilize services that are necessary to participate in economic markets, such as processing licenses, permits, and other documents. Where corruption is widespread, wealthy citizens continue to access these services, but are asked to pay bribes. Poor citizens forego these services altogether, which sometimes means failing to meet their basic needs. However, in countries where corruption is uncommon, poor people utilize more services than wealthy ones, both those that help them meet their basic needs *and* those that allow them to participate in economic markets. Corruption is therefore doubly damaging for the poor, who lose both their ability to meet their basic needs and to improve their lives through entrepreneurship and investment.

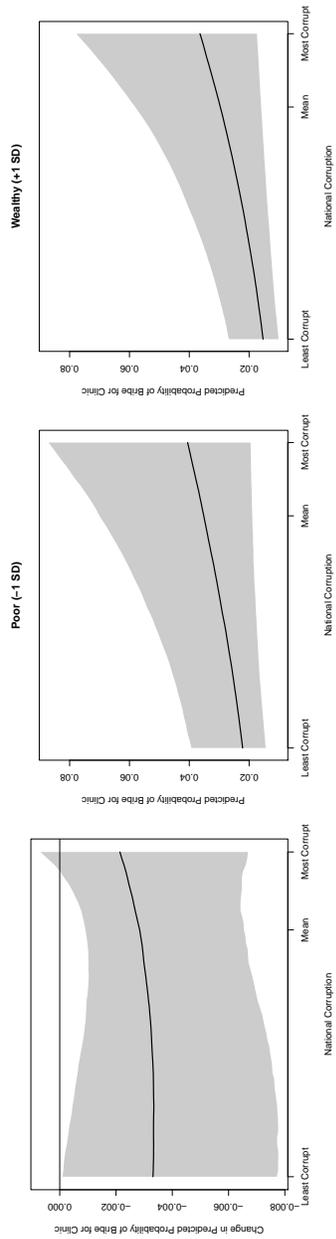


Figure 3.6: Effect of Income on Experiencing Corruption at a Clinic

Notes: This figure shows how an individual's predicted probability of being asked for a bribe at a public clinic varies with her household income and the national level of corruption. The left panel shows who an individual's predicted probability of being asked for a bribe changes if her income increases one standard deviation in her country's income distribution. The center panel plots a person's predicted probability of being asked for a bribe at a public clinic if she was poor, with an income one standard deviation below her country's income distribution. The right panel plots the predicted probability of a person being asked for a bribe at a public clinic if that person was wealthy, with an income one standard deviation above her country's mean. National corruption is measured by Transparency International's Corruption Perceptions Index, reverse-coded to increase with corruption.

3.4 Conclusion

Corruption imposes costs on all citizens, whether rich or poor. While wealthy citizens often bear the economic costs of corruption, poor citizens bear these costs in the form of lost economic opportunities and failure to meet their basic needs. I argue that, because the poor must find other ways to meet their basic needs, they are more likely than wealthy citizens to turn to political patrons for help accessing resources they lost due to widespread corruption. This makes poor citizens especially vulnerable to clientelism; the exchange of goods and services for political support.

In Chapter 4, I explore how getting help from a political patron affects citizens' support for the government, and how this varies across countries with poverty and corruption. I argue that widespread corruption forces poor citizens to rely on political patrons for access to important resources, since they can no longer rely on government services through official bureaucratic processes. Political patrons usually offer these resources in exchange for political support.

Previous research has shown that poor citizens are more easily influenced by clientelism (Brusco, Nazareno and Stokes 2004; Stokes 2005; Stokes et al. 2013) and that clientelism is more common where populations are poor (Weitz-Shapiro 2012). Following this research, I expect that clientelism will influence citizens' support for the government more in poor, corrupt countries.

Using multilevel models, I show that getting help from a local political patron has more impact on a citizens' support for the government in corrupt countries, especially where the population is poor. However, in corrupt countries that are more economically-developed, getting help from a political patron does not influence citizens' support for the government. This suggests that economic development is an important prerequisite for citizens to hold their elected officials democratically accountable for corruption.

Chapter 4

Clientelism in Corrupt Countries: How Poverty Undermines Accountability

Corruption imposes different costs on citizens across socioeconomic groups. As I show in Chapter 3, wealthy citizens experience more corruption than poor citizens, but this is because poor citizens lose access to government services where corruption is widespread. Poor citizens rely on government services to help them meet their basic needs, so losing access to these services is very costly for the poor.

Because corruption imposes such high costs on the poor, we may expect poor citizens to punish corrupt governments more readily than wealthy citizens. However, because the poor must meet their basic needs, corruption actually forces them to engage in coping strategies that influence their political support. In particular, poor citizens are especially likely to rely on political patrons for access to resources in countries where widespread corruption limits their access to government services through official bureaucratic processes. Relying on political patrons to help them meet their basic needs makes poor people especially susceptible to clientelism; the exchange of material benefits for political support. Clientelism thereby undermines democratic accountability for corruption among poor citizens. Poor citizens continue to support the

government in corrupt countries because their access to government services becomes tied to the political survival of their patrons.

In contrast, wealthy citizens can usually afford to meet their own basic needs and corruption does not deter them from accessing government resources, such as permits and other requirements for entering economic markets. Because wealthy citizens do not rely on government services to meet their basic needs, they can often afford delays and uncertainty in the bureaucratic process. They can also often afford bribes to mitigate delays and increase the certainty of service delivery. Therefore, while wealthy citizens bear the costs of corruption, their access to government resources is less likely to be tied to the political survival of patrons. Other scholars have shown that poor citizens tend to be the targets of clientelism and tend to be influenced by it (Brusco, Nazareno and Stokes 2004; Stokes 2005; Stokes et al. 2013). For this reason, clientelism is believed to be a more common and more effective strategy where populations are poor (Blaydes 2010; Kitschelt and Wilkinson 2007; Stokes et al. 2013; Weitz-Shapiro 2012). Therefore, while I expect that clientelism is more common in corrupt countries, I also expect that it is less common in wealthier countries, where it is a less effective strategy.

This theory has implications for the impact of corruption on poor and wealthy citizens' support for the government and the impact of clientelism in poor and wealthy countries. Poor citizens are more likely to seek help from local political patrons to gain access to government resources than wealthy ones. Citizens who have access to government resources through political patrons should show more support for the government, especially in corrupt countries where their access to government resources depends more on patrons' political survival. However, where populations are wealthier, citizens rely less on immediate and reliable access to government resources, and therefore their welfare is less tied to the political survival of patrons. Therefore, in wealthier

countries, clientelism should have less impact on support for the government and will not mitigate the negative impact of corruption.

In order to test these hypotheses, I consider whether a person has sought help from a local public official to solve a problem and the impact of doing so on their support for the government. I therefore assume that local public officials play the crucial role of brokers in clientelist networks, that they act in the interests of the incumbent national government, and that they influence their clients' political support. Local officials often fulfill the role of brokers in clientelist networks because they have superior access to government resources and because their career interests can be successfully tied to the political fortunes of the national government (Gingerich 2013; Robinson and Verdier 2013; Stokes et al. 2013). I justify these assumptions with theory and evidence from existing scholarship.

In this chapter, I provide evidence that poor citizens are more likely to seek help from local officials and that those who do seek such help show more support for the government, especially in corrupt countries. First, I provide evidence that poor citizens are more likely to seek help from local officials than wealthy ones, all else equal. However, I also find that poor citizens are less likely to seek help from local officials in corrupt countries. While this is not consistent with my theory that poor citizens rely more on political patrons in corrupt countries, it is consistent with my previous findings that corruption creates barriers to poor citizens' access to government services. Widespread corruption may deter poor citizens from seeking help from local public officials for legitimate reasons. In contrast, those who expect to benefit from clientelist exchange may be more likely to contact local public officials to resolve personal problems.

I then provide evidence that citizens who get help from local public officials show more support for the government in corrupt countries, but not in countries where corruption is rare. I further demonstrate that this depends on economic development. Focusing on the most corrupt countries

in the sample, I show that, in poor countries, citizens who get help from a local public official show more support for the government than those who do not get help. However, in wealthy, corrupt countries, getting help from a local official does not have a significant impact on citizens' support for the government. These results are consistent with my theory that getting help from a political patron undermines democratic accountability for corruption, especially where people are poor and more likely to rely on patrons for access to resources.

4.1 Clientelism and Corruption

Clientelism is the exchange of goods or services for political support. A key feature of clientelist exchange is that the provision of these benefits by the patron is contingent upon the client's political support, or at least their promise of political support (Hicken 2011; Stokes et al. 2013). The provision of clientelist benefits is contingent upon clients' political support, but exchanges are rarely simultaneous. After receiving material benefits, clients may face incentives to shirk on agreements and either not vote or vote for some candidate or party other than that of the patron. For this reason, scholars have argued that patrons must be able to monitor clients' political behavior and punish them for shirking (Stokes 2005).

Patrons are better able to enforce the terms of clientelist exchanges if they are embedded in dyadic and iterated relationships with their clients, another common feature of clientelism (Hicken 2011). When clientelist exchange is dyadic, or in other words face-to-face, it increases patrons' ability to monitor clients' behavior. When exchanges are iterated, or repeat over time, they allow patrons the opportunity to tie future access to material benefits to clients' political behavior. Therefore, when clients anticipate future exchanges with a patron and believe their behavior can be monitored, they are more likely to fulfill promises of political support to ensure future access

to material benefits (Stokes 2005). Dyadic and iterated relationships thereby reinforce reciprocity in clientelist exchanges by increasing patrons' ability to monitor and punish their clients.

Classically, scholars emphasized the importance of dyadic relationships between patrons and clients (Scott 1972; Landé 1977). However, modern studies of clientelism emphasize the importance of clientelist networks for the distribution of material benefits and mobilization of political support (Auyero 2000; Kitschelt and Wilkinson 2007). These studies often emphasize the central role of local intermediaries, or "brokers," who have more information about clients, allowing them to identify clients' needs and monitor political behavior (Camp 2011, 2012; Finan and Schechter 2012; Stokes 2005; Szwarcberg 2012*c,a*; Stokes et al. 2013). There is evidence that citizens who are closer to brokers in clientelist networks receive more benefits (Calvo and Murillo 2013) and their political support is influenced more by them (Szwarcberg 2012*b*).

While most scholars argue that the importance of local intermediaries lies in their access to information that makes it easier for them to monitor and punish clients, I argue that clients also prefer dyadic and iterated relationships with patrons because it reduces uncertainty about future access to government resources. Research has shown that repeated interactions between individuals allow them to establish relationships of reciprocity that reinforce illicit exchanges (Abbink, Irlenbusch and Elke 2002). Regular rotation of partners (Abbink 2004) and uncertainty about whether new partners will be receptive to illicit exchanges (Ryvkin and Serra 2012) undermines reciprocal exchange. These findings suggest that the social closeness that develops between patrons and clients over the course of iterated, dyadic relationships reinforces reciprocity and certainty about opportunities for future exchange. Regular rotation of local public officials could therefore undermine relationships of reciprocity and increase clients' uncertainty about future access to government resources. In so far as clients value certainty about access to

resources they should prefer little turnover among public officials in order to retain dyadic and iterated relationships with political patrons over time.

Dyadic and iterated relationships with patrons may be even more valuable for clients where pervasive corruption makes access to government resources through official bureaucratic processes costly and unreliable. Where citizens have access to resources through multiple sources, they are less likely to rely on exchanges with a single political patron. Instead, they can turn to other sources to help them access important resources and fulfill their needs. While clients may still turn to political patrons on occasion, their access to government resources are less likely to be tied to their relationship with that patron. Where clients can rely on multiple sources for important resources, they may face incentives to shirk, making clientelist exchange less valuable for patrons, increasing the importance and cost of monitoring clients, and ultimately leading public officials to rely less on clientelism as a strategy for political mobilization.

However, where corruption is pervasive, accessing government resources through official bureaucratic channels becomes more costly, prone to delays, and delivery becomes unreliable. Corruption thereby creates opportunities for political patrons to mobilize support by providing direct constituent service and access to government resources (Golden 2006). Because there are fewer reliable sources, citizens become more likely to rely on exchanges with political patrons to gain access to government resources. Access to government resources is increasingly bound to the political survival of a patron, which creates incentives for clients to support patrons even without monitoring or the threat of punishment. By keeping patrons in office, clients can mitigate uncertainty about future access to government resources and thereby improve their welfare in corrupt countries where bureaucratic processes are unreliable.

I therefore expect that, in countries where corruption is widespread, citizens will rely more heavily on political patrons for access to government services. Their political support is therefore

influenced more by whether they have access to government services through a political patron than it is by the level of corruption in their country. As a result, clientelism mitigates the negative impact of corruption on their support for the government, undermining democratic accountability for corruption. As I will argue below, this is especially true in poor countries, where a larger proportion of the population relies on access to government services to help them meet their basic needs.

4.2 Clientelism and the Poor

Scholars have long expected that poor citizens are more responsive to clientelism because they value material benefits more than wealthy citizens. Traditionally, scholars have argued that corruption persists in poor countries because poor citizens benefit from the targeted distribution of goods (Scott 1969, 1972; Theobald 1990). Recent research has shown that poor citizens do tend to be the targets of clientelist exchange and are more likely to be influenced by it (Brusco, Nazareno and Stokes 2004; Stokes 2005; Stokes et al. 2013). There is also evidence that parties that rely on poor constituencies benefit more from clientelism (Calvo and Murillo 2004) and that clientelism is more common (Weitz-Shapiro 2012) and more effective (Blaydes 2010) where populations are poorer.

I argue that poor citizens are more likely to enter into clientelist relationships and have their welfare bound to the political survival of a patron, because they rely on government resources to help them meet their basic needs. Poor citizens struggle to meet their own basic needs. Government resources often help poor citizens meet their basic needs and smooth their consumption over time. Because poor citizens struggle to meet their basic needs, they are

especially vulnerable to risk. Therefore, sudden loss of access to important resources can be potentially life-threatening, limiting their access to important necessities like food or healthcare.

In corrupt countries, accessing government resources through bureaucratic processes becomes especially costly and unreliable. Government resources may be diverted from their intended recipients for the financial or political benefit of public officials. Low-level bureaucrats may charge citizens bribes for government resources or to expedite inefficient bureaucratic processes. As I show in Chapter 3, corruption limits poor citizens' access to government resources and deters them from seeking access through regular bureaucratic channels. Poor citizens even lose access to government services that help them meet their basic needs, like public health clinics. Therefore, in corrupt countries, poor citizens are much more likely to rely on access to government resources through political patrons and much more likely to have their political support influenced by such types of exchange.

In contrast, wealthy citizens can usually meet their own basic needs, and are unlikely to rely on government resources. Because wealthy citizens can meet their own basic needs, delays in service provision or loss of access to government resources is less costly for them. They can replace access to these resources with exchange in the private market. They can also often afford to pay bribes to expedite bureaucratic processes and increase the certainty of actually receiving services. As I also show in Chapter 3, wealthy citizens continue to access government service, even where corruption is widespread. Therefore, while wealthy citizens often bear the costs of corruption, their access to resources, including government resources, is less likely to be tied to the political survival of local patrons.

For these reasons, I expect that poor citizens are more likely to seek help from political patrons and that getting help from a patron will have more impact on citizens' support for the government in poor countries. Because poor citizens rely on government services to meet their basic needs,

they are more likely to seek help from patrons than wealthier citizens, especially in corrupt countries. This is especially true in poor and corrupt countries, because bureaucratic processes become more costly and inefficient and citizens with low incomes have fewer sources by which they can meet their basic needs. Therefore, I expect that getting help from a political patron will have the most effect on citizens' support for the government in poor and corrupt countries, where they are most likely to rely on patrons for access to government resources.

Most existing studies have either focused on the relationship between poverty and clientelism or between clientelism and corruption. There is strong evidence that poor citizens tend to be the targets of clientelism (Brusco, Nazareno and Stokes 2004; Calvo and Murillo 2004; Stokes 2005) and that clientelism is more common and more effective where populations are poor (Blaydes 2010; Weitz-Shapiro 2012). However, none of this research shows that clientelism undermines democratic accountability for corruption, short of showing that it is influential among poor citizens.

There is some evidence that corruption persists in countries where clientelism may be a common political strategy, because clientelism undermines democratic accountability. Keefer (2007) shows that corruption is more common in young democracies, where clientelism is a more viable strategy for mobilizing political support, because parties cannot credibly commit to policy programs. Singer (2009) also shows that high-level corruption persists in countries where experts say that clientelism is the dominant mode of political competition. Manzetti and Wilson (2007) have shown that corruption has less impact on aggregate support for the government in countries with weak government institutions, where they argue that clientelism is likely to persist.

The results of these analyses suggest that corruption may persist in some countries because clientelism undermines democratic accountability. However, none of these studies show that people who are embedded in clientelist networks continue to support the government despite

corruption. Certainly, corruption and clientelism may be common in the same countries. Many of the factors that contribute to widespread corruption, such as a weak and politicized bureaucracy, also facilitate clientelism as a strategy for mobilizing political support. Here, I provide evidence that corruption has less impact on the political support of people who are likely to benefit from clientelism. I show that those who get help from local officials show more support for the government than those who do not in corrupt countries, and that getting help from a local official mitigates the negative impact of corruption on citizens' support for the government.

Chang and Kerr (2009) provide evidence from sub-Saharan Africa that people embedded in patronage networks believe that corruption is more common than those who are not, but are also more tolerant of corruption. They find that people who said they would ask an influential person for help when faced with a problem with the police or with bureaucratic delays were also more likely to say they thought it was justifiable for a public official to engage in corrupt activity, such as demanding a bribe. However, while those with ties to influential people may think it is justifiable for an individual public official to engage in corruption, it does not imply that corruption has less impact on their assessment of the government's performance. It is entirely plausible that a person who is aware of widespread corruption believes it is justifiable for a public official to ask for a bribe in that environment. However, they may still blame the government for failing to curb corruption. For example, Tavits (2010) finds that Estonians who believe that corruption is pervasive and justifiable are more likely to report paying bribes. However, this does not imply that the pocketbook cost of paying a bribe does not affect their assessment of the government's performance.

In this chapter, I go one step further by providing evidence consistent with the theory that clientelism undermines democratic accountability for corruption. I show that people show more support for the government in corrupt countries if they get help from a local official than if they

do not. However, getting help from a local official does not impact a person's support for the government if they live in a country where corruption is uncommon. Furthermore, getting help from a local official actually mitigates the negative impact of corruption on a person's support for the government. I also show that people who get help from local officials do not believe corruption is any less common than those who do not and are no less likely to be asked for a bribe. Therefore, getting help from a local official does not help a person avoid corruption, but rather influences their political support in some other way. This is consistent with the theory that local officials often act as brokers in clientelist networks, especially where corruption is common.

In what follows, I discuss using help from a local official as a measure of clientelism, its theoretical justifications, benefits, and drawbacks. I then provide evidence that poor people are more likely than wealthy ones to ask local officials for help resolving a problem, and that people who get help from local officials show more support for the government in corrupt countries, but not in countries where corruption is relatively uncommon. Then, focusing on the most corrupt countries in the sample, I show that getting help from a local official affects people's support more in poor countries than it does in wealthier ones. I finish by exploring the possibility that people who get help from local officials are able to avoid corruption, and show that this is not the case. I conclude that corruption often persists in poor countries, because poor people are more likely to rely on political patrons for access to government services. This makes poor people more susceptible to clientelism, which undermines democratic accountability for corruption.

4.3 Measuring Clientelism

Measurement is a serious problem in any study of clientelism. Clientelism is illegal in most countries, and almost always considered immoral or socially unacceptable. As a result, measures

of clientelism are frequently susceptible to social desirability bias. Furthermore, there have been few efforts to collect cross-national data on clientelism at the individual level. Where such efforts have taken place, there are often only a few countries in which surveys are conducted, limiting a researcher's ability to engage in cross-national analyses that account for variation at both the individual and country level.

Following research showing the important role of local political patrons in clientelist networks and the implications of my own theory, I look at whether respondents sought help from a local public official to resolve a problem as a measure of clientelism. Similar measures of clientelism have been utilized in several other studies (Brusco, Nazareno and Stokes 2004; Morgan, Hartlyn and Espinal 2011; Stokes 2005; Weitz-Shapiro 2012). The benefit of using this measure is its breadth of coverage. In each of the Americasbarometer surveys from 2004 to 2010, respondents were asked whether they had sought help from a local public official to solve a problem.²⁷ About fifteen-percent of respondents (14.8%) said that they had sought help from a local public official in the past year, while the remainder (84.6%) said that they had not.²⁸ Citizens' propensity to seek help from local political patrons also varies substantially across countries. While fewer than one in ten Panamanians (8.1%) said that they sought help from a local public official from 2004 to 2010, nearly a quarter of Salvadorans (24.4%) said they did. In most countries, however, about ten- to twenty-percent of respondents said they asked for help from a local public official.

However, this is also an indirect measure of clientelism, which demands that I make several assumptions about the role of local officials in clientelist networks, their relationship with the incumbent government, and their influence over their clients' political support. First of all, I must assume that local public officials often fulfill the role of brokers, or local intermediaries, in

²⁷CP4A. In order to solve your problems have you ever requested help or cooperation from a local public officials (e.g. a mayor, municipal councilperson, provincial official?)

²⁸Only about .5% did not respond or said they did not know.

clientelist networks. Second, I must assume that local public officials primarily act in the interests of the incumbent national government in their roles as brokers. Third, I must assume that local public officials, in their roles as brokers, influence their clients' political support. While these assumptions are strong, they are supported by theory and evidence from the literature on clientelism and by the data and results I present in this chapter.

4.3.1 Local Public Officials as Brokers for the Incumbent Government

The broker-mediated model has become the dominant theory of clientelism (Camp 2011, 2012; Stokes et al. 2013; Szwarberg 2012*c,a*). It posits that brokers embedded in local networks are crucial to clientelism, because they have information that is necessary for targeting material benefits efficiently to clients and can monitor clients' preferences and behavior. Local public officials are excellent candidates as brokers, because they work at the local level, engaging in face-to-face interactions with citizens, and because they already have discretionary control over public resources. Furthermore, party leaders, especially those in control of the national government, can easily link the interests of local public officials to their party's electoral success, especially where bureaucracies are highly politicized.

One of the major challenges party leaders and other elected officials face when funneling resources to clients through local-level brokers is that brokers may use those resources to extract rents rather than act in the interests of the party (Camp 2011, 2012; Stokes et al. 2013). Stokes et al. (2013) find, however, that brokers are often interested in the party's electoral performance, because it guarantees their access to resources and improves their career prospects. Stokes, et al. also find that many brokers are publicly employed, which would further tie their interests to the electoral success of their party. This is especially true in Latin America, where bureaucracies are

highly politicized and elected officials often distribute government jobs to their key supporters (Geddes 1994). Robinson and Verdier (2013) argue that public employment is an ideal way for elected officials to tie the interests of their supporters to their own electoral success. Gingerich (2013) provides evidence that party leaders tie low-level bureaucratic officials' career aspirations to their success at redirecting government resources for the political benefit of the party. This evidence suggests that, especially in Latin American countries, local public officials likely fulfill the role of brokers acting in the interest of the incumbent government.

A recent expert survey conducted by the Quality of Governance Institute showed that experts perceived bureaucracies in Latin America as less professional and more politicized than in most other countries. Experts were asked four questions about where bureaucratic selection and promotion were based on merit or political connections and affiliations. Experts were asked to rate national bureaucracies on a scale from 1 to 7, with 1 indicating that the practice hardly ever occurred and 7 indicating that the practice almost always occurred.

Table 4.1 presents descriptive statistics of experts' ratings of bureaucracies both worldwide and in Latin America.²⁹ On average, experts said that meritocratic selection and promotion were less common in Latin American countries than in other countries around the world and that political selection and promotion were more common.³⁰

²⁹The survey collected responses from 1053 experts on 135 countries. The data above includes the 103 countries for which at least three experts responded. For more information, see the technical report by Dahlberg et al. (2013).

³⁰Questions about the selection and promotion of public sector employees included;

q2a. When recruiting public sector employees, the skills and merits of the applications decide who gets the job? (Meritocratic Selection)

q2b. When recruiting public sector employees, the political connections of the applicants decide who gets the job? (Politicized Selection)

q2d. The top political leadership hires and fires senior public officials? (Politicized Promotion)

Table 4.1: Politicized Bureaucracies in Latin America: QoG Expert Survey 2008-2012

	Sample Mean	Sample SD	LAC Mean	LAC SD	LAC Min	LAC Max
Meritocratic Selection	4.3	1.1	3.2	.96	1.9 (Nicaragua)	4.8 (Costa Rica)
Politicized Selection	4.3	1.3	5.4	.96	3.3 (Brazil)	6.7 (Honduras)
Meritocratic Promotion	4.7	1.1	3.3	.81	2.0 (Dominican Republic)	4.7 (Mexico)
Politicized Promotion	4.8	1.2	5.3	.93	2.2 (Uruguay)	6.5 (Venezuela)
Bureaucratic Professionalism	3.9	.98	3.0	.74	2.1 (Venezuela)	4.7 (Uruguay)

Notes: Data from the Quality of Governance Expert Survey 2008-2011. Experts were asked to code national bureaucracies on a range from 1 to 7 according to whether the selection and promotion of public sector employees was meritocratic or politicized. The full sample includes 153 countries. The Latin American sample includes 17 of the 18 countries in the sample. Panama was not included. Bureaucratic Professionalism is an additive index constructed by Dahlstrom, Lapuente and Teorell (2010) combining the four other measures.

This varied across the countries in the sample. While meritocratic selection and promotion were rated close to the global average in Costa Rica and Mexico, they were considered very rare in Nicaragua and the Dominican Republic. Similarly, experts said that politicized selection and promotion of bureaucrats is relatively rare in Uruguay and uncommon in Brazil, but almost always occurs in Honduras and Venezuela.

Dahlstrom, Lapuente and Teorell (2010) combine these scores into an additive index of bureaucratic professionalism ranging from 1 to 7. The resulting index shows that experts rated

q2e. Senior public officials are recruited from within the ranks of the public sector? (Meritocratic Promotion)

Latin American bureaucracies as less professional and more politicized on average relative to countries in the rest of the world. Only two countries in the sample, Costa Rica and Uruguay, received index scores above the global mean and four other countries had index scores within one standard deviation of the global mean, Brazil (3.9), Chile (3.8), Ecuador (3.2), and Peru (3.2). Experts indicated that bureaucracies in most countries in Latin America were highly politicized, and not meritocratic, as evidenced by the fact that eleven of the eighteen countries in the sample had an index score more than one standard deviation below the global mean.³¹ So, while there is some variation across countries, bureaucracies in Latin America tend to be highly-politicized and unmeritocratic.

Evidence from the literature on clientelism and data from the expert survey presented above suggest that local officials' positions in public office and their access to government resources often depends of the electoral performance of the national government. Local public officials therefore make ideal brokers in clientelist networks, because party leaders can successfully tie their interests to the political survival of the incumbent government. In my analysis, I show that ordinary citizens who receive help from local public officials do show more support for the current national government, especially in corrupt countries. Taken together this suggests that local public officials do fulfill the role of brokers in clientelist networks for the incumbent government.

4.3.2 Brokers Influence Clients' Political Support

I also assume that brokers, in this case local public officials, influence their clients' political support. Here, I consider the impact of clientelism on individuals' support for the government, measured as government approval. It is possible that clientelism influences individuals' political

³¹Panama was not included in the professionalism index.

behavior without influencing their political preferences. That is, citizens may disapprove of the government but vote for it anyway because they have received material benefits. However, I expect that clientelism actually influences citizens' political behavior, because citizens prefer that their political patrons retain office.

Abbink, Irlenbusch and Elke (2002) have found that repeated interactions between individuals in laboratory experiments reinforce norms of reciprocity that facilitate mutually-beneficial exchanges that are otherwise detrimental to the rest of the group. Like clientelism, individuals in these laboratory experiments appear to be willing to subvert the good of the group in favor of their own interests when they repeatedly interact with the same partners. These reciprocal exchanges are disrupted when there is regular rotation of partners (Abbink 2004) or when partners are uncertain about each other's willingness engage in such exchanges (Ryvkin and Serra 2012). Such reciprocal relationships benefit patrons because they make it easier to monitor their clients' behavior (Stokes 2005), but reciprocity should also benefit clients by ensuring future access to government resources, especially where access to such resources through official bureaucratic processes is unreliable. Therefore, I expect that political patrons influence their clients' political support because clients prefer the certainty that results from repeat interactions with the same political patrons who have access to government resources through public office.

This also differs from Stokes et al.'s (2013) theory that brokers target loyal voters for clientelist exchange. According to Stokes, et al., brokers prefer to distribute clientelist benefits to loyal supporters, because it allows them to build larger networks, which helps them advance their careers in party organizations. Stokes, et al. also provide some evidence that brokers prefer to distribute material benefits to loyal supporters and expect other brokers to do the same, though many also report distributing goods in order to influence swing voters.

It is difficult to determine, from their evidence, whether loyal supporters are “truly” loyal, or whether their loyalty is endogenous. That is, loyal supporters may be loyal because they receive clientelist benefits. Still, if brokers do target loyal supporters for clientelist exchange, this would create incentives for citizens to align themselves with the incumbent in order to gain access to public resources, especially where there are significant barriers to accessing those resources through official bureaucratic processes. Furthermore, Stokes, et al. do find evidence that brokers target swing voters, as well as loyal supporters, for clientelist exchange. Together, this evidence suggests that clientelism could create incentives for loyal voters to remain loyal and for swing voters to align themselves with the incumbent government. Although this differs some from my theory, it would have the similar effect on citizens’ political support; those who have access to government resources through local brokers or political patrons should continue to support the government, especially where corruption is common.

4.3.3 The Causal Identification Problem

Although there is evidence that local officials often act as brokers in clientelist networks, it is reasonable to expect that at least some citizens who ask local officials for help are not involved in clientelist exchange. Many citizens may contact local officials for help resolving problems, and may get that help with no expectation of reciprocity or *quid pro quo* exchange. If at least some citizens who ask local officials for help are not involved in clientelist exchange, then this indirect measure of clientelism should cause me to underestimate the effect of clientelism on support for the government. However, it may also be the case that citizens *only* contact local officials for constituent service, and local officials are *never* brokers in clientelist networks. If this is true, then the impact of getting help from a local official on an individual’s support for the government should not vary with the level of corruption in a country. Direct constituent service should either

have no effect on citizens' support for the government, or it should increase citizens' support for the government, regardless of the level of corruption.

It is also possible that people living in countries where corruption is uncommon are more likely to access local officials for constituent service that does not involve clientelist exchange. In these countries, some citizens may be engaged in clientelist exchange but many others may contact local officials for legitimate reasons. In contrast, it may be the case that, in corrupt countries, only citizens who are engaged in clientelist exchange continue to contact local officials, while those who are not engaged in clientelist exchange no longer contact local officials for constituent service. This is generally consistent with my theory. In corrupt countries, people's access to resources are limited. Only those who build relationships of reciprocity with local patrons have access to services, which allows patrons to consolidate their political base. Therefore, in corrupt countries, only those engaged in clientelist exchange have access to public resources and their support for the government is influenced by such exchange.

There are several other variables that might also affect an individual's support for the government and their likelihood of asking a local official for help. I deal with most of these alternative explanations by including statistical controls in my models. Some of the alternative explanations I control for are individual income, demographic variables, past voting behavior, the president's ideology and time in office, and income inequality. Later in this chapter, I also explore whether citizens' perceptions and experiences of corruption are related to whether they get help from a local official. I do not find evidence that any of these alternatives explain the impact of getting help from a local official on citizens' support for the government in corrupt countries.

One possible intervening variable is a citizen's socioeconomic status. Poor citizens, who are more likely to ask local officials for help, may show more support for the government, or continue to support the government despite widespread corruption. I therefore control for individuals'

household incomes in my analysis of the impact of getting help from a local official on citizens' support for the government. I also control for a number of other demographic variables that may impact citizens' likelihood of asking local officials for help as well as their support for the government; their sex, age, level of education, and whether they live in a urban or rural area. Despite controlling for individuals' income and other demographic variables, I find that those who get help from local officials show more support for the government in corrupt countries.

It is also possible that those who are more politically active are more likely to ask local officials for support and show more support for the government in corrupt countries. In my analysis of the impact of getting help from a local official on citizens' support for the government, I control for people's self-reported voting behavior in the previous election; whether they voted for the incumbent, the opposition, or did not vote (which is the baseline). Controlling for people's past voting behavior allows me to not only account for the impact of political activism on their likelihood of getting help from a local official and their support for the government, it also allows me to control for the impact of past support for the incumbent. This helps account for endogeneity in the selection of clients. That is, it allows me to account for the possibility that citizens get help from local officials because they supported the government in the past, rather than that they may support the government because they get help. This strengthens the case for my argument that people who get help from local officials in corrupt countries show more support for the government because their access to government resources is tied to their dyadic relationships with political patrons.

Citizens who are more likely to get help from local officials, like the poor, may also show more support for governments with certain ideological positions, such as left-wing or populist parties. I therefore control for the president's ideology using Baker and Green's (2011) score. Governments that are in office for a longer period of time may also retain support, despite widespread

corruption, and may engage in more constituent service or personalistic exchange. I therefore control for the number of years a president has been in office. Each of these are survey-level controls that may intervene upon the impact of corruption on support for the government and may impact citizens' support for the government across countries.

I also argue that citizens tolerate corruption in unequal countries. High income inequality also often implies widespread poverty. Since poor citizens tend to seek more help from local officials, it is possible that high income inequality accounts for the relationship between getting help from a local official and support for the government in corrupt countries. I therefore control for income inequality in my analysis of getting help from a local official on support for the government.

Finally, it is possible that the distribution of corruption is not uniform in corrupt countries. That is, even in very corrupt countries, there may be regions in which corruption is relatively uncommon. People who live in regions where corruption is uncommon should experience less corruption, should be more likely to ask local officials for help, and should show more support for the government. Therefore, towards the end of the analysis, I present the results of two models estimating the impact of individuals' experiences with corruption on their likelihood of asking a local official for help. I find that people who experience more corruption are no less likely to ask local officials for help, and that citizens' support for the government is therefore not merely the result of regional variation in the pervasiveness of corruption.

It is also possible that people who get help from local officials simply believe that corruption is less common than those who do not. That is, if a person gets help from a local official, and such help does not involve any form of corrupt exchange, they may believe that corruption is less common in their country, and therefore show more support for the government. Towards the end of my analysis, I therefore investigate the relationship between getting help from a local official

and individuals' perceptions of corruption. I find that people who get help from local officials do not believe that corruption is less common in their country.

The results I find therefore cannot be due to individuals' income or other demographic characteristics, their political activism, the ideology or longevity of the government, the distribution of income, or individuals' experiences or perceptions of corruption. Rather, there is some other reason that citizens who get help from a local official show more support for the government in corrupt countries, but not in countries where corruption is uncommon. I argue that this reason is clientelism. In particular, I argue that widespread corruption forces citizens to rely on personal exchange with political patrons for access to resources, which influences their political support. Focusing on local officials, I therefore argue that widespread corruption creates opportunities for local officials to mobilize political support for the national government using their discretionary control over public resources. The results of my analysis are consistent with this argument.

4.3.4 Social Desirability Bias

Social desirability bias is an important issue in the measurement of clientelism. In a list experiment in Nicaragua, Gonzalez-Ocantos et al. (2012) find that directly questioning respondents about vote-buying leads to severe, non-random under-reporting.³² Gonzalez-Ocantos and his co-authors find strong evidence of stigma against vote-buying in Nicaragua, even though clientelism is a common practice there. This suggests that social desirability bias could be a major concern for any study of clientelism.

³²However, they do not find that respondents significantly underreport observing vote-buying in their neighborhoods.

Gonzalez-Ocantos and his co-authors do not consider whether social desirability affects respondents' propensity to report getting help from a local public official to resolve a problem. It may be reasonable to assume that there is less stigma associated with getting help from a local official than to explicitly state that one has been offered material benefits in exchange for one's vote. Nonetheless, respondents may be hesitant to report getting help from a local official if they are engaged in clientelist exchange. Furthermore, in countries where clientelism is common, getting help from a local public official may implicate a respondent in clientelist exchange, and therefore carry stigma as well.

The impact of social desirability on my findings depends largely on what pressures to underreport prevail. For example, individuals who are personally engaged in clientelist exchange may be especially self-conscious about reporting their interactions with local public officials, or may play down their support for the government so as not to appear influenced by their relationships with public officials. If people who are not engaged in clientelist exchange are more open about their contact with public officials, then underreporting actually works against my hypothesis, leading me to underestimate the effect of clientelism on support for the government in all countries.

However, in countries where clientelism is common, reporting help from a local official may be tantamount to admitting being engaged in clientelist exchange. If there is social stigma against clientelism in these countries, as evidence from Gonzalez-Ocantos et al. (2012) suggests there may be, then people may underreport getting help from local officials, even when they are not engaged in clientelist exchange. In countries where clientelism is relatively uncommon, getting help from a local official is less likely to implicate respondents in clientelist exchange. People living in these countries should be less reticent to admit getting help from local officials. Therefore, respondents who live in countries where clientelism is common should have an incentive to lie about getting help from a local official, but those who live in countries where

clientelism is rare should not. Again, concerns about social desirability are actually likely to suppress my estimates of the impact of getting help from a local official on individuals' support for the government in a way that is unfavorable to my hypotheses.

While social desirability is an important concern in any study of clientelism, it is likely to lead to underestimation of the relationships I hypothesize. As I have argued, people who engage in clientelist exchange should be reticent to admit that they have contacted local officials or that they support the government. Instead, they should underreport their interaction with local officials and their support for the government. This should be especially true in countries where clientelism is common and contacting a local official implies that a person is engaged in clientelist exchange. Instead, where clientelism is uncommon, individuals should freely admit that they have contact local officials, without worrying that people believe they have been engaged in clientelist exchange. Therefore, social desirability bias should lead to underestimation of the effects I hypothesize.

4.4 Poverty and Corruption in Latin America

Pervasive poverty and corruption in Latin America, as well as weak institutions and highly politicized bureaucracies, contribute to a political environment in which clientelism is widespread and undermines democratic accountability. Corruption is closely related to economic development in Latin America. Figure 4.1 plots each country for the years it is included in the sample according to their level of economic development (GDP per capita) and corruption (TI-CPI). The dotted lines indicate the mean of each measure for the sample. There is a distinct relationship between corruption and development in the region. Almost all of the poorest countries in the sample are very corrupt, while the level of corruption varies widely among

wealthier countries. As a result, while there are wealthy countries in the sample that are corrupt and also wealthy countries that are relatively clean, there are no poor countries in the sample where corruption is uncommon.

This imbalance in the sample presents a challenge to my analysis. I deal with this challenge by estimating two different sets of models. I first estimate models predicting whether individuals seek help from local officials and whether such help impacts their support for the government focusing only on how this varies with national-level corruption. I then subset the data, focusing only on the most corrupt countries in the sample, the thirty-five country-years in which the level of corruption is above the sample mean. This allows me to test whether citizens who get help from a patron show more support for the government in poor, corrupt countries than they do in wealthy, corrupt countries. I find evidence that is consistent with my theory that clientelism undermines democratic accountability for corruption in poor countries.

4.5 Analysis

4.5.1 Poverty and Clientelism in Latin America

Poor citizens rely on access to government resources to help them meet their basic needs. Where corruption creates barriers to meeting those needs through official bureaucratic processes, poor citizens are especially likely to access these resources through political patrons. I therefore expect that poor citizens are more likely to ask local public officials for help, and that they are especially likely to ask local officials for help in countries where corruption is widespread.

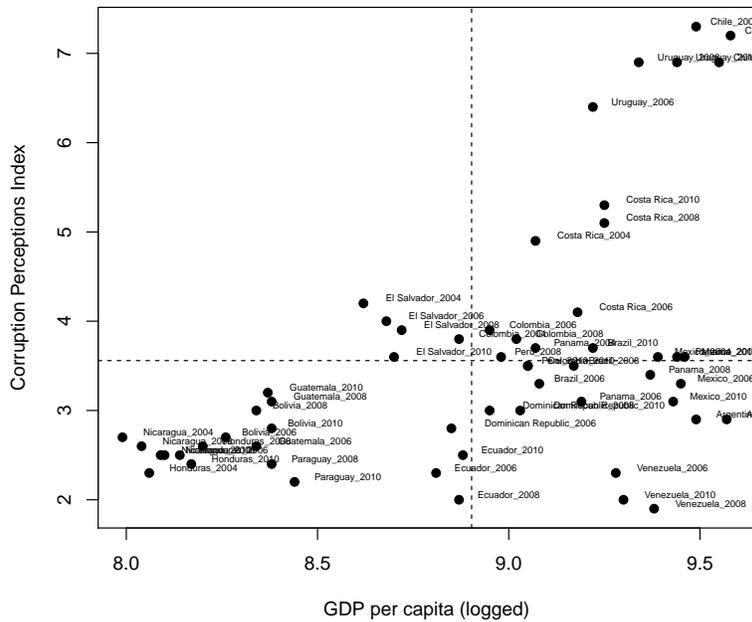


Figure 4.1: Economic Development and Corruption in Latin America, 2004-2010

Notes: Corruption is measured by Transparency International’s Corruption Perceptions Index. Economic development is measured as GDP per capita, purchasing power parity at 2005 International dollars. The plot includes all 58 country-years in the sample. Sources: Quality of Governance Cross-Section Data; Transparency International Corruption Perception Index, World Bank’s World Development Indicators GDP per capita, PPP (constant 2005 international \$).

To test whether poor citizens rely more on political patrons for access to government resources, especially in corrupt countries, I estimate two multilevel binomial logistic regression models. Whether a person asks a local official for help is a binomial variable, coded 1 for a person asking for help and 0 if a person did not report asking for help. Each model estimates the effects of several individual- and survey- level variables on individuals' likelihood of asking a local official for help.³³ A multilevel model allows me to estimate the effects of both individual- and survey-level variables on an outcome that occurs at the level of the individual. It also allows me to account for whether household income, which occurs at the individual level, varies with survey-level variables, like the prevalence of corruption.

Table 4.2 presents the results of two multilevel logistic regression models estimating the likelihood of an individual asking a local official for help resolving a problem. Model 1 in Table 4.2 estimates the direct effects of an individual's household income and the level of corruption in her country on her likelihood of asking a local official for help.³⁴ The intercept of the model is therefore modeled as a function of national corruption and all other survey-level variables, while

³³In addition to individuals' household income and national-level corruption, I include a number of individual-level control variables, including sex, age, level of education, whether they live in an urban or rural area, and whether they voted for the incumbent or opposition in the previous presidential election (with abstaining or spoiling their vote as the baseline). I also include several survey-level controls, including the proportion of people who reported voting for the incumbent or opposition in the previous election and income inequality.

³⁴I measure corruption at the survey-level using Transparency International's Corruption Perceptions Index, reverse-coded to increase with the level of corruption in a country.

all other coefficients are fixed.³⁵ This model can therefore estimate the impact of both individual- and survey- level variables on an individuals' likelihood of asking a local official for help.

The results of the model largely confirm previous findings about the relationship between poverty and clientelism. The coefficient for household income is negative and significant, indicating that poor citizens are significantly more likely than wealthy ones to ask a local official for help resolving a problem. However, I do not find any significant direct effect of national corruption on an individual's likelihood of asking a local official for help. In fact, the sign of the coefficient is negative, the opposite direction from what I hypothesized. Therefore, it seems that people living in corrupt countries are no more likely to ask a local official for help with a problem than those living in countries where corruption is uncommon.

Several other variables are related to an individual's likelihood of asking a local official for help. People who voted in the previous election, whether for the incumbent or opposition, are more likely to ask a local official for help than those who did not vote. Women are less likely than men to ask a local official for help, and those living in urban areas are less likely to ask for help than those in rural areas. However, older and more educated people are more likely to ask a local official for help, all else equal. None of the survey-level variables predict an individual's likelihood of asking a local official for help.

³⁵The functional form of the model is

$$\begin{aligned} \text{help from official}_i &= \alpha_j + \beta \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \Gamma^\alpha U_j + \eta_j^\alpha \end{aligned}$$

The intercept α_j is modeled as a function of national corruption (reverse-coded TI-CPI) and several other survey-level controls U_j , including income inequality (Gini coefficient) and the proportion of people who voted for the incumbent and the opposition in the previous election. The model also household income and several individual-level controls X_i with fixed coefficients, including sex, age, education, whether the person lives in an urban or rural area, and whether the voted for the incumbent or opposition in the previous election.

Table 4.2: Estimating the Likelihood of Asking a Local Official for Help

	Model 1	s.e.	Model 2	s.e.
Intercept	-2.193	.479	-1.833	.471
Household income	-.139	.011	-.434	.175
National corruption	-.056	.039	-.052	.040
National corruption \times Income			.040	.015
Female	-.065	.019	-.066	.019
Urban	-.417	.021	-.428	.021
Age	.071	.006	.072	.007
Education	.018	.003	.018	.003
Voted for incumbent	.382	.023	.383	.023
Voted for opposition	.344	.025	.339	.026
Prop'n voted for incumbent	.208	.663	.239	.651
Prop'n voted for opposition	-.493	.683	-.436	.685
Income inequality (Gini)	.006	.058	.006	.058
Prop'n voted for incumbent \times Income			.123	.246
Prop'n voted for opposition \times Income			.262	.257
Income inequality \times Income			.005	.022
Groups		58		58
<i>N</i>		97849		97849
Average AIC		79451		79305
Average Deviance		79425		79267

Notes: This table presents the pooled results of multilevel logistic regression models analyzing five imputed data sets. The outcome variable for each model is whether a person asked a local public official for help in the past year (1) or not (0). In Model 1, the intercept is modeled as a function of national corruption (reverse-coded TI-CPI), and all other coefficients are fixed. In Model 2, both the intercept and the coefficient for household income are modeled as functions of national corruption.

Model 2 in Table 4.2 allows the impact of an individual's income on her likelihood of asking a local official for help to vary with the level of corruption in her country. I therefore model both the intercept and the coefficient for household income as functions of national corruption and the other survey-level variables in my model. All other individual-level coefficients are fixed.³⁶ The results of this model show that the impact of an individual's income on her likelihood of asking a local official for help does vary with the level of corruption in her country, but not in the direction hypothesized. The baseline coefficient for household income is negative and significant, indicating that, in the least corrupt countries in the sample, poor citizens are significantly more likely to ask a local official for help than wealthy ones. However, the coefficient for the interaction of household income and national corruption is positive and significant, indicating that, in countries where corruption is widespread, poor citizens are less likely to ask local officials for help relative to wealthy citizens.

Figure 4.2 shows how an individual's income affects her predicted probability of asking a local official for help across levels of corruption.³⁷ The left panel plots the impact of moving up one standard deviation in a country's income distribution on an individual's predicted probability of asking a local official for help across national levels of corruption. Poor people are significantly more likely to ask local officials for help than wealthier ones, regardless of the level of corruption. However, in the very least corrupt countries in the sample, Chile and Uruguay, poor people are

³⁶The functional form of the model with both a varying-intercept and a varying-slope is presented below.

$$\begin{aligned} \text{help from official}_i &= \alpha_j + \beta_j \text{income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \Gamma^\alpha U_j + \eta_j^\alpha \\ \beta_j &= \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \Gamma^\beta U_j + \eta_j^\beta \end{aligned}$$

Here, α_j is the varying intercept and β_j is the varying coefficient for income. Each is modeled as a function of national-level corruption, as well as several other survey-level controls U_j . The model also includes several individual-level controls X_i with fixed coefficients.

³⁷Cook's distances estimated for Model 2 show that the most influential cases are Bolivia 2006 ($D = .19$) and Bolivia 2008 ($D = .08$). Removing both cases from the sample does not affect the coefficients or their significance.

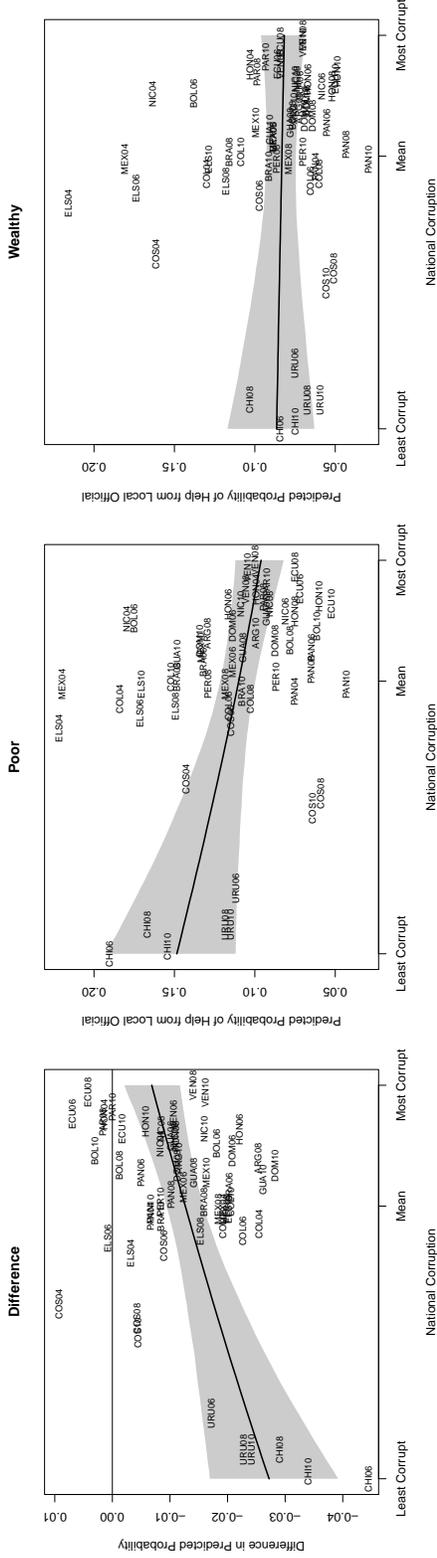


Figure 4.2: Predicted Probability of Getting Help from a Local Official

Notes: The figure shows how an individual's household income affects her predicted probability of asking a local official for help across national levels of corruption (reverse-coded TI-CPI). The left panel shows how the predicted probability of a person asking a local official for help changes when their income increases one standard deviation in their country's income distribution across national levels of corruption. The center panel shows how the predicted probability of a poor individual, with an income one standard deviation below their country's mean, asking a local official for help varies across levels of corruption. The right panel shows how the predicted probability of a wealthy individual, with an income one standard deviation above their country's mean, asking a local official for help varies across levels of corruption.

significantly more likely to ask a local official for help than they are in more corrupt countries. The center panel plots the predicted probability of a poor person, with an income one standard deviation below their country's mean, asking a local official for help. In the least corrupt country in the sample, Chile, a poor person has a fifteen-percent predicted probability of asking a local official for help. However, in more corrupt countries, poor people are significantly less likely to ask local officials for help. In the most corrupt countries in the sample, poor person's predicted probability of asking a local official for help is only about ten percent. This is still significantly higher than the predicted probability of a wealthy person, with an income one standard deviation above the mean, asking a local official for help. Regardless of the level of corruption, a wealthy person's predicted probability of asking a local official for help is less than ten percent.

These results show that poor citizens are, in fact, more likely to seek help from local officials, but that this varies with the level of corruption in a country. In countries where corruption is relatively uncommon, such as Chile and Uruguay, poor citizens are much more likely to seek help from local officials. However, they are significantly less likely to seek help from officials in very corrupt countries, like Venezuela or Uruguay, they are still significantly more likely to do so than wealthy citizens. While this is consistent with the theory that poor citizens are more likely to rely on help from patrons to gain access to public resources, it is not consistent with my theory that they are more likely to do so in corrupt countries, where they cannot access these resources through official bureaucratic processes.

One reason that poor citizens may be less likely to ask local officials for help in corrupt countries is related to why they access fewer services in those countries. Where corruption is widespread, poor citizens may be deterred from asking local officials for help, because they anticipate paying bribes or facing other barriers to accessing government services. In corrupt countries, only those citizens who anticipate gaining access to resources, for example through clientelist exchange,

may contact local officials when they need help resolving a problem. In the next section, I provide evidence that people who get help from local officials show more support for the government in corrupt countries, but not in countries where corruption is uncommon. This suggests that citizens who do ask local officials for help may be embroiled in clientelist exchange, and that this may shape citizens' decision to contact local officials when they have a problem.

4.5.2 Clientelism in Corrupt Countries

Access to public resources through official bureaucratic processes is uncertain where corruption is widespread. Therefore, in corrupt countries, citizens are especially likely to rely on political patrons to help them access public resources. As I show in the previous section, poor citizens are actually significantly less likely to ask local officials for help in corrupt countries than they are in countries where corruption is less common. This appears antithetical to my theory that citizens, especially the poor, rely more on political connections with patrons for access to services in corrupt countries.

However, while widespread corruption may deter some poor citizens from seeking help from local officials, those who do get help from local officials in corrupt countries may be especially dependent upon those officials for access to resources. Patrons should have more influence on the political support of citizens who rely on them for access to public resources. In this section, I show that those who do get help from local officials show more support for the government in corrupt countries, but not in countries where corruption is less common.

To test the impact of getting help from a local official on support for the government, I estimate two multilevel models.³⁸ The first model considers the direct effects of getting help from a local

³⁸As I discuss above, I control for a number of potential intervening variables in each model. I control for a series of demographic variables that may affect an individual's support for the government and whether that individual gets

official and national-level corruption on an individual's support for the government. The second allows the impact of getting help from a local official on an individual's support for the government to vary with the level of corruption and other survey-level variables.

Table 4.3 presents the results of two models estimating an individual's support for the government. The first model estimates the direct effects of getting help from a local official and national corruption on an individual's support for the government. In order to account for survey-level effects, I model the intercept as a function of survey-level covariates. All other coefficients, including the coefficient describing the effect of getting help from a local official, are fixed.³⁹ Getting help from a local official significantly increases an individual's support for the government. The coefficient describing the effect of getting help from a local official is positive and significant, indicating that those who get help from a local official show significantly more support for the government than those who do not, all else equal. People who live in countries where corruption is common, however, show less support for the government. This is consistent with my expectation that corruption negatively impacts citizens' support for the government.

Several other variables impact an individual's support for the government. People who voted for the incumbent in the most recent election show more support for the government than those who

help from a local official, including household income, sex, age, level of education, and whether the person lives in an urban or rural area. I also control individuals' past voting behavior; whether they voted for the incumbent, a candidate other than the incumbent, or did not vote (baseline) in the previous presidential election. I also control for a number of survey-level variables, including the proportion of voters who said they voted for the incumbent or some other candidate, the proportion of voters who reported getting help from an official, the president's ideology, as measured by Baker and Green (2011), the president's years in office, and income inequality.

³⁹The functional form of the first model is

$$\begin{aligned} \text{approval}_i &= \alpha_j + \beta \text{help from official}_i + \text{BX}_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \Gamma^\alpha U_j + \eta_j^\alpha \end{aligned}$$

Here, α_j is modeled as a function of corruption, as well as several other survey-level covariates U_j , including income inequality, the president's ideology, how long the president has been in office, the proportion of people who get help from a local official, and the proportion of people who voted for the incumbent and opposition in the previous election. The coefficients for all other variables, including getting help from a local official, are fixed.

Table 4.3: Impact of Clientelism in Corrupt Countries

	Model 1	s.e.	Model 2	s.e.
Intercept	1.893	.397	1.901	.403
Help from local official	.050	.008	-.017	.132
National corruption	-.079	.030	-.083	.030
National corruption \times Help from local official			.025	.009
Household Income	.005	.003	.005	.003
Voted for Incumbent	.345	.007	.345	.007
Voted for Opposition	-.264	.008	-.263	.008
Female	.000	.006	.000	.006
Urban	-.032	.007	-.031	.007
Age	-.003	.002	-.003	.002
Education	-.001	.001	-.001	.001
Prop'n. voted for incumbent	1.352	.504	1.335	.509
Prop'n. voted for opposition	-.082	.506	-.077	.511
Prop'n. help from local official	.084	.723	.083	.739
President's Ideology Score	.005	.008	.006	.008
Years in office	-.016	.017	-.016	.017
Income inequality (Gini)	-.012	.043	-.013	.043
Prop'n. voted for incumbent \times Help from local official			.067	.170
Prop'n. voted for opposition \times Help from local official			-.015	.171
Prop'n. help from local official \times Help from local official			.165	.232
President's Ideology Score \times Help from local official			-.008	.003
Years in office \times Help from local official			.004	.006
Income inequality (Gini) \times Help from local official			-.010	.014
Groups		58		58
<i>N</i>		97849		97849
Average AIC		248756		248747
Average Deviance		248619		248552

Notes: This table presents the pooled results of multilevel models analyzing five imputed data sets. The outcome variable for each model is government approval, ranging from 0 (strongly disapprove) to 1 (strongly approve). In Model 1, the intercept is modeled as a function of national corruption (reverse-coded TI-CPI), and all other coefficients are fixed. In Model 2, both the intercept and the coefficient for help from a local official are modeled as functions of national corruption.

did not vote, while those who voted for a party other than the incumbent show less support for the government. People living in urban areas show less support for the government than those living in rural areas, but no other demographic variables have a significant impact on individuals' support for the government, including household income. People living in countries where more people said they voted for the incumbent in the previous election show more support for the government, but no other survey-level variables impact citizens' support for the government.

Model 2 in Table 4.3 allows the effect of getting help from a local public official on an individual's support for the government to vary with the level of corruption in a country. Both the intercept and the coefficient describing the effect of getting help from a local official are modeled as functions of national corruption and other survey-level predictors. All other coefficients are fixed.⁴⁰ The baseline coefficient describing the effect of corruption on support for the government is negative and statistically significant, indicating that, absent help from a local official, corruption has a negative impact on individuals' support for the government. However, the interaction coefficient is positive and significant, indicating that people who get help from a local official show more support for the government in corrupt countries than those who do not get help from a local official. This suggests that getting help from a local official actually mitigates the negative impact of corruption on individuals' support for the government; a sign of clientelism in corrupt countries.

⁴⁰The functional form of the second model is

$$\begin{aligned} \text{approval}_i &= \alpha_j + \beta_j \text{help from official}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \Gamma^\alpha U_j + \eta_j^\alpha \\ \beta_j &= \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \Gamma^\beta U_j + \eta_j^\beta \end{aligned}$$

Here, α_j is the varying intercept and β_j is the varying coefficient for getting help from a public official. Each is modeled as a function of national-level corruption, as well as several survey-level controls U_j . Each model also includes several individual-level control variable X_i with fixed coefficients.

The left panel of Figure 4.3 plots the marginal effect of getting help from a local public official on support for the government across levels of corruption.⁴¹ In the least corrupt countries in the sample, like Chile and Uruguay, getting help from a local official does not have a significant impact on citizens' support for the government. However, as the level of corruption increases in a country, so does the impact of getting help from a local official. In countries where the level of corruption is close to the regional mean, like Brazil and Mexico, getting help from a local official increases support for the government slightly, but significantly. Getting help from a local official has the most impact on support for the government in the most corrupt countries in the sample, such as Venezuela and Ecuador.

The right panel in Figure 4.3 shows the effect of corruption on citizens' support for the government depending on whether or not they asked a local official for help. Citizens who did not ask a local official for help show significantly less support for the government in countries with higher levels of corruption. However, corruption does not significantly affect citizens' support for the government if they sought help from a local official. This suggests that local officials not only have more influence on citizens' support for the government in corrupt countries, but that getting help from a local official mitigates the negative impact of corruption on citizens' support for the government.

Figure 4.4 shows how an individual's expected support for the government varies across levels of income depending upon whether they have received help from a local official (right) or not (left). In countries where corruption is relatively uncommon, such as Chile and Uruguay, citizens who get help from a local official do not show significantly more support for the government than

⁴¹Cook's distances for Model 2 in Table 4.3 show that one case in particular is highly influential, Ecuador 2006 ($D = .83$). Removing this case has little effect on the estimated coefficients and the coefficients of interest remain significant. The second and third most influential cases are Venezuela 2008 ($D = .25$) and Venezuela 2006 ($D = .21$). Removing these cases from the model also has little effect on the estimated coefficients and the coefficients of interest remain significant.

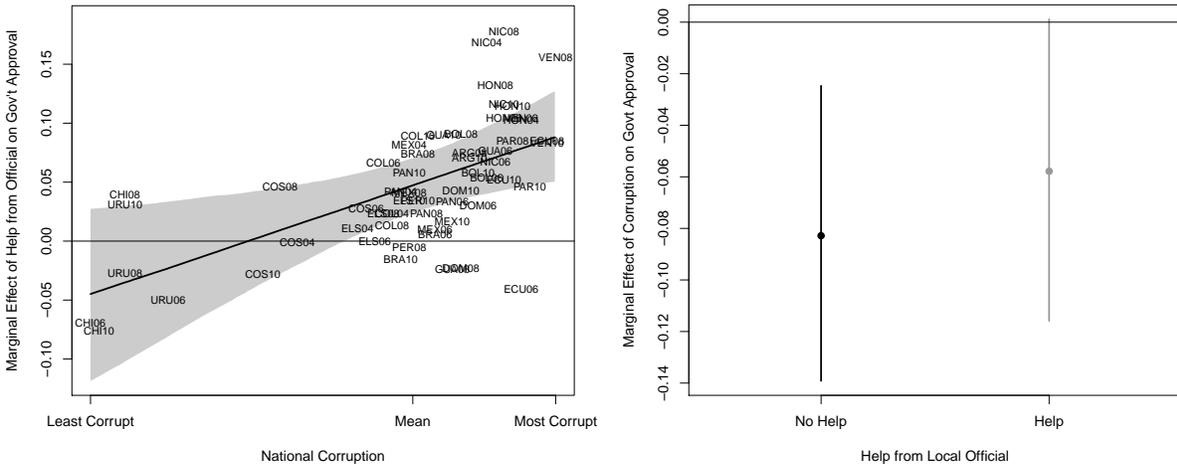


Figure 4.3: Marginal Effect of Clientelism across National Levels of Corruption

Notes: The left panel plots the marginal effect of getting help from a local official on an individual's government approval at different levels of national corruption. The right panel plots the marginal effect of national corruption on a person's government approval depending on whether they received help from a local official (gray) or did not (black). National corruption is Transparency International's Corruption Perceptions Index, reverse-coded to increase with the level of corruption.

those who do not. However, in countries where corruption is more widespread, people who get help from a local official show significantly more support for the government than those who did not get help. In the most corrupt countries in the sample, like Venezuela and Uruguay, people show significantly less support for the government than they do in countries where corruption is rare, like Chile and Uruguay, regardless of whether they get help. However, those who do get help from a local official show significantly more support for the government than those who do not. Furthermore, corruption has a weaker negative impact on a person's support for the government if she received help from a local official than if she did not.

These results suggest that clientelism is more common in corrupt countries, where citizens rely more on political patrons for access to government resources. In countries where corruption is uncommon, citizens can access resources through a number of pathways, including official bureaucratic processes. In corrupt countries, people's access to government resources is limited, leading them to rely on access through political patrons. Local officials are in an especially good position to mobilize political support for the government using their discretionary control over public resources. Therefore, in corrupt countries, where citizens have fewer options for procuring resources, local officials have more opportunities to act as brokers for the government. These analyses provide evidence that is consistent with my theory that clientelism is more common in corrupt countries and undermines democratic accountability.

4.5.3 The Impact of Development on Clientelism in Corrupt Countries

I argue that clientelism undermines democratic accountability for corruption, because widespread corruption forces citizens, especially poor ones, to rely on political patrons for access to public resources, which may influence their political support. I provide evidence above that people who

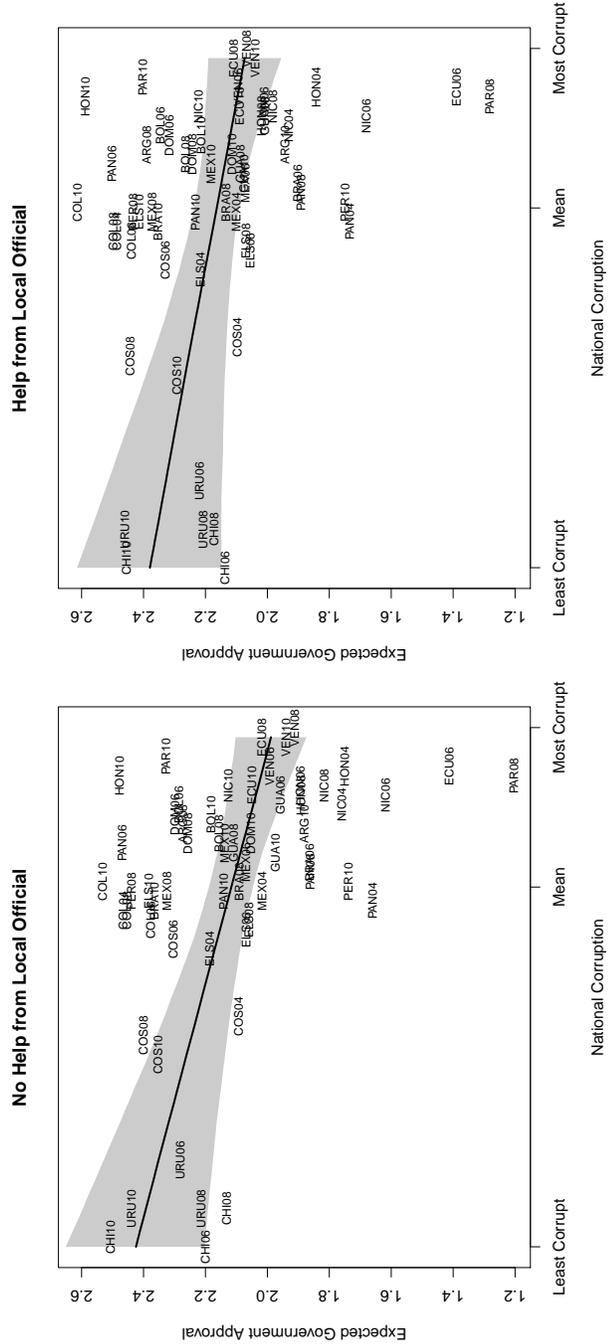


Figure 4.4: Expected Value of Government Approval across National Levels of Corruption

Notes: The figure plots an individual's expected government approval across national levels of corruption given that they asked a local official for help (right) or not (left). National corruption is Transparency International's Corruption Perceptions Index, reverse-coded to increase with the level of corruption.

get help from local officials show more support for the government in corrupt countries than those who do not, but that this is not the case in countries where corruption is rare. I also find that poor citizens are more likely to ask local officials for help than wealthy ones, although they are less likely to ask for help in corrupt countries than in countries where corruption is uncommon. This evidence suggests that poor citizens may be more vulnerable to clientelism in corrupt countries, and therefore continue to support the government despite widespread corruption.

If corruption forces poor citizens to rely on political patrons for access to government resources, then it may explain why corruption persists in poor countries. In this section, I provide evidence that clientelism may undermine democratic accountability for corruption in poor countries but not wealthy ones. Focusing on the most corrupt countries in my sample, I show that citizens who get help from local officials show more support for the government in poor countries, but not in wealthy countries. Splitting the sample is necessary because, as I show above, economic development, measured in GDP per capita, is highly-correlated with national-level corruption. Corruption varies widely across countries with a GDP per capita above the sample's mean; from the least corrupt country, Chile, to the most corrupt country, Venezuela. However, almost all of the countries with a GDP per capita below the sample mean are very corrupt, according to Transparency International. Therefore, in order to determine the impact of economic development on democratic accountability for corruption, it is necessary to split the sample and focus only on the most corrupt countries; those with a corruption score above the sample mean. This subsample includes countries ranging from the very poorest, Nicaragua, to very wealthy countries, like Argentina, which had a per capita GDP of \$14362 in 2010. In all the subsample includes 35 of the surveys in the sample.⁴²

⁴²The subsample includes the 35 in which the country's score on Transparency International's Corruption Perceptions Index was below the sample mean; Argentina (2008-2010), Bolivia (2006-2010), Brazil (2006-2008), Colombia (2010), Dominican Republic (2006-2010), Ecuador (2006-2010), Guatemala (2006-2010), Honduras (2004-2010), Mexico (2006,2010), Nicaragua (2004-2010), Panama (2006-2008), Paraguay (2008-2010), Peru (2010), Venezuela (2006-2010).

Table 4.4 presents the results of two multilevel models estimating the impact of getting help from a local official on individual's support for the government in the thirty-five most corrupt country-years in the sample. The first model estimates the direct effects of getting help from a local official and economic development, measured in GDP per capita, on individuals' support for the government. The intercept is therefore modeled as a function of economic development and other survey-level controls, while all other coefficients, including the coefficient for help from a local official, are fixed.⁴³ Consistent with my findings above, the results of this model show that citizens who get help from a local official show more support for the government in the most corrupt countries in Latin America. Living in a wealthier country, however, has no impact on a person's support for the government in corrupt countries, all else equal.

In the second model, I allow the impact of getting help from a local official to vary with economic development in corrupt countries. I therefore model both the intercept and the coefficient for help from a local official as functions of economic development and other survey-level covariates. All other coefficients are fixed.⁴⁴ The baseline coefficient for getting help from a local official is positive and significant, indicating that, in poor countries, getting help from a local official may

⁴³The functional form of the model is

$$\begin{aligned} \text{approval}_i &= \alpha_j + \beta \text{help from official}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{economic development}_j + \Gamma^\alpha U_j + \eta_j^\alpha \end{aligned}$$

The intercept α_j is modeled as a function of economic development and other survey-level covariates U_j , including income inequality, the president's ideology, how long the president has been in office, the proportion of people who get help from a patron, and the proportion of people who voted for the incumbent and opposition in the previous election. The coefficients for all other variables, including getting help from a local officials, are fixed.

⁴⁴The functional form of the model is

$$\begin{aligned} \text{approval}_i &= \alpha_j + \beta_j \text{help from official}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{economic development}_j + \Gamma^\alpha U_j + \eta_j^\alpha \\ \beta_j &= \gamma_0^\beta + \gamma_1^\beta \text{economic development}_j + \Gamma^\beta U_j + \eta_j^\beta \end{aligned}$$

Here, α_j and β_j are modeled as functions of economic development (logged GDP per capita) and other survey-level covariates U_j . The models also include several individual-level controls X_i with fixed coefficients.

Table 4.4: Impact of Economic Development on Clientelism in Corrupt Countries

	b	s.e.	b	s.e.
Intercept	-.417	1.446	-.602	1.407
Help from local official	.084	.011	1.351	.425
GDP per capita (logged)	.243	.155	.264	.152
GDP per capita × Help from local official			-.146	.046
Household Income	-.004	.004	-.004	.004
Voted for Incumbent	.333	.009	.333	.009
Voted for Opposition	-.264	.010	-.263	.010
Female	-.010	.007	-.010	.007
Urban	-.015	.008	-.015	.008
Age	-.010	.003	-.010	.003
Education	-.002	.001	-.002	.001
Prop'n. voted for incumbent	1.134	.797	1.148	.791
Prop'n. voted for opposition	-.233	.774	-.231	.754
Prop'n. help from local official	.627	1.462	.555	1.450
President's Ideology Score	-.002	.012	-.001	.012
Years in office	-.032	.029	-.033	.028
Income inequality (Gini)	.063	.088	.072	.086
Prop'n. voted for incumbent × Help from local official			-.027	.228
Prop'n. voted for opposition × Help from local official			.077	.228
Prop'n. help from local official × Help from local official			.383	.421
President's Ideology Score × Help from local official			-.009	.003
Years in office × Help from local official			.011	.008
Income inequality (Gini) × Help from local official			-.061	.026
Groups		35		35
<i>N</i>		61477		61477
Average AIC		158626		158625
Average Deviance		158501		158451

Notes: This table presents the pooled results of multilevel models analyzing five imputed data sets. The sample includes the 35 countries where national corruption (reverse-coded TI-CPI) is above the sample mean. The outcome variable for each model is government approval, ranging from 0 (strongly disapprove) to 1 (strongly approve). In Model 1, the intercept is modeled as a function of economic development (GDP per capita), and all other coefficients are fixed. In Model 2, both the intercept and the coefficient for help from a local official are modeled as functions of national corruption.

significantly increase a person's support for the government. The baseline coefficient for GDP per capita is not significant, indicating that economic development does not affect people's support for the government if they did not get help from a local official. However, the interaction coefficient is negative and significant, indicating that, in wealthier countries, people who did get help from local officials show less support for the government relative to those who did not. That is, the apparent impact of clientelism on citizens' support for the government in corrupt countries is may be mitigated by economic development, as I hypothesized.

Figure 4.5 shows the effect of getting help from a local official on an individual's support for the government in corrupt countries across levels of development. The left panel plots the marginal effect of getting help from a local official on an individual's support for the government across levels of development in the subsample. In less developed corrupt countries, getting help from a local official significantly increases a person's support for the government. However, the impact of getting help from a local official is smaller in wealthier countries, and in the wealthiest countries people who get help from a local official do not show any more support for the government than those who do not get help.

The right panel of Figure 4.5 plots individuals' expected support for the government in the poorest and wealthiest corrupt countries depending on whether they reported getting help from a local official (gray) or not (black). Although citizens' support for the government does not vary significantly with economic development, the impact of getting help from a local official on a person's support for the government does. In the poorest, corrupt countries in Latin America, citizens who get help from a local official show significantly more support for the government than those who did not report getting help. However, in the wealthiest countries in Latin America, there is no significant difference in citizens' support for the government, regardless of whether or not they reported getting help from a local official. This is consistent with my argument that

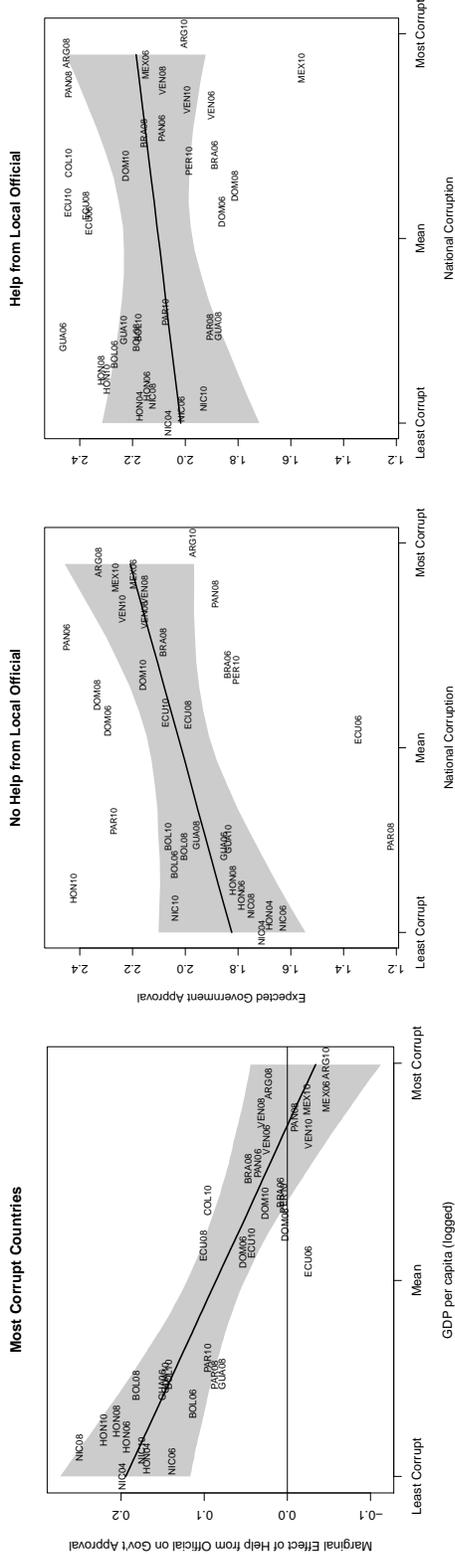


Figure 4.5: Effect of Clientelism Across Levels of Development in Corrupt Countries

Notes: The left panel plots the marginal effect of help from a local official on a person's government approval at different levels of economic development (logged GDP per capita). The center panel plots the expected government approval of a person who has not asking help from a local official and the right panels plots the expected government approval of a person who has asked a local official for help across levels of economic development. The subsample includes the 35 more corrupt country-years in the sample.

political patrons can influence citizens' support for the government in poor countries, but not in wealthy ones.

4.5.4 An Alternative Theory: Corruption and Constituent Service

The analysis above provides evidence that people who get help from local officials in corrupt countries show more support for the government than those who do not get such help, but that the same is not true in countries where corruption is uncommon. I argue that this is because, in corrupt countries, people who gain access to public resources from local officials are more likely to be engaged in clientelism; the exchange of material benefits for political support. However, it is also possible that local officials are providing direct service to citizens that is not part of some form of reciprocal or *quid pro quo* exchange. Instead, it may be the case that those who get help from local officials in corrupt countries are able to avoid corruption or live in regions where corruption is rare. This would also be consistent with the observation that corruption discourages poor citizens from access government services or contacting local officials. If people get help from local officials because corruption is uncommon in their region, or because they can avoid corruption by contacting local officials directly, then they may show more support for the government simply because they experience less corruption than other people in their country or believe that corruption is less common.

If this is the case, then we would expect people who get help from local officials in corrupt countries to have fewer experiences with corruption and believe that corruption is less common. I test these hypotheses by considering whether people who get help from local officials do, in fact, experience less corruption than those who do not and perceive corruption as less common, especially in corrupt countries. If so, then people who get help from local officials may simply

continue to support the government because they experience good governance, and not because they are embedded in clientelist networks.

Table 4.5 presents the results of two multilevel models estimating the effect of getting help from a local official on a person's experience with corruption. Model 1 estimates the direct effect of getting help from a local official on the number of bribes person says they were asked to pay. The coefficient describing the effect of getting help from a local official is therefore fixed, while the intercept is modeled as a function of national corruption and other survey-level variables to account for variation across countries.⁴⁵ Model 2 allows the impact of getting help from a local official on the number of bribes a person is asked to pay to vary with the level of corruption in her country. The intercept and the coefficient for a getting help from an official are both modeled as functions of national corruption and other survey-level covariates. All other coefficients in these models are fixed.⁴⁶ If people who get help from local officials are able to avoid corruption or live in places where corruption is less common, then getting help from a local official should mean that they have fewer experiences with corruption than those who do not.

⁴⁵The functional form of Model 1 is

$$\begin{aligned} \text{corruption experience}_i &= \alpha_j + \beta_j \text{help from official}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \Gamma^\alpha U_j + \eta_j^\alpha \end{aligned}$$

Here, α_j is modeled as a function of national-level corruption, as well as several survey-level controls U_j , including the proportion of people who asked a local official for help, the proportion of people who voted for the incumbent or the opposition, the president's ideology, the number of years the president has been in office, and income inequality. All other coefficients are fixed.

⁴⁶The functional form of Model 2 is

$$\begin{aligned} \text{help from official}_i &= \alpha_j + \beta_j \text{corruption experience}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \Gamma^\alpha U_j + \eta_j^\alpha \\ \beta_j &= \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \Gamma^\beta U_j + \eta_j^\beta \end{aligned}$$

Here, α_j is the varying intercept and β_j is the varying coefficient for getting help from a public official. Each is modeled as a function of national-level corruption, as well as several survey-level controls U_j . Each model also includes several individual-level control variable X_i with fixed coefficients.

Table 4.5: Impact of Help from Local Official on Corruption Experience

	Model 1	s.e.	Model 2	s.e.
Intercept	.017	.158	.087	.196
Help from local official	.138	.014	.246	.162
National corruption	.037	.012	.051	.014
National corruption \times Help from local official			.020	.012
Voted for Incumbent	.014	.006	.014	.006
Voted for Opposition	.039	.007	.039	.007
Female	-.125	.005	-.125	.005
Urban	.074	.006	.075	.006
Age	-.015	.002	-.015	.002
Education	.009	.001	.009	.001
Household Income	.031	.003	.031	.003
Prop'n. voted for incumbent	-.030	.202	-.184	.248
Prop'n. voted for opposition	.080	.199	-.022	.247
Prop'n. help from local official	.224	.292	.289	.357
President's Ideology Score	.001	.003	-.003	.004
Years in office	-.002	.007	-.003	.008
Income inequality (Gini)	-.003	.017	.006	.021
Prop'n. voted for incumbent \times Help from local official			-.236	.204
Prop'n. voted for opposition \times Help from local official			-.154	.208
Prop'n. help from local official \times Help from local official			.111	.289
President's Ideology Score \times Help from local official			-.005	.003
Years in office \times Help from local official			.000	.007
Income inequality (Gini) \times Help from local official			.012	.018
Groups		58		58
<i>N</i>		97849		97849
Average AIC		211706		211749
Average Deviance		211547		211540

Notes: This table presents the pooled results of multilevel logistic regression models analyzing five imputed data sets. The outcome variable for each model is the number of experiences a person has with corruption. In Model 1, the intercept is modeled as a function of national corruption (reverse-coded TI-CPI), and all other coefficients are fixed. In Model 2, both the intercept and the coefficient for help from a local official are modeled as functions of national corruption.

The results of Model 1 show that people who get help from local officials, in fact, experience *more* corruption than those who do not. This is the opposite of what one would expect if getting help from a local official allowed a person to avoid corruption, or if people living in regions where corruption was less common were more likely to ask local officials for help. Model 2 shows that this does not vary significantly across countries. People who ask local officials for help are more likely to experience corruption, regardless of the level of corruption in their country. This suggests that getting help from a local official influences people's support for the government for some other reason, and not because they are avoiding corruption.

Another possible explanation is that citizens who get help from local officials believe that corruption is less common in their country. That is, if people can get help from local officials without being asked for a bribe or for their political support, it may affect their assessment of corruption in their country. In particular, they believe that corruption is less common in their country, and therefore show more support for the current government. If this is true, then we would expect that getting help from a local official decreases a person's perceptions of corruption, making them believe that corruption is less common. This should be especially true in corrupt countries, where citizens who do not successfully get help from local officials should believe that corruption is more common.

Table 4.6 presents the results of two models estimating the effect of getting help from a local official on an individual's perceptions of corruption. Model 1 estimates the direct effect of getting help from a local official on an individual's perceptions of corruption. Therefore, the coefficient describing the effect of getting help from a local official is fixed, while the intercept is modeled as a function of national corruption and other survey-level covariates. Model 2 allows the impact of getting help from a local official on a person's perceptions of corruption to vary with the level of corruption in their country. Therefore, both the intercept and the coefficient for help from a local

official are modeled as functions of national corruption and other survey-level covariates. All other coefficients in these two models are fixed.

The results of the model show that getting help from a local official does not impact an individual's perceptions of corruption, regardless of the level of corruption in their country. Even though people who get help from local officials show more support for the government in corrupt countries, they do not believe that corruption is any less common than those who do not get help from local officials. Therefore, even though they know corruption is widespread in their country, people who get help from local officials show more support for the government than those who do not.

These results provide evidence that people who get help from local officials do not show more support for the government because they experience less corruption or believe that corruption is less common. Rather, people who get help from local officials support the government despite widespread corruption in their countries. This is consistent with my theory that people in corrupt countries rely on access to public resources through political patrons in public office, and therefore continue to support the government despite widespread corruption. In other words, clientelism undermines democratic accountability for corruption.

4.6 Conclusion

Corruption persists in poor countries, even when democratic institutions are present. I have argued that this is because widespread poverty creates opportunities for elected officials to mobilize political support through targeted, personalistic exchange, which undermines democratic accountability for corruption. In the previous chapter, I showed that, although they are aware of

Table 4.6: Impact of Help from Local Official on Perceived Corruption

	b	s.e.	b	s.e.
Intercept	2.135	.157	2.186	.161
Help from local official	-.007	.011	-.153	.120
National corruption	.080	.011	.079	.012
National corruption × Help from local official			.002	.008
Household Income	.020	.003	.020	.003
Voted for Incumbent	-.007	.007	-.007	.007
Voted for Opposition	.051	.007	.051	.007
Female	-.033	.006	-.033	.006
Urban	.058	.007	.058	.006
Age	.036	.002	.036	.002
Education	.018	.001	.018	.001
Prop'n. voted for incumbent	-.596	.202	-.642	.202
Prop'n. voted for opposition	-.564	.202	-.597	.203
Prop'n. help from local official	-.752	.288	-.761	.297
President's Ideology Score	.005	.003	.004	.003
Years in office	-.005	.007	-.005	.007
Income inequality (Gini)	-.031	.017	-.025	.017
Prop'n. voted for incumbent × Help from local official			.157	.153
Prop'n. voted for opposition × Help from local official			.100	.160
Prop'n. help from local official × Help from local official			-.031	.212
President's Ideology Score × Help from local official			.004	.002
Years in office × Help from local official			-.001	.005
Income inequality (Gini) × Help from local official			-.018	.013
Groups		58		58
<i>N</i>		97849		97849
Average AIC		240849		240895
Average Deviance		240691		240685

Notes: This table presents the pooled results of multilevel models analyzing five imputed data sets. The outcome variable for each model is individuals' perceptions of corruption, ranging from 0 (very uncommon) to 3 (very common). In Model 1, the intercept is modeled as a function of national corruption (reverse-coded TI-CPI) and other survey-level covariates, and all other coefficients are fixed. In Model 2, both the intercept and the coefficient for help from a local official are modeled as functions of survey-level covariates.

widespread corruption and bear its costs, poor citizens' support for the government was not affected as much by corruption as wealthy citizens' support. I argued that this is because poor citizens are more susceptible to political mobilization through clientelist exchange.

In this chapter, I extend that argument to explain how poor citizens' welfare becomes tied to the political survival of patrons. Poor citizens rely on government services to help them meet their basic needs. Therefore, when they lose access to these services because of widespread corruption, poor citizens often rely on political patrons to help them gain access to important resources. Because these resources are so important to poor citizens' welfare, they prefer the certainty of on-going, reciprocal relationships with patrons rather than regular rotation of public servants. As a result, poor citizens' support for the government is determined by whether they can access government resources through political patrons, rather than by the level of corruption in society.

Assuming that local officials often act as brokers for the incumbent government in clientelist networks, I provide evidence consistent with the theory that clientelism is more prevalent in corrupt countries and mitigates the negative impact of corruption support for the government. First, I show that poor people are more likely than wealthy ones to turn to local officials for help. I then show that people who ask local officials for help show more support for the government than those who do not, all else equal. Furthermore, I show that this is true in corrupt countries, but not in countries where corruption is uncommon. Focusing on the most corrupt countries in the sample, I then show that it is in poor corrupt countries that getting help from a local official significantly affects a person's support for the government. However, in wealthy corrupt countries, people who get help from a local official do not show significantly more support for the government than those who do not get help. These findings suggest that corruption and poverty create opportunities for local officials to influence citizens' political support, likely through clientelist exchange.

These findings suggest that economic development is an important precondition for democratic institutions to be effective at curbing and deterring political corruption. When elected officials can mobilize political support through targeted, personalistic exchange, then they have little incentive to curb widespread corruption, which they can use to redirect government resources for their own personal benefit or political advantage. However, where populations are wealthier, and people can meet their own needs without relying on access to government resources, elected officials have fewer opportunities to mobilize political support through clientelist exchange.

However, as I will show in the next chapter, economic development does not bolster democratic accountability for corruption if growth only benefits a small segment of society. First of all, uneven economic growth may leave large parts of the population in poverty, and still susceptible to political mobilization through clientelist exchange. Second, income inequality impacts how wealthy citizens respond to corruption. In countries where income is distributed more equally, wealthy citizens show more opposition to government that fail to curb corruption. However, where the distribution of income is very unequal, wealthy citizens' support is impacted less by widespread corruption. I argue that this is because wealthy citizens' political support can also be co-opted by targeted personalistic exchange, and that this is more effective where only a small number of citizens are very wealthy. Therefore, economic development must lift citizens out of poverty and grant them the economic security and independence to provide for their own basic needs and pursue their own economic interests, if democracy is to be an effective foil against corruption.

Chapter 5

Cronyism and Corruption: How Inequality Undermines Accountability

In this chapter, I provide evidence that income inequality undermines democratic accountability for corruption, especially among wealthy citizens. Corruption impacts poor and wealthy citizens differently. As I show in Chapter 3, poor citizens utilize government services to help them meet their basic needs, however they lose access to these services in corrupt countries. Because failing to meet their basic needs is so costly, even life-threatening, poor citizens must find other immediate and reliable ways to meet their basic needs. I argue that poor citizens living in corrupt countries are therefore more susceptible to clientelism, the exchange of material benefits for political support. In Chapter 4, I provide evidence that poor people are more likely than wealthy ones to get help from local officials, who often act as brokers in clientelist networks. I then show that those who get help from local officials show more support for the government in corrupt countries but not in countries where corruption is uncommon. This is consistent with my theory that clientelism undermines democratic accountability for corruption among the poor.

Wealthier citizens, in contrast, can meet their basic needs in private markets, and therefore are less likely to utilize government services to meet their basic needs. Instead, wealthy citizens are more

likely to access government services that are necessary to fulfill the requirements of market entry, such as processing permits or applying for government contracts. As I show in Chapter 3, wealthier citizens are more likely than poor ones to process permits or other documents, especially where corruption is common. Because corruption does not deter wealthy citizens from accessing government services, they are more likely to experience it firsthand. If necessary, wealthy citizens may be able to afford the costs of bribes to gain access to public resources or to expedite bureaucratic processes. However, if corruption is sufficiently costly, it may prove to be an insurmountable barrier to market entry, even for wealthy citizens. Corruption therefore increases the costs of market entry for wealthy citizens, and may even exclude some wealthy citizens from markets. Because corruption imposes economic costs upon wealthy citizens and their political support is not influenced by clientelism, we may expect wealthy citizens to hold elected officials accountable for corruption, even where poor people do not.

However, a small group of wealthy citizens may benefit from limited market entry. High barriers to market entry limit the number of producers in a market, which creates opportunities for non-competitive pricing. Non-competitive pricing requires limited market entry, because, where prices are high, producers face incentives to lower their own prices in order to expand their market share and increase profits (Stigler 1964). However, where the number of producers in a market is small, producers can observe each other's behavior and coordinate on non-competitive prices, a market condition referred to as oligopoly. If the benefits of economic rents are sufficiently high, then a few wealthy citizens may be willing to tolerate the the costs of high barriers that limit market entry, including unofficial costs imposed by corruption. This creates incentives for elected officials to erect high barriers to market entry so that they can use their discretionary control to extract higher bribes, campaign contributions, and other extralegal payments. Scholars have referred to such a system as "crony capitalism" (Haber 2002; Kang 2002).

Crony capitalism may be especially politically advantageous for government officials, because it allows them to capture the political support of wealthy economic elites, whose financial contributions which can significantly advantage a party in competitive elections. However, while high barriers to market entry may benefit a few politically-connected wealthy citizens, these barriers also exclude other potential entrants from the market. Potential entrants who lose access to markets are likely to punish the government for widespread corruption. Therefore, the political benefits of limiting market entry may depend upon the number of entrants that must be excluded. Where only a few potential entrants must be excluded, government officials can benefit their political allies by limiting market entry without losing much additional political support. However, where a large number of citizens have sufficient capital to enter markets, government officials must exclude a large number of potential entrants in order to maintain oligopolistic markets.

Because wealthier citizens have more capital to invest in market entry, the impact of corruption on wealthy citizens' support for the government should vary with the distribution of income. In very unequal countries, wealth is concentrated in the hands of a few citizens, while most other citizens do not have sufficient income for market entry. In these countries, this small group of wealthy citizens is likely to tolerate corruption because they collect economic rents from limited market entry. However, in countries where income is distributed more equally, there should be a larger number of citizens who are wealthy enough to enter these markets. In order to maintain oligopolistic markets, public officials must therefore exclude a larger portion of the population. Because these wealthy citizens face corruption as a barrier to market entry, they are more likely to hold elected officials accountable for it. This implies that corruption will have a greater impact on wealthy citizens' support for the government in more equal countries than it does in very unequal ones. However, while the impact of corruption on wealthy citizens' support for the government

should vary with the distribution of income, income inequality should not affect the impact of corruption on poor people's support.

To test the implications of my theory, I return to data from the Americasbarometer surveys collected from 2004 to 2010. I begin by discussing barriers to market entry in Latin America and how those barriers have allowed a few producers to consolidate oligopolistic control over markets in that region. I then discuss income inequality in the region and how it relates to the distribution of individuals' self-reported incomes in the sample. After this discussion, I turn to an analysis of how the impact of corruption on citizens' support for the government varies with their household income and the distribution of income in their country. I begin by discussing why focusing on individuals' perceptions of corruption is the best way to estimate the impact of corruption on their support for the government in this analysis. I then explore the impact of individuals' perceptions of corruption on their support for the government. I show that the impact of corruption on citizens' support for the government varies with the distribution of income in their country and that this is concentrated among wealthy citizens. Corruption has a stronger negative impact on wealthy citizens' support for the government in countries where income is distributed more equally than it does in very unequal countries. However, the impact of corruption on poor people's support for the government does not vary significantly with the distribution of income. I conclude by discussing how this is likely to impact democratic accountability for corruption.

5.1 Barriers to Entry and Oligopoly in Latin America

Corruption is more common where there are high barriers to market entry (Djankov et al. 2002). High official barriers create opportunities for public officials to use their discretionary control over the requirements of market entry to extract bribes and other extralegal payments. Wealthy

citizens, who have enough income to save and invest, often experience corruption as an added cost and barrier to market entry. Potential market entrants may have to pay bribes to gain access to important resources like licenses, contracts, and assets or to expedite bureaucratic processes. However, even citizens who can afford the official costs of opening a business may not be able to surmount the additional, unofficial costs of corruption. Corruption therefore not only increases the costs of market entry, but also adds to uncertainty about costs and access to resources, which deters investment (Campos, Lien and Pradhan 1999).

Some wealthy citizens may tolerate corruption, if they benefit from the barriers it erects to market entry. Certainly, corruption imposes economic costs on the wealthy. However, corruption also increases the costs to other potential market entrants, thereby erecting barriers to entry. These barriers limit the number of producers who can enter a market, allowing those within the market to collude and set non-competitive prices. Wealthy citizens may prefer to have oligopolistic control over a market without having to pay expensive bribes or campaign contributions, but if the economic rents they gain outweigh the costs of corruption, they may be willing to tolerate corruption in exchange for access to limited markets.

Latin America has some of the highest barriers to market entry in the world, despite decades of economic liberalization. Figure 5.1 shows the number of procedures an entrepreneur must complete, how much time it takes, and how much it costs to start a business in Latin America compared to countries in the Organization for Economic Cooperation and Development (OECD), Central and Eastern Europe (CEE), and the rest of the world.⁴⁷ Data collected by the World Bank's *Doing Business Project* show that, despite reforms in the past two decades, starting a new business in Latin America remains bound up in time-consuming and costly red tape.

⁴⁷All data and measures come from the World Bank's *Doing Business Project*. To measure start-up procedures, time, and costs, Djankov et al. (2002) use official documents to record all procedures required of an entrepreneur to obtain all necessary permits and to notify and file with all requisite authorities, official number of days procedures take from start to finish, and all official expenses.

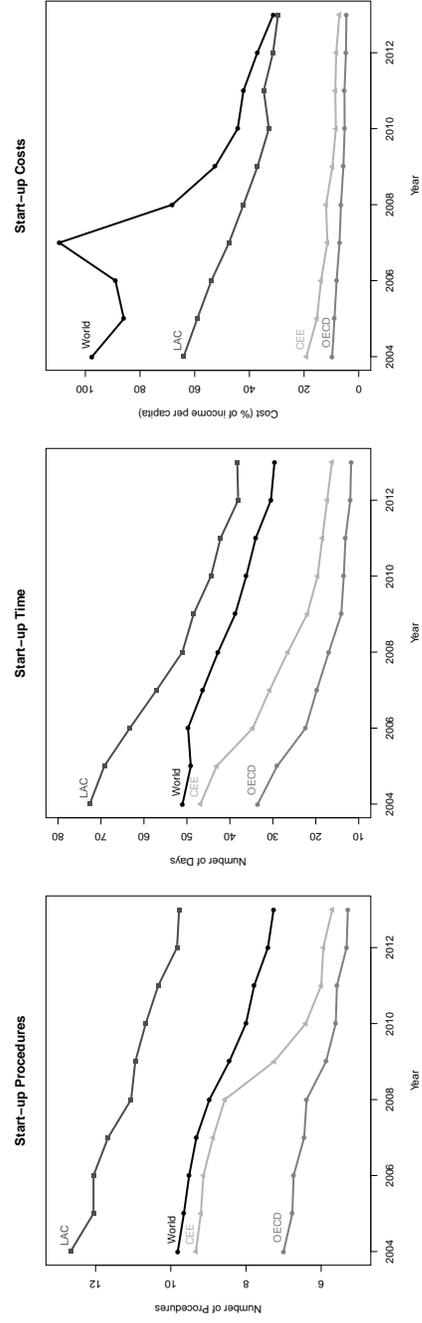


Figure 5.1: Barriers to Entry in Latin America and Around the World

Notes: All data and measures come from the World Bank's *Doing Business Project*. The data include all official start-up procedures, official number of days the procedures take from start to finish, and all official expenses. It does not include unofficial expenses such as the cost of gathering information or informal payments such as bribes. For more information see World Bank (2013).

Entrepreneurs in Latin America must complete more procedures to start a new business than those in the rest of the world, on average. Even though the number of procedures Latin American entrepreneurs must complete to start a business has decreased over the past decade, they still must complete roughly twice as many procedures as entrepreneurs in the OECD or CEE countries. In contrast, the number of procedures that entrepreneurs in the CEE countries must complete to start a business has fallen by almost half, and is now at levels comparable to the OECD.

The amount of time it takes and the cost of fulfilling these procedures is also much higher in Latin America. The number of days it takes an entrepreneur to start a business in Latin America has fallen from more than seventy to about forty since 2004. However, as of 2010, it still Latin American entrepreneurs more than forty days to complete all of the official procedures necessary to start a new business. In contrast, in the OECD countries, it only took entrepreneurs about two weeks to start a business and, in the CEE countries, it only took about twenty days. In Latin America, the cost of starting a new business also fell from more than sixty-percent of GDP per capita to roughly forty-percent. However, these costs would still prohibit many Latin Americans from starting a new business. In contrast, the cost of official procedures in the OECD and CEE countries remained under twenty-percent of GDP per capita from 2004 to 2010. Thus, official barriers to market entry are high in Latin America, even before we take into account the added cost of corruption.

High barriers to entry in Latin America have created opportunities for producers to gain oligopolistic control over markets in several industries. Here I discuss the persistence of oligopolies in three major industries in Latin America; broadcast media, telecommunications, and banking. These oligopolies have created opportunities for collusion between political and economic elites and have had serious welfare consequences for Latin Americans. However, the

incredible economic power of oligopolists continues to reinforce their political influence, making reform in these industries unlikely.

Broadcast media is a highly-concentrated industry in Latin America, with a few firms covering most of the viewership in most countries (Boas 2012; Mastrini and Becerra 2011). Many broadcast media firms are not publicly-owned, but rather controlled by a single family or individual (Boas 2012). This narrows the set of people with interests in the industry and facilitates collusion between politicians and wealthy media moguls. Historically, such collusion has favored conservative governments, who have received favorable media coverage and protected the interests of economic elites (Boas 2012; Waisbord 2008).

However, in recent years, the rise of populist and center-left politicians in several Latin American countries has led to conflict between the government and commercial media (Boas 2012). In some countries, this conflict has culminated in legal and policy action against the commercial media (Fox and Waisbord 2002). For example, governments in Bolivia and Venezuela have pursued legal action against private media firms and rely increasingly on state media to promote their messages (Boas 2012; Hawkins 2003). In Argentina, President Cristina Fernández de Kirchner has favored friendly media firms with state advertising spending in order to punish opposition firms (Waisbord 2010). This has led to a highly-polarized media environment in several Latin American countries, which undermines the quality of media coverage during elections. Throughout Latin America, high market concentration in broadcast media has led to the manipulation of laws and policies to reward friendly news media and punish opposition media.

The privatization of telecommunications and utilities since the late-1980s has also created several opportunities for private investors to establish oligopolistic control over these industries. In several Latin American countries, economic and fiscal crises forced governments to sell state-controlled telecommunications firms quickly in exchanges that were highly-favorable to

investors. A prime example is the Mexican telecommunications industry, where TELMEX was able to retain near-monopoly control over local, cellular, and long-distance telephony. When TELMEX was privatized in 1990, it was sold as a vertically-integrated firm with control over much of Mexico's telecommunications industry and with short-term monopoly rights over certain segments of the market in order to increase its value to investors (Mariscal 2004; Noll 2009). While laws against monopoly were eventually put in place, the Mexican government lacked the institutional capacity to enforce such regulations and TELMEX faced no real competition (del Villar 2009; Noll 2009). TELMEX was able to use its widespread control over the local telephony market in Mexico to gain national control over cellular telephony in the country (Mariscal 2004). The dominance of TELMEX in the Mexican telecommunications market has led to low penetration and high prices for consumers (Mariscal 2004). Its dominance in the Mexican market also allowed TELMEX to expand its regional market control (Mariscal and Rivera 2006). Ninety-percent of the Latin American mobile market is now controlled by TELMEX and Telefonica, a Spanish telecommunications firm (Mariscal and Rivera 2006). Especially with the important role of mobile telephony in developing countries, this duopoly raises concerns about penetration and pricing in the Latin American telecommunications market.

Banking has also long been a highly-concentrated industry in Latin America. According to data collected by the World Bank, a majority of the banking market was controlled by the three largest banks in all but two of the eighteen countries in the sample in 2010 (Cihak et al. 2012). Still, the three largest banks in Paraguay controlled almost half of the market (49.5%) and controlled over a third of the market in Argentina (33.5%). In four countries, the top three banks control more than two-thirds of the market; Venezuela (67.0%), Nicaragua (71.9%), Dominican Republic (72.1%), and Peru (82.7%).

Though recent reforms have opened the Latin American banking markets to foreign competition, the region has simultaneously experienced high rates of consolidation that have led to increased market concentration (Martinez Peria and Mody 2004). In fact, while foreign banks offer lower spreads and have lower costs than domestic banks in Latin America, foreign bank participation did not demonstrate spillover effects on bank spreads in the rest of the market. Furthermore, foreign entry may lead to greater consolidation, and therefore higher market concentration, which increases bank margins and spreads (Berger et al. 2004; Demirguc-Kunt, Laeven and Levine 2004; Martinez Peria and Mody 2004). The result is higher costs for consumers and less access to credit (Clarke, Cull and Martinez Peria 2002; Haber 2009; Haber and Musacchio 2005). Limited access to private credit is yet another barrier to market entry in a system that is already stacked against potential entrepreneurs who lack political connections.

Higher barriers to market entry are likely to reinforce pervasive inequality in the region. Wealthy citizens with access to limited markets are able to collect economic rents through non-competitive pricing. Barriers to entry help secure these rents, and thereby their wealth. High barriers to entry also often contribute to widespread corruption, as public officials use their discretionary control over market entry to extract bribes and other extralegal payments. However, wealthy citizens may tolerate corruption as long as its costs are outweighed by the economic rents they accrue from oligopolistic control over markets.

5.2 Income Inequality in Latin America

I argue that vast income inequality has contributed to the persistence of corruption in Latin America, because it undermines wealthy citizens' propensity to hold their elected officials democratically accountable. I measure income inequality with Gini coefficients from the

Standardized World Income Inequality Database (SWIID) estimated by Solt (2009).⁴⁸ While inequality is high in Latin America, the sample represents more than two standard deviations in the global distribution of Gini coefficients from 2004 to 2010, with a minimum Gini coefficient of 39.5 in Venezuela in 2010 and a maximum of 55.0 in Guatemala in 2006. As a result, the average Gini coefficient for the sample (48.8) is only slightly higher than the global average (44.4). Both Venezuela and Argentina have Gini coefficients that are consistently below the global mean from 2004 to 2010, while Honduras, Guatemala, Bolivia, and Brazil have Gini coefficients more than one standard deviation above the global mean.

Unfortunately, despite the breadth of countries and years included in SWIID, Gini coefficients are missing for about a third of the sample. Most of the missing data is from 2010. However, for Bolivia and Guatemala data is missing since 2008, and for Nicaragua, data is missing since 2006. Fortunately, SWIID includes Gini coefficients going back to the 1960's. Income inequality tends to follow clear trends over time, and does not change greatly over short periods. It is also closely related to several other national-level variables, such as economic development, corruption, and the poverty rate. Therefore, to deal with the problem of missing data, I imputed Gini coefficients for missing country-years using multiple imputation with time-trends that varied by country from 1995 to 2004. There are no missing Gini coefficients for any of the eighteen countries in the sample from 1995 to 2004, so time trends are strong predictors of later Gini coefficients. I also include several other national-level covariates such as economic development (GDP per capita, mortality rate, and number of people living in urban areas), economic growth (change in GDP per capita), corruption (TI-CPI), democracy (Freedom House and Polity IV), international trade, and international aid.

⁴⁸Solt (2009) harmonizes Gini coefficients calculated from disparate data sources using a custom missing-data algorithm to improve comparability across countries and over time. The Gini coefficient takes on a theoretical range from zero, indicating perfect equality (each reference unit receives the same income), to one, indicating perfect inequality (one reference unit receives all the income and the rest receive none).

Table 5.1: Estimated and Imputed Gini Coefficients

Country	2004	2006	2008	2010	2010 Mean	2010 SD	2010 Min	2010 Max
Argentina	48.4	46.0	44.2	43.3	NA	NA	NA	NA
Bolivia	54.6	52.9	--	--	54.3	1.95	52.1	56.9
Brazil	53.6	52.9	51.6	--	51.7	1.69	49.0	53.2
Chile	51.3	50.1	50.6	--	50.1	1.27	49.0	51.6
Colombia	51.2	52.7	52.6	--	51.1	1.46	49.7	53.1
Costa Rica	46.5	46.3	46.8	--	44.6	1.82	42.4	47.3
Dominican Republic	49.5	48.8	47.4	--	47.4	1.32	46.3	49.5
Ecuador	52.8	51.0	48.3	--	48.9	1.01	47.6	50.3
El Salvador	46.8	45.5	44.8	--	47.1	1.46	45.1	48.8
Guatemala	55.0	54.6	--	--	53.5	.80	53.6	54.4
Honduras	53.5	54.2	54.0	--	51.9	1.58	49.9	53.8
Mexico	47.6	47.2	46.6	45.2	NA	NA	NA	NA
Nicaragua	51.2	--	--	--	52.8	3.36	47.9	56.0
Panama	52.1	51.0	50.3	--	49.8	1.28	48.6	51.7
Paraguay	52.5	50.9	49.9	--	49.8	1.20	47.9	50.9
Peru	48.9	47.6	47.3	--	46.6	.48	46.1	47.2
Uruguay	42.5	42.9	42.9	--	41.4	.96	40.0	42.4
Venezuela	44.8	42.1	39.9	39.5	NA	NA	NA	NA

Notes: Estimated Gini coefficients from the Standardized World Income Inequality Database (SWIID). The table shows which Gini coefficients are missing and the mean, standard deviation, minimum, and maximum of the Gini coefficients for 2010 from five imputed data sets. Imputation utilized time trends and several other country-year variables.

Descriptive statistics of the results of the imputation model for 2010 are presented in Table 5.1, along with Gini coefficients for each year in the sample. For most of the countries in the sample, the imputation model appears to be rather accurate. The average Gini coefficient from the five datasets produced by the imputation model is close to those from previous years for most of the countries in my model, as are the maximum and minimum value. The standard deviation is also small for most countries. However, for Nicaragua, for which I am missing the most data, the standard deviation for the Gini coefficients estimated by my imputation model is greater than three. While this introduces some extra variation in the sample, it is accounted for in the standard errors, after I pool the results of the models from each of the five imputed datasets.

5.3 The Distribution of Income in Latin America

The distribution of income in the eighteen Latin American countries in the sample reflects the level of income inequality in each country. In all four waves of the Americasbarometer surveys, respondents were asked to place themselves in a quantile of the national income distribution.⁴⁹ The quantiles were based on previous data on the distribution of household income in each country and remained the same from 2004 to 2010 (Cordova 2008). Quantiles were used to increase response rate by offering respondents greater privacy. Respondents also chose the quantile anonymously during the survey interview.

One challenge to using this measure, however, is the comparability of respondents' household incomes across surveys. In most surveys, the income distribution was broken into deciles.

However, while being in the fifth decile in Chile may represent a middle class income, the fifth

⁴⁹Q10. Into which of the following income ranges does the total monthly income of this household fit, including remittances from abroad and the income of all working adults and children?

decile in Bolivia may represent a far lower income. This is less problematic when considering the average effect of moving up a quantile in the income distribution, especially when this effect is allowed to vary across surveys. However, while most surveys broke the income distribution into deciles, some used more or fewer quantiles, further complicating comparability. In order to overcome this issue of comparability, I standardized respondents' placement in the income distribution, centering the distribution on the survey mean, so that a unit change represents moving a standard deviation in that country's income distribution. This increases the comparability of household income across surveys, while controlling for between-survey variance by setting the country means to zero (Enders and Tofghi 2007).

Income inequality across the eighteen countries in the sample is largely reflected by respondents' self-placements in their country's income distribution. Figure 5.2 plots the proportion of very wealthy, moderately wealthy, middle-income, and poor respondents in a country from 2004 to 2010 relative to the average Gini coefficient for each country during that period. Each plot includes a line representing the intercept and slope from a bivariate regression of the proportion of people in each income group on income inequality (Gini coefficient). There are significantly more very wealthy people, with an income more than two standard deviations above their country's mean, in unequal countries than there are in countries where income is distributed more equally. However, there are significantly fewer moderately wealthy people, with an income that is more than one but less than two standard deviations above their country's mean. For example, in Guatemala, a very unequal country, more than six-percent of respondents placed their household income in a quantile more than two standard deviations above the mean, but only about fifteen-percent placed themselves in a quantile more than one standard deviation above the mean. In contrast, in Uruguay, where income is distributed relatively equally, just over three-percent of respondents placed themselves in a quantile more than two standard deviations above the mean, but more than twenty-percent placed their household income more than one standard deviation

above the mean. There is no significant relationship between income inequality and the number of people who are middle-income (with an income within one standard deviation of the mean) or poor (with an income more than one standard deviation below the mean). This suggests that the Gini coefficient is mostly capturing variation in the proportion of wealthy people in each country in the sample.

This is consistent with my theory. In very unequal countries, there are more people who have an income well above the country's mean who may benefit from limited market entry, but few moderately wealthy people who are excluded by high barriers to market entry. In these countries, a small group of very wealthy citizens should tolerate corruption, as long as its costs are outweighed by the economic rents they gain from limited market entry. In contrast, in countries where income is distributed more equally, there are more people who are at least moderately wealthy. Therefore, for many wealthy citizens, corruption is only an added cost and barrier to market entry. The government is left with two choices. The government may maintain high barriers to market entry, benefiting their political allies, while excluding other potential entrants from the market. In this case, wealthy citizens are likely to punish elected officials for corruption. Alternatively, the government may choose to eliminate high barriers to market entry and curb corruption. If the government eliminates high barriers to market entry, then they will relinquish the political advantages of benefiting their wealthy cronies, but will enjoy wider political support. So, while corruption should have little impact on wealthy people's support for the government in very unequal countries, it should have a larger impact on their support for the government in countries where income is distributed more equally.

Below, I provide evidence that income inequality undermines democratic accountability for corruption in Latin America. With data from fifty-eight Americasbarometer surveys, I consider how the impact of corruption on an individual's support for the government varies with their

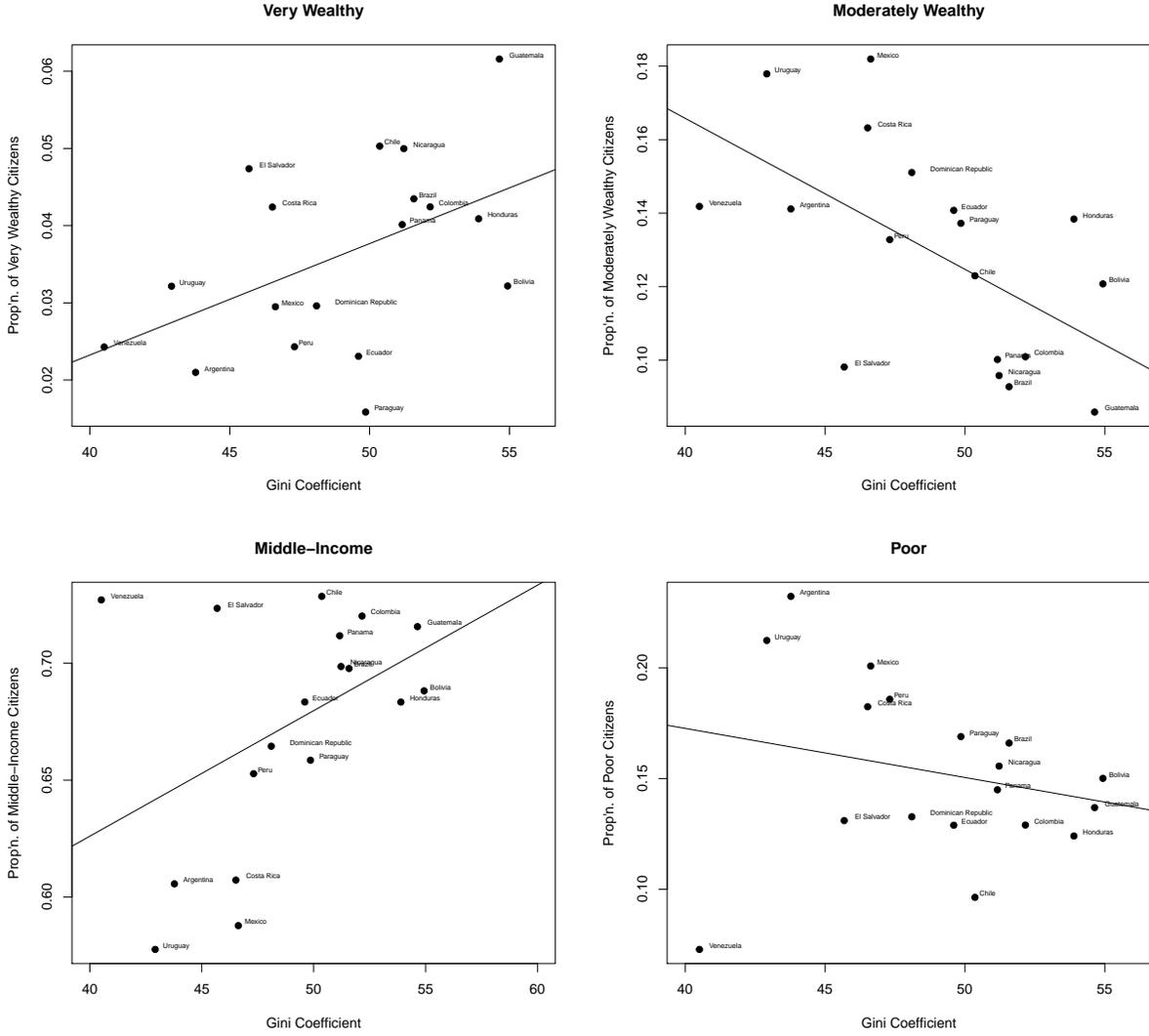


Figure 5.2: Income Inequality and the Distribution of Household Incomes

Notes: Each plot compares a country’s average Gini coefficient from 2004 to 2010 to the proportion of citizens who reported their household income within the specified range in that period. Citizens are “very wealthy” if their household income is more than two standard deviations above the mean quantile for their country, “moderately wealthy” if their income is one to two standard deviations above the mean, “middle-income” if their income is within one standard deviation of the mean, and “poor” if their income is more than one standard deviation below the mean. Regressions lines are from bivariate regression.

Sources: Gini coefficients are from the Standardized World Income Inequality Database (SWIID). Household income data are from the 2004-2010 Amercasbarometer surveys.

household income and the distribution of income in their country. All else equal, corruption impacts wealthy citizens' support for the government more than poor citizens' support. However, in highly unequal countries, where wealth is concentrated in a few hands, corruption has less impact on wealthy citizens' support for the government. It is only in countries where wealth is distributed relatively equally, that corruption has a stronger impact on wealthy citizens' support for the government than it does on poor citizens' support.

5.4 Corruption Perceptions in Latin America

Corruption is widespread in Latin America, and affects all citizens, but people experience it differently depending on their income. As I show in Chapter 3, widespread corruption tends to deter poor people from accessing government services. This is costly for the poor, who often rely on government services to help them meet their basic needs. In contrast, corruption does not deter wealthy citizens from accessing government services. As a result, wealthy citizens experience significantly more incidents of corruption than poor ones.

This difference in how poor and wealthy citizens experience corruption may affect their beliefs about how widespread corruption is in their country. Both poor and wealthy citizens appear to be aware of widespread corruption in their countries. Pervasive corruption, after all, deters poor citizens from accessing government services, which suggests that they know to avoid bureaucracies in corrupt countries. However, because wealthy citizens have more firsthand experience with corruption, they may be more aware that corruption is a problem in their country. Before moving forward, I explore whether individuals' perceptions of corruption vary with their household income. If they do, then, for the sake of this chapter, it is more fruitful to focus on how

individuals' perceptions of corruption impact their support for the government, rather than how corruption at the national level affects their political support.

Consistent with persistently high levels of corruption in the region, Latin Americans tend to believe that corruption is common among their public officials. In each of the Americasbarometer surveys, respondents were asked, whether from their own experience or what they had heard, corruption is common among public officials in their country.⁵⁰ Figure 5.3 presents respondents' perceptions of corruption in each of the eighteen countries in the sample from 2004 to 2010. About four out of five Latin Americans say that corruption is either common or very common among public officials in their country. In most countries, a plurality of respondents say that corruption is very common. However, in a few countries, like Uruguay and Chile, about as many respondents say that corruption is uncommon as say that it is very common.

Table 5.2 presents the results of two models estimating the impact of household income and national corruption on individuals' perceptions of corruption.⁵¹ Both are multilevel models that allow me to account for variation in individuals' perceptions of corruption within and across countries. Model 1 estimates the direct effects of household income and national corruption on individuals' beliefs about how common corruption among public officials in their country. The intercept is therefore modeled as a function of national corruption and several other survey-level variables, while all other coefficients, including the coefficient for household income, are fixed.⁵²

⁵⁰EXC7. Taking into account your own experience or what you have heard, corruption among public officials is very common, common, uncommon, or very uncommon?

⁵¹Each model includes several statistical controls at both the individual and survey level. At the individual level, I include several demographic controls that may impact both an individual's income and perceptions of corruption, including sex, age, education, and whether they live in an urban or rural environment. I also include whether an individual voted for the incumbent, opposition, or did not vote (baseline) in the previous election. At the survey level, I control for the proportion of people who voted for the incumbent, as well as the proportion of people who voted for the opposition. I also control for the president's ideology and how long the president has been in office, which may impact whether a person believes the government is corrupt. Furthermore, popular and recently elected governments may be perceived as less corrupt, especially among their supporters.

⁵²The functional form of the model is

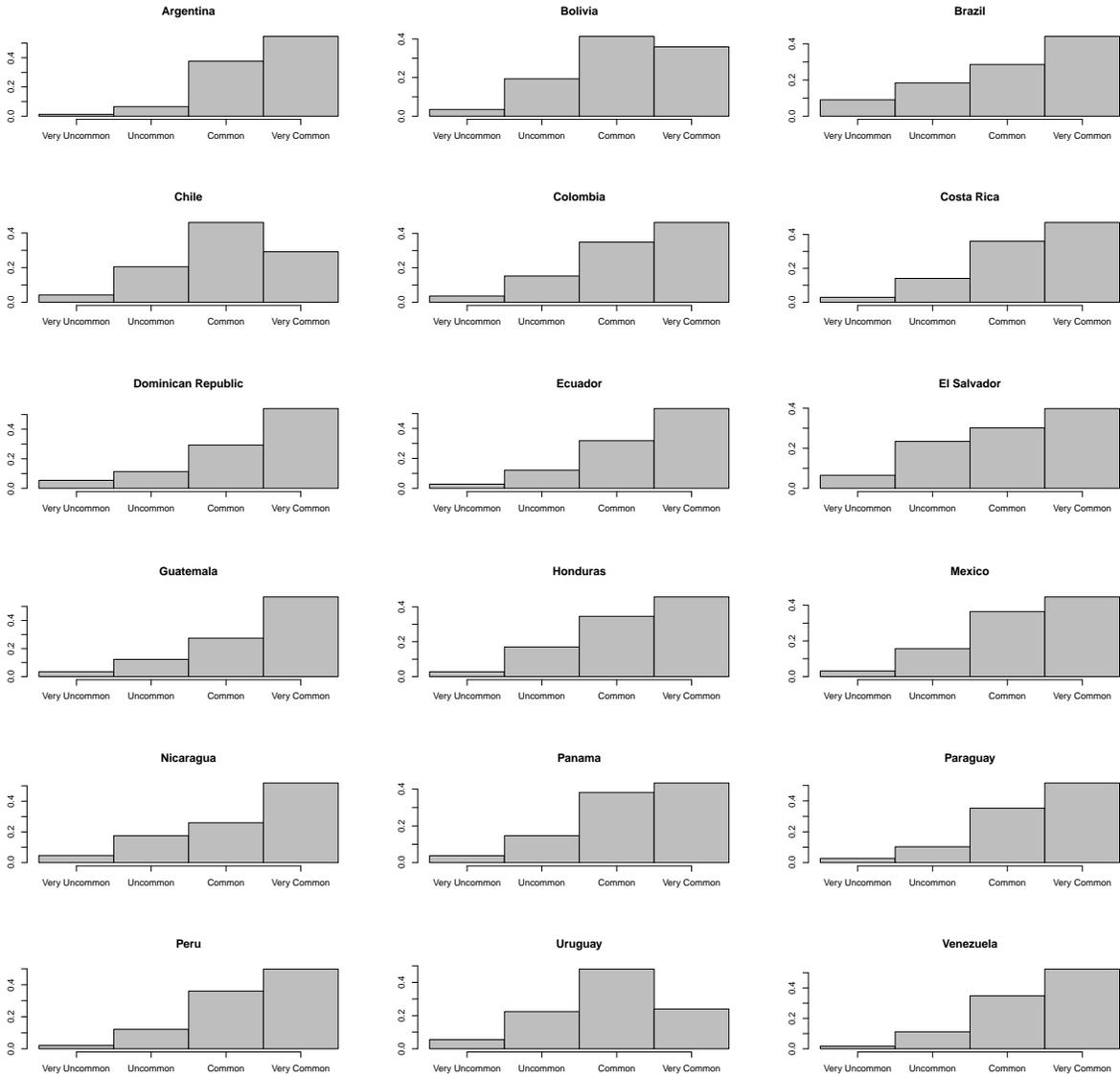


Figure 5.3: Distribution of Corruption Perceptions in Each Country

Both an individual's income and the level of corruption in her country have significant effects on her beliefs about corruption. People living in countries that are more corrupt, according to Transparency International, believe that corruption is more common. Wealthier people also believe that corruption is significantly more common than poor people, all else equal.

Several other variables also impact citizens' beliefs about how widespread corruption is in their country. Men believe that corruption is more common than women do, and those living in urban areas believe that corruption is more common than those living in rural areas. Older and more educated people also believe that corruption is more common. Individuals who voted for a candidate other than the incumbent in the previous presidential election believe that corruption is more common than those who did not vote, but those who voted for the incumbent do not believe that corruption is any more or less common. Those living in countries where more people voted in the previous election, whether for or against the incumbent, tend to believe that corruption is less common. Neither the president's ideology nor the number of years the president served in office influence individuals' perceptions of corruption.

Model 2 allows the impact of an individual's household income on her perceptions of corruption to vary with the level of corruption in her country, as measured by Transparency International. In this model, both the intercept and the coefficient describing the effect of household income on an individual's perceptions of corruption are modeled as functions of national corruption and other survey-level variables. All other coefficients are fixed.⁵³ This can be interpreted as a cross-level

$$\text{perceived corruption}_i = \alpha_j + \beta \text{household income}_i + \mathbf{B}X_i + \epsilon_i$$

$$\alpha_j = \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \Gamma^\alpha U_j + \eta_j^\alpha$$

The intercept α_j is modeled as a function of national-level corruption and other survey-level covariates, including the president's ideology, the number of years the president has been in office, and the proportion of people who voted for the current president and the proportion that voted for some candidate other than the president. The coefficient on household income β and all other coefficients B on individual-level controls X_i are fixed.

⁵³The functional form of the model is

Table 5.2: Corruption Perceptions across Income Groups

	Model 1	s.e.	Model 2	s.e.
Intercept	2.067	.167	2.081	.166
Household income	.020	.003	.024	.068
National Corruption	.078	.012	.077	.012
National corruption × Household income			.012	.005
Voted for incumbent	-.007	.007	-.007	.007
Voted for opposition	.051	.007	.050	.007
Female	-.032	.006	-.033	.006
Urban	.059	.006	.055	.007
Age	.036	.002	.035	.002
Education	.018	.001	.017	.001
Prop'n. voted for incumbent	-.673	.214	-.677	.213
Prop'n. voted for opposition	-.505	.209	-.510	.207
Presidential Ideology	.002	.003	.002	.003
Years in office	.000	.007	.001	.007
Prop'n voted for incumbent × Household income			-.117	.088
Prop'n voted for opposition × Household income			-.096	.088
Presidential ideology × Household income			.002	.001
Years in office × Household income			.002	.003
Groups		58		58
<i>N</i>		97849		97849
Average AIC		240858		240696
Average Deviance		240717		240495

Notes: This table presents the pooled results of multilevel models analyzing five imputed data sets. The outcome variable for each model is individuals' perceptions of corruption, ranging from 0 (very uncommon) to 3 (very common). In Model 1, the intercept is modeled as a function of national corruption (reverse-coded TI-CPI) and other survey-level covariates, and all other coefficients are fixed. In Model 2, both the intercept and the coefficient for household income are modeled as functions of survey-level covariates.

interaction between household income and national corruption, in which the marginal effect of an individual's income on her perceptions of corruption varies with the level of corruption in her country. The baseline coefficient for household income is not significant, indicating that there is no significant difference between poor and wealthy citizens' perceptions of corruption in countries where corruption is uncommon. However, the interaction coefficient is positive and significant, indicating that, where corruption is widespread, there is a larger gap between poor and wealthy citizens' perceptions of corruption. The impact of an individual's household income on her beliefs about corruption does not vary significantly with any other survey-level covariates.

Figure 5.4 shows how the effect of an individual's income on her beliefs about corruption varies with the level of corruption in her country. The left panel plots the marginal effect of an individual's household income on her beliefs about corruption across countries. In countries like Chile and Uruguay, where corruption is relatively uncommon, there is no significant difference between poor and wealthy citizens' perceptions of corruption. However, in countries where corruption is more pervasive, wealthier citizens do believe that corruption is significantly more common than poor citizens do. This varies somewhat widely across countries. In most corrupt countries, wealthier citizens believe that corruption is more common than poor ones. This is especially true in a few countries like El Salvador and Colombia. However, in other countries where corruption is pervasive, such as Argentina, there is little difference in poor and wealthy citizens' perceptions of corruption. In still others, such as Panama since 2008, poor people tend to believe that corruption is more common than wealthy citizens do.

$$\text{perceived corruption}_i = \alpha_j + \beta_j \text{household income}_i + \mathbf{B}X_i + \epsilon_i$$

$$\alpha_j = \gamma_0^\alpha + \gamma_1^\alpha \text{national corruption}_j + \Gamma^\beta U_j + \eta_j^\alpha$$

$$\beta_j = \gamma_0^\beta + \gamma_1^\beta \text{national corruption}_j + \Gamma^\beta U_j + \eta_j^\beta$$

The intercept α_j and the coefficient on household income β_j are modeled as a function of national-level corruption and other survey-level covariates. All other coefficients B on individual-level controls X_i are fixed.

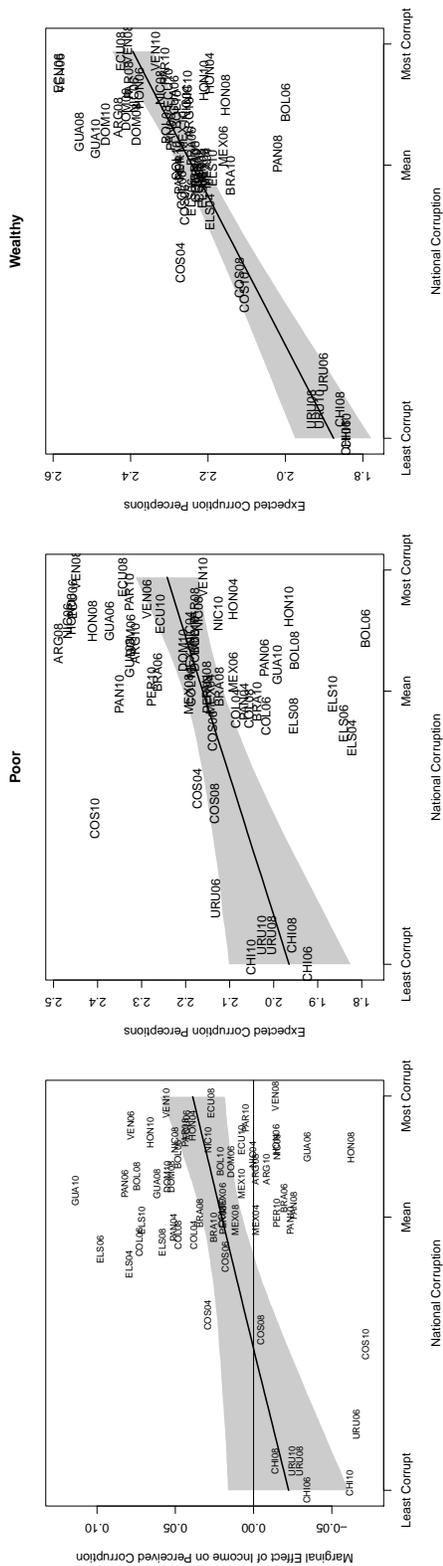


Figure 5.4: Effect of Income on Corruption Perceptions

Notes: The plots in this figure show how the effect of an individual's household income on her perceptions of corruption vary with corruption measured at the national level by Transparency International's Corruption Perceptions Index (reverse-coded to increase with corruption). The left panel plots the estimated marginal effect of household income on an individual's perceptions of corruption at different levels of national corruption. A unit increase in household income represents moving one standard deviation in a country's income distribution. The center panel plots the expected value of perceived corruption for a poor person, with a self-reported household income two standard deviations below the survey mean, and the right panel plots the expected value of perceived corruption for a wealthy person, with a household income two standard deviations above the survey mean.

The center and right panels of Figure 5.4 plot people's expected beliefs about corruption based on their household income and the level of corruption in their country, as measured by Transparency International.⁵⁴ Again, in countries where corruption is uncommon, like Chile and Uruguay, there is no significant difference between poor and wealthy citizens' perceptions of corruption.

However, poor and wealthy citizens' perceptions of corruption diverge as the level of corruption in their country increases, with wealthy people reporting that corruption is more common than poor ones, on average. Furthermore, wealthy people's perceptions of corruption appear to reflect national-level measures of corruption much more closely than poor people's perceptions of corruption. In some countries where corruption is common according to Transparency International, such as El Salvador and Bolivia, poor citizens do not appear to believe that corruption is very common. In others, such as Mexico, Brazil, and the Dominican Republic, poor people's perceptions of corruption reflect national-level measures much more closely. In contrast, wealthy citizens' perceptions of corruption tend to track national-level measures much more closely with much less variance across corrupt countries. Nonetheless, people's perceptions of corruption do tend to vary with national-level measures of corruption, regardless of their income.

These results suggest that it may be important to focus upon individuals' perceptions of corruption, rather than national-level measures of corruption, to determine the impact of corruption on support for the government. As I have noted, poor people's perceptions of corruption tend to vary more across countries and do not reflect national-level measures of corruption as closely. In contrast, wealthy citizens' perceptions of corruption appear to be explained mostly by national-level measures of corruption. This may reflect differences in how individuals experience corruption and how it impacts their welfare. By focusing on citizens' individual perceptions of corruption, rather than corruption at the national level, I can make

⁵⁴Here, and throughout this chapter, I compare the very poor, with an income two standard deviations *below* their country's mean, with the very wealthy, with an income two standard deviations *above* their country's mean.

inferences about the impact of corruption on citizens' support for the government without being concerned that this is an artifact of wealthier citizens' higher perceptions of corruption.

Focusing on individuals' perceptions of corruption is also preferable to considering their experiences with corruption, since corruption can negatively impact people's welfare even if they do not experience it firsthand. As I show in Chapter 3, poor people experience significantly fewer incidents of corruption than wealthy people, because poor people access significantly fewer government services in corrupt countries. Corruption therefore imposes costs upon the poor by limiting their access to public resources, not by increasing the number of incidents of corruption they experience. This may happen because widespread corruption deters poor citizens from accessing government services, or resources that are intended for the poor may be embezzled by bureaucratic officials. It may also be the case that, in corrupt countries, fewer resources go to services for the poor because of corruption at higher levels of the government. Corruption can negatively affect citizens' welfare in any of these ways, which are not captured by their personal experiences with corruption. Therefore, to truly measure the impact of corruption on a person's support for the government, it is better to consider their perceptions of corruption.

Considering the impact of individuals' perceptions of corruption on their support for the government does present some challenges to causal inference. First of all, individuals' perceptions of corruption may be endogenous to their support for the government. That is, individuals who disapprove of the government may say that government officials are corrupt. However, as I show below, the relationship between an individuals' perceptions of corruption and her support for the government varies with both her household income and the distribution of income in her country. If citizens' support for the government informs their perceptions of corruption, then we must be able to explain why support for the government has less impact on a person's perceptions of corruption in unequal countries than it does in more equal ones and why

this is concentrated among wealthier citizens. There is no apparent reason why wealthy citizens who disapprove of the government in relatively equal countries should claim that the government is more corrupt than those who disapprove of the government in very unequal countries. It seems more feasible that their perceptions of corruption are informing their support for the government. If citizens' support for the government does inform their perceptions of corruption, this is likely to occur uniformly across countries, thereby increasing the relationship between corruption and government approval across the countries in the sample. This would actually suppress the relationship I have hypothesized, leading me to underestimate it.

Second, individuals' responses to questions about corruption may be biased by their concerns about social desirability. In particular, people who benefit from corruption may face incentives to hide their support for a government that fails to curb it. If people who benefit from corruption lie about their support for the government, then this should strengthen the negative relationship between perceived corruption and government approval. This should have no impact on the relationships I observe if the beneficiaries of corruption are distributed equally across countries, regardless of the level of inequality. However, if I am correct, and wealthy citizens benefit more from corruption in unequal countries, then social desirability bias should suppress the hypothesized effect. Wealthy citizens in unequal countries, who benefit from corruption, should report that they disapprove of corrupt governments, leading to a stronger negative relationship between perceived corruption and government approval in those countries. Citizens in more equal countries, who do not benefit from corruption, should report honestly that they oppose corrupt governments. As a result, social desirability should drive the effect of perceived corruption on government approval to vary less with the distribution of income. Therefore, if I observe any evidence that the impact of corruption on support for the government varies with inequality, this could be indicative of an even larger effect that is suppressed by respondents' concerns about social desirability.

Corruption is widespread in Latin America, and citizens are aware of it. Citizens' perceptions of corruption vary with the level of corruption in their country, as it is measured by Transparency International. However, wealthier citizens tend to believe that corruption is more common in their country than poor people do, and poor people's perceptions of corruption vary widely across corrupt countries. Therefore, for the sake of this analysis, focusing on individuals' own perceptions of corruption is preferable to considering national-level corruption. This allows me to estimate the impact of corruption on individuals' support for the government without worrying about heterogeneity in people's perceptions of corruption within countries. Considering people's perceptions of corruption may raise concerns about endogeneity or social desirability, but such issues are likely to suppress the relationships I hypothesize.

5.5 Inequality and Democratic Accountability for Corruption

Table 5.3 presents the results of four models predicting the impact of corruption on government approval and whether it varies with individuals' household incomes and the distribution of income in society.⁵⁵ Model 1 estimates the direct effect of an individual's perceptions of corruption on her support for the government. In this model, the coefficient describing the effect of corruption on support for the government is fixed and does not vary at the survey level. The model does, however, include a modeled intercept, which allows me to estimate the direct effect

⁵⁵I include a number of individual- and survey-level control variables that may be related to my outcome and cause variation in my predictors of interest. I include a range of demographic variables, sex, age, education, and whether a person lives in an urban or rural area, that may account for their household income and their perceptions of corruption. I also control for a person's past voting behavior; whether in the past presidential election they voted for the incumbent, another candidate, or abstained or spoiled their ballot (baseline). Supporting or opposing the incumbent in the past may impact both a person's support for the government and their perceptions of corruption. At the survey-level, I control for the proportion of people who voted for the incumbent or another candidate in the previous election, average corruption perceptions, the president's ideology, as measured by Baker and Green (2011), and the number of years the president has been in office. Each of these survey-level variables could affect an individuals' perceptions of corruption as well as her support for the government.

of income inequality on a person's support for the government.⁵⁶ As expected, citizens who believe that corruption is common among government officials show less support for the government than those who believe it is less common. Wealthier citizens show slightly more support for the government than poor citizens, but income inequality does not have a significant effect on citizens' support for the government.

Several other variables also have a significant impact on citizens' support for the government. Individuals who voted for the president in the previous election show more support for the government than those who did not vote, while those who voted for some candidate other than the president show less support for the government. Citizens living in urban areas show less support for the government than those living in rural areas. People living in countries where people report higher perceptions of corruption on average show significantly less support for the government. No other individual- or survey- level variables have a significant effects on individuals' support for the government.

Model 2 in Table 5.3 allows the impact of corruption on citizens' support for the government to vary with their household income. The model therefore includes an interaction between individuals' perceptions of corruption and their household income. In this model, the coefficients

⁵⁶The functional form of the model with a modeled intercept is

$$\begin{aligned} \text{approval}_i &= \alpha_j + \beta_1 \text{perceived corruption}_i + \beta_2 \text{household income}_i + \mathbf{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{income inequality}_j + \Gamma^\alpha U_j + \eta_j^\alpha \end{aligned}$$

The intercept α_j is the modeled as a function of income inequality (Gini) and a series of survey-level controls, including average corruption perceptions, the proportion of respondents who reported voting for the incumbent or opposition in the previous election, the president's ideology score, and the number of years the president has been in office. The coefficients β_1 and β_2 are fixed. Each model also includes several individual-level controls X_i with a vector of fixed coefficients B ; including demographic variables such as sex, age, education, and whether the person lives in an urban or rural area, as well as whether the person voted for the incumbent or opposition in the previous election, with non-voters as the baseline.

Table 5.3: Impact of Corruption Perceptions on Government Approval

	Model 1	s.e.	Model 2	s.e.	Model 3	s.e.	Model 4	s.e.
Intercept	3.767	.733	3.769	.731	3.078	.684	3.009	.694
Perceived corruption	-.083	.003	-.085	.004	.236	.152	.259	.143
Household income	.007	.003	.045	.009	.007	.003	-.062	.271
Perceived corruption × Household income			-.017	.004			-.097	.104
Income inequality	-.052	.039	-.053	.039	-.117	.038	-.123	.038
Income inequality × Perceived corruption					.028	.009	.031	.008
Income inequality × Household income							-.040	.014
Income inequality × Perc'd corruption × income							.013	.006
Voted for incumbent	.347	.007	.347	.007	.347	.007	.344	.007
Voted for opposition	-.258	.008	-.258	.008	-.256	.008	-.252	.008
Female	-.002	.006	-.002	.006	-.003	.006	-.003	.006
Urban	-.030	.007	-.030	.007	-.031	.007	-.033	.007
Age	.000	.002	.000	.002	.000	.002	.000	.002
Education	.000	.001	.000	.001	.000	.001	.000	.001
Mean perceived corruption	-.703	.245	-.699	.244	-.424	.227	-.408	.232
Prop'n voted for incumbent	.713	.518	.707	.524	.807	.505	.838	.507
Prop'n voted for opposition	-.613	.502	-.621	.513	-.451	.497	-.408	.505
President's ideology	.005	.007	.005	.008	.001	.007	.001	.007
Years in office	-.019	.016	-.020	.016	-.010	.016	-.008	.016
Mean perceived corruption × Perceived corruption					-.123	.052	-.129	.048
Prop'n voted for incumbent × Perceived corruption					-.051	.112	-.060	.107
Prop'n voted for opposition × Perceived corruption					-.086	.112	-.101	.108
President's ideology × Perceived corruption					.001	.002	.001	.002
Years in office × Perceived corruption					-.004	.004	-.005	.003
Mean perceived corruption × Household income							.033	.090
Prop'n voted for incumbent × Household income							-.034	.191
Prop'n voted for opposition × Household income							.119	.183
President's ideology × Household income							.001	.003
Years in office × Household income							.003	.006
Mean perceived corruption × Perc'd corruption × income							.029	.034
Prop'n voted for incumbent × Perc'd corruption × income							.049	.074
Prop'n voted for opposition × Perc'd corruption × income							-.020	.071
President's ideology × Perc'd corruption × income							.001	.001
Years in office × Perc'd corruption × income							-.005	.002
Groups		58		58		58		58
<i>N</i>		97849		97849		97849		97849
Average AIC		248150		248107		247777		247695
Average Deviance		248015		247959		247795		247398

for corruption, income, and their interaction are fixed, so they do not vary with survey-level covariates. However, as in the previous model, the intercept is modeled.⁵⁷

The significant negative coefficient for the interaction between perceived corruption and income shows that the impact of corruption on individuals' support for the government does, in fact, vary with their household income. Corruption has a larger negative impact on wealthier citizens support for the government than it does on poor citizens' support. The baseline effect of household income can give us a better sense of how corruption affects citizens' support for the government across income groups. The measure of perceived corruption varies from zero to three, so the positive and significant baseline coefficient for household income indicates that wealthier citizens show more support for the government than poor citizens do when they believe that corruption is very uncommon. Therefore, it appears that wealthy citizens reward their governments for low levels of corruption, but withdraw support from the government more when they believe corruption is widespread.

Figure 5.5 shows how the effect of corruption on citizens' support for the government varies with their household income. The left-hand panel plots the marginal effect of individuals' perceptions of corruption on their support for the government across levels of household income. As can be seen, corruption has a relatively weak impact on poor citizens' support for the government. Citizens with an income more than one standard deviation below the average income in their country withdraw hardly any support from the government, even when they believe corruption is

⁵⁷The functional form of the models is

$$\begin{aligned} \text{approval}_i &= \alpha_j + \beta_1 \text{perceived corruption}_i + \beta_2 \text{household income}_i + \beta_3 \text{perceived corruption}_i \times \\ &\text{household income}_i + \text{B}X_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{income inequality}_j + \Gamma^\alpha U_j + \eta_j^\alpha \end{aligned}$$

Again, the intercept α_j is modeled as a function of income inequality and other survey-level covariates, while all other coefficients in the model, including describing the effects of corruption, income, and their interaction, are fixed.

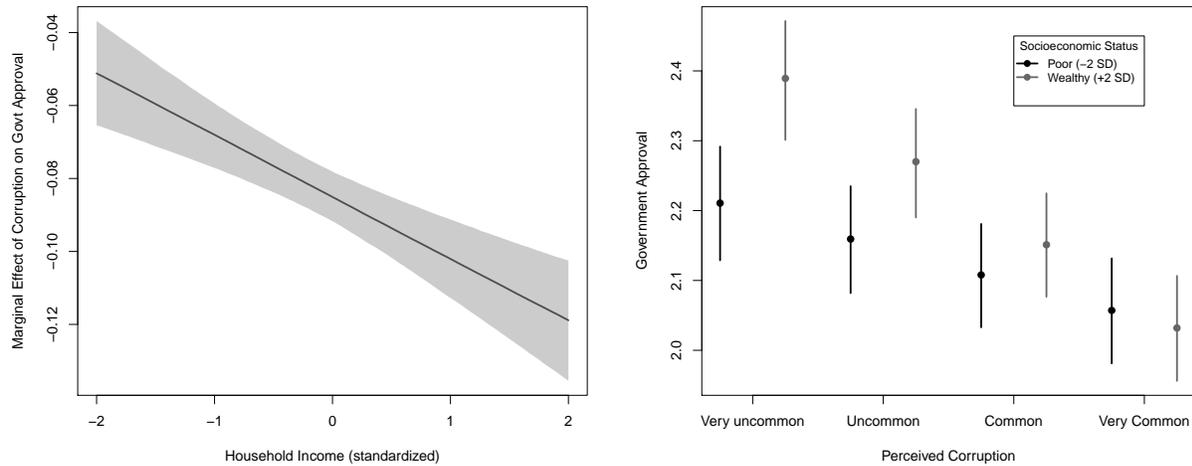


Figure 5.5: Effect of Corruption on Government Approval across Income Groups

Notes: The plots in this figure show how the impact of perceived corruption on an individual's government approval varies with her household income. The left panel plots the marginal effect of perceived corruption on an individual's support for the government at different levels of household income. A unit increase in household income represents moving one standard deviation in a country's income distribution. The right panel plots the expected value of a person's government approval for different beliefs about corruption, given that they are poor (black), with an income two standard deviations below their country's mean, or wealthy (gray), with an income two standard deviations above their country's mean.

common. Corruption has almost twice the impact on wealthy citizens' support for the government, who have an income more than one standard deviation above their country's average household income.

The right panel in Figure 5.5 plots the expected government approval of poor and wealthy citizens with different perceptions of corruption. Here, and throughout, I compare very poor citizens, with an income more than two standard deviations below their country's mean, with very wealthy citizens, who have a household income more than two standard deviations above their country's

mean. When they believe that corruption is very uncommon, wealthy citizens show significantly more support for the government than poor citizens do. However, as their perceptions of corruption increase, wealthy people's support for the government decreases more rapidly than poor people's support. As a result, there is no significant difference between poor and wealthy citizens' support for the government when they believe that corruption is very common. Both poor and wealthy citizens show little support for a government they believe is very corrupt.

These results show that corruption impacts wealthy citizens' support for the government more than poor citizens' support, such that wealthy citizens reward their governments more for curbing corruption. This is consistent with my findings in Chapter 4 that poor people are more likely to ask local officials for help and that those who do show more support for the government, especially in corrupt countries. However, I argue that the impact of corruption on wealthy citizens' support for the government depends on the distribution of income. Corruption is an added cost and barrier to market entry. While this imposes costs on wealthy citizens, a few wealthy citizens will tolerate corruption if they benefit from economic rents due to limited market entry. In very unequal countries, where only a few wealthy potential entrants are excluded from the market, wealthy citizens should mostly tolerate corruption. However, where income is distributed more equally, more wealthy citizens must be excluded from oligopolistic markets and therefore should show less support for a government that fails to curb corruption.

I begin by considering whether the impact of corruption on citizens' support for the government varies with the distribution of income in their country. Model 3 in Table 5.3 estimates how the impact of corruption on individuals' support for the government varies with the distribution of income. I therefore model both the intercept and the coefficient for perceived corruption as functions of income inequality (Gini) and the other survey-level covariates included in the model.⁵⁸ The

⁵⁸The functional form of this model is

effect of individuals' perceptions of corruption on their support for the government is therefore allowed to vary across countries with income inequality and other survey-level variables. The marginal effect of perceived corruption on support for the government can be interpreted as part of a cross-level interaction between perceived corruption and the survey-level predictors included in the model.

The results of Model 3 suggest that inequality mitigates the negative impact of corruption on citizens' support for the government. The coefficient for the interaction between corruption and inequality is positive and significant, indicating that the negative impact of corruption on citizens' support for the government is weaker in countries where income is distributed more unequally. However, the baseline coefficient for income inequality is also negative and significant. This suggests that people who believe that corruption is very uncommon actually show less support for the government in countries where income is distributed more unequally. This means that, rather than punishing elected officials for corruption, people in relatively equal countries may reward governments more for controlling corruption.

The impact of corruption also varies with average corruption perceptions. In countries where people perceive corruption as more common, individuals' own beliefs about corruption are more closely related to their support for the government. This suggests that people's perceptions of corruption may reinforce each other. Where more people believe that corruption is widespread, people may be more certain that their own beliefs about corruption are accurate. The impact of

$$\text{approval}_i = \alpha_j + \beta_{1j}\text{perceived corruption}_i + \beta_2\text{household income}_i + \mathbf{B}X_i + \epsilon_i$$

$$\alpha_j = \gamma_0^\alpha + \gamma_1^\alpha \text{income inequality}_j + \Gamma^\alpha U_j + \eta_j^\alpha$$

$$\beta_{1j} = \gamma_0^{\beta_1} + \gamma_1^{\beta_1} \text{income inequality}_j + \Gamma^{\beta_1} U_j + \eta_j^{\beta_1}$$

In this model, both the intercept α_j and the coefficient for perceived corruption β_{1j} are modeled as functions of income inequality and other survey-level covariates. All other coefficients, including the coefficient for household income, are fixed.

corruption on a person's support for the government does not vary significantly with any other survey-level covariates.

Figure 5.6 shows how the impact of corruption on citizens' support for the government varies with the distribution of income.⁵⁹ The left panel of Figure 5.6 plots the marginal effect of citizens' perceptions of corruption on their support for the government across levels of income inequality (standardized Gini coefficient). As can be seen, corruption has a stronger negative impact on support for the government in countries with a more equal distribution of income than in very unequal countries. In the most unequal countries in the sample, like Guatemala (Gini=55) and Bolivia (Gini=54), which have Gini coefficients more than one standard deviation above the sample mean, the estimated marginal effect of corruption on citizens' support for the government is very small ($=-.053$). However, the marginal effect of corruption is more than twice as large in countries with a more equal distribution of income ($=-.109$), such as Argentina (Gini=44) or Uruguay (Gini=42), which have Gini coefficients more than one standard deviation below the sample mean. In a country like Venezuela (Gini=40), which has a Gini coefficient more than two standard deviations below the sample mean, individuals' perceptions of corruption have an even larger negative impact on their support for the government ($=-.132$).

Figure 5.7 plots individuals' expected government approval across level of income inequality, depending upon whether they believe that corruption is very uncommon, uncommon, common, or very common. People living in countries where corruption is distributed relatively equally appear to reward their governments more for controlling corruption than those in more unequal countries. People who believe that corruption is at least somewhat uncommon show significantly more support for the government in relatively equal countries than they do in more unequal countries.

⁵⁹Cook's distances estimated for Model 3 show that one case is highly influential, Ecuador 2006 ($D = .87$). Removing this case does not affect the estimated coefficients and the coefficients of interest remain significant. The next most influential cases are Venezuela 2008 ($D = .24$), Venezuela 2010 ($D = .23$), and Venezuela ($D = .23$). Even removing Venezuela from the sample does not affect the estimated coefficients or their significance.

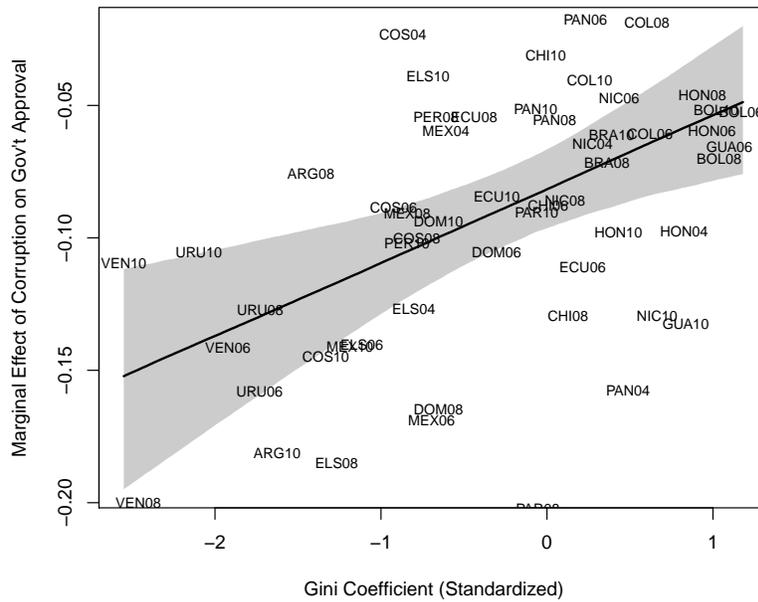


Figure 5.6: Marginal Effect of Corruption on Government Approval Varying with Inequality

Notes: This figure plots the marginal effect of corruption on an individual’s support for the government at different levels of income inequality. Income inequality is measured using estimated Gini coefficients from the Standardized World Income Inequality Database (SWIID) (Solt 2009), standardized so that a unit increase in income inequality represents moving up one standard deviation in the distribution of Gini coefficients in the sample.

However, as their perceptions of corruption increase, people's support for the government declines more rapidly in the most equal countries in the sample than it does in more unequal countries. As a result, people who believe that corruption is very common do not show more support for the government in more equal countries than they do in very unequal ones.

If my argument is correct, then the impact of corruption on support for the government should vary with the distribution of income, because it has less impact on wealthy people's support for the government in more unequal countries. I therefore estimate a fourth model in which the impact of corruption on citizens' support for the government varies with both their household income and the distribution of income in their country. In Model 4, I include an interaction between corruption and household income and model the intercept and the coefficients for corruption, income, and their interaction as functions of income inequality and other survey-level covariates in my model. This allows the impact of corruption to vary not only with household income, but also with income inequality, while controlling for other possible confounding variables at the survey level.⁶⁰ Model 4 in Table 5.3 presents the results of this model. As expected, the coefficient for the interaction between corruption, income, and income inequality is positive and significant. This suggests that the negative impact of corruption on support for the government is weaker in more unequal countries, especially among wealthier citizens. However,

⁶⁰The functional form of the model is

$$\begin{aligned} \text{approval}_i &= \alpha_j + \beta_{1j}\text{perceptions corrupt}_i + \beta_{2j}\text{household income}_i + \beta_{3j}\text{perceived corrupt}_i * \\ &\text{household income}_i + \text{BX}_i + \epsilon_i \\ \alpha_j &= \gamma_0^\alpha + \gamma_1^\alpha \text{income inequality}_j + \Gamma^\alpha U_j + \eta_j^\alpha \\ \beta_{1j} &= \gamma_0^{\beta_1} + \gamma_1^{\beta_1} \text{income inequality}_j + \Gamma^{\beta_1} U_j + \eta_j^{\beta_1} \\ \beta_{2j} &= \gamma_0^{\beta_2} + \gamma_1^{\beta_2} \text{income inequality}_j + \Gamma^{\beta_2} U_j + \eta_j^{\beta_2} \\ \beta_{3j} &= \gamma_0^{\beta_3} + \gamma_1^{\beta_3} \text{income inequality}_j + \Gamma^{\beta_3} U_j + \eta_j^{\beta_3} \end{aligned}$$

The model therefore includes four modeled coefficients; the intercept α_j and the coefficients on corruption β_{1j} , income β_{2j} , and their interaction β_{3j} , all of which vary with income inequality and the other survey-level covariates U_j . All other model coefficients are fixed.

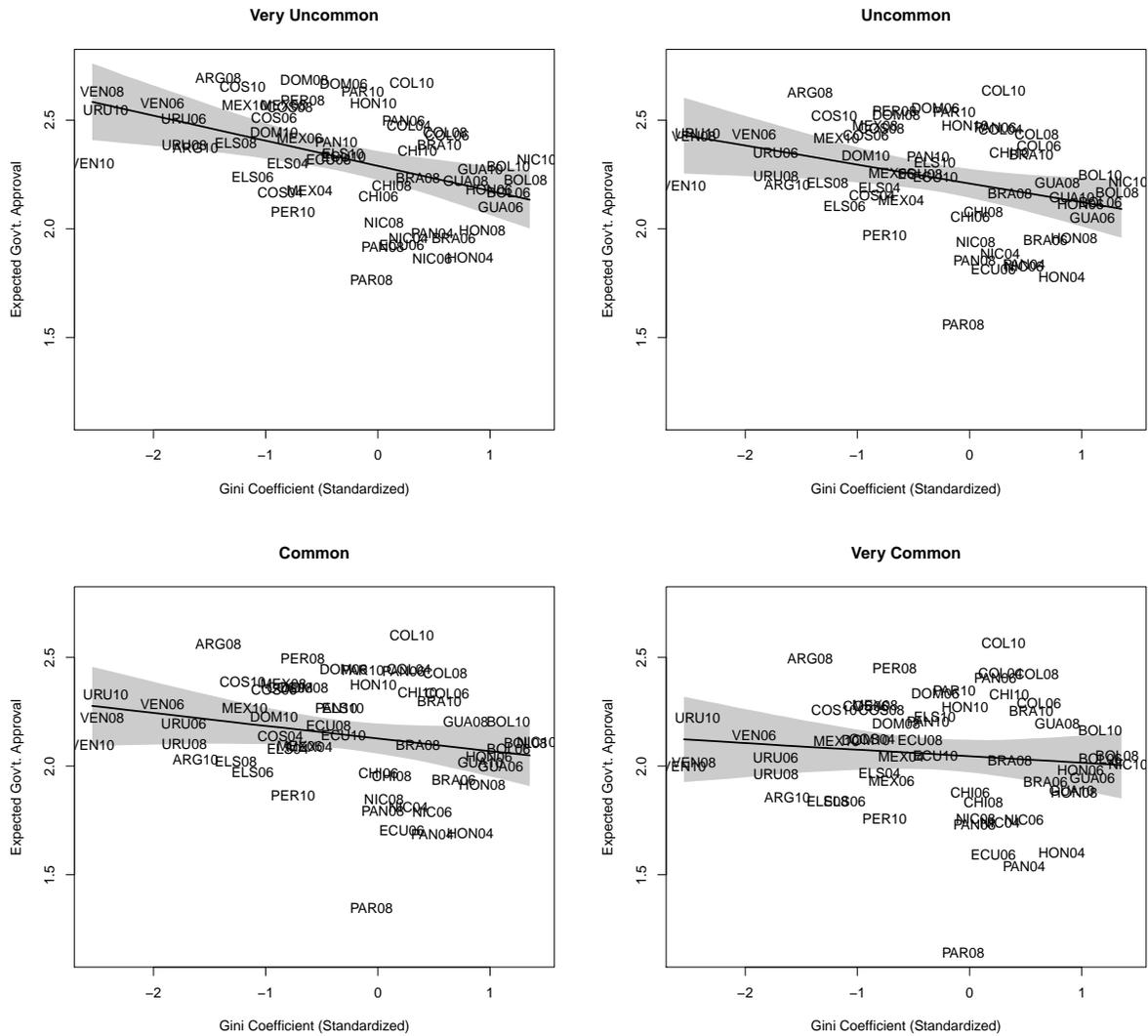


Figure 5.7: Expected Government Approval Varying with Corruption and Inequality

Notes: This figure plots the expected values of government approval for individuals who believe that corruption is very uncommon, uncommon, common, and very common across levels of income inequality. Income inequality is measured with estimated Gini coefficients from the Standardized World Income Inequality Database (SWIID) (Solt 2009), standardized so that a unit increase in income inequality represents moving one standard deviation in the distribution of Gini coefficients in the sample.

as indicated by the negative, significant interaction coefficient for income and inequality, wealthier citizens who believe corruption is very uncommon show less support for the government in more unequal countries. This suggests that wealthier citizens actually reward the government more for controlling corruption in relatively equal countries than they do in more unequal ones.

Figure 5.8 plots the marginal effect of corruption on poor (left) and wealthy (right) citizens' support for the government at different levels of income inequality.⁶¹ While the impact of corruption on wealthy citizens' support for the government varies significantly with the distribution of income in their country, the same is not true of the impact of corruption on poor people's support for the government. In relatively equal countries, corruption has a significantly smaller effect on poor people's support for the government than it does on wealthy people's support. However, in more unequal countries, this gap closes. While the impact of corruption on poor people's support for the government does not vary significantly with the distribution of income in their country, income inequality significantly mitigates the negative impact of corruption on wealthy citizens' support for the government. As a result, there is no significant difference in the impact of corruption on citizens' support for the government across income groups in very unequal countries.

Figure 5.9 plots the expected values of government approval for poor and wealthy people who believe corruption is very uncommon, uncommon, common, and very common across levels of income inequality. Wealthy people reward their governments more for controlling corruption than poor people in relatively equal countries. However, in more unequal countries, wealthy people do not reward their governments as much for controlling corruption, while poor citizens' support

⁶¹Cook's distances for Model 4 show that one case is highly influential, Ecuador 2006 ($D = .53$). Removing this case has little effect on the estimated coefficients and the coefficients of interest remain significant. The next three most influential cases are Venezuela 2010 ($D = .18$), Venezuela 2006 ($D = .17$), and Venezuela 2008 ($D = .16$). Removing any one of these cases has little effect on the coefficients and the coefficients of interest remain significant. However, removing the three most influential cases from the sample renders the interaction coefficient statistically insignificant.

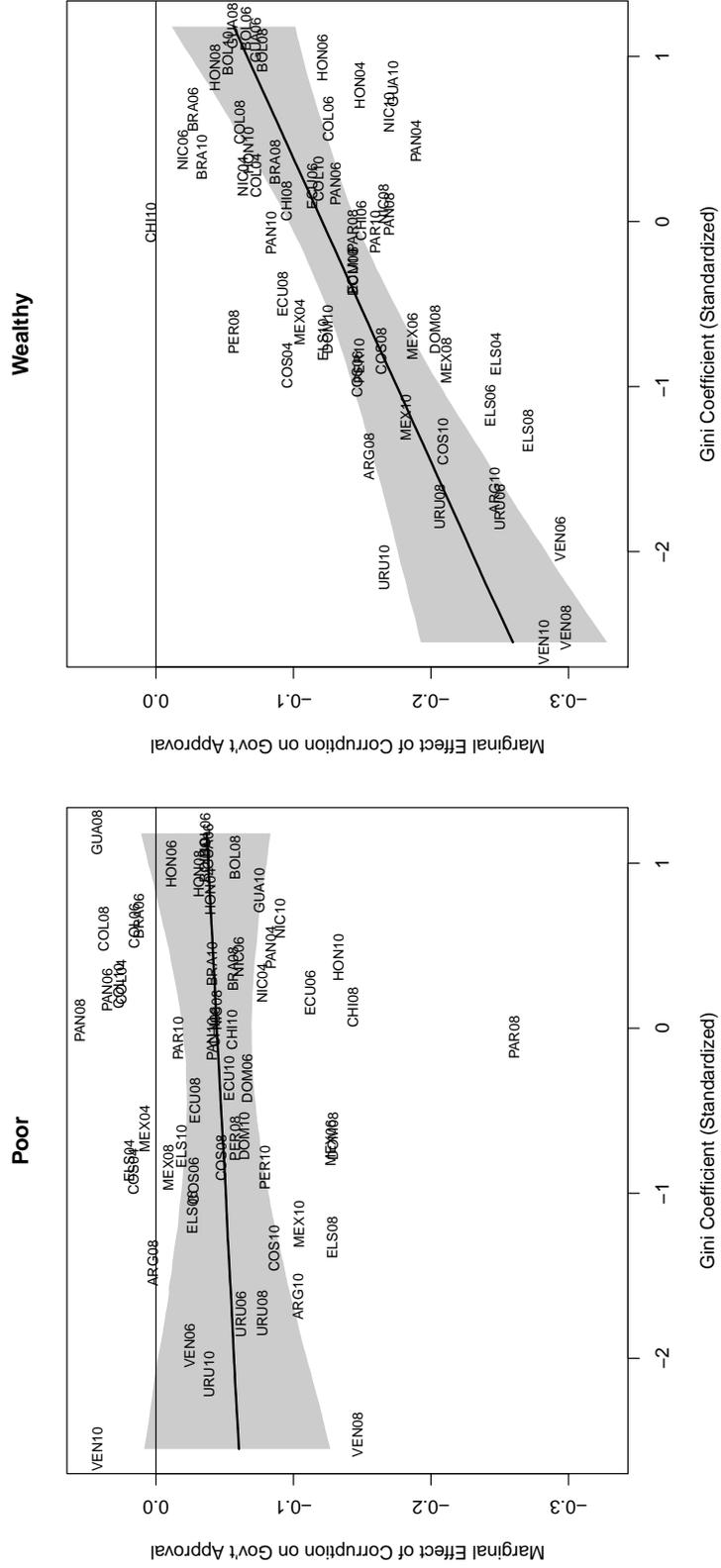


Figure 5.8: Effect of Corruption on Government Approval Varying with Income and Inequality

Notes: This figure shows how the marginal effect of perceived corruption on poor (left) and wealthy (right) individuals' government approval varies with income inequality. Poor people are those with a self-reported household income two standard deviations below the mean survey response and wealthy people are those with a household income two standard deviations above the mean survey response. Income inequality is measured with estimated Gini coefficients from the Standardized World Income Inequality Database (SWIID) (Solt 2009), standardized so that a unit increase in income inequality represents moving one standard deviation in the distribution of Gini coefficients in the sample.

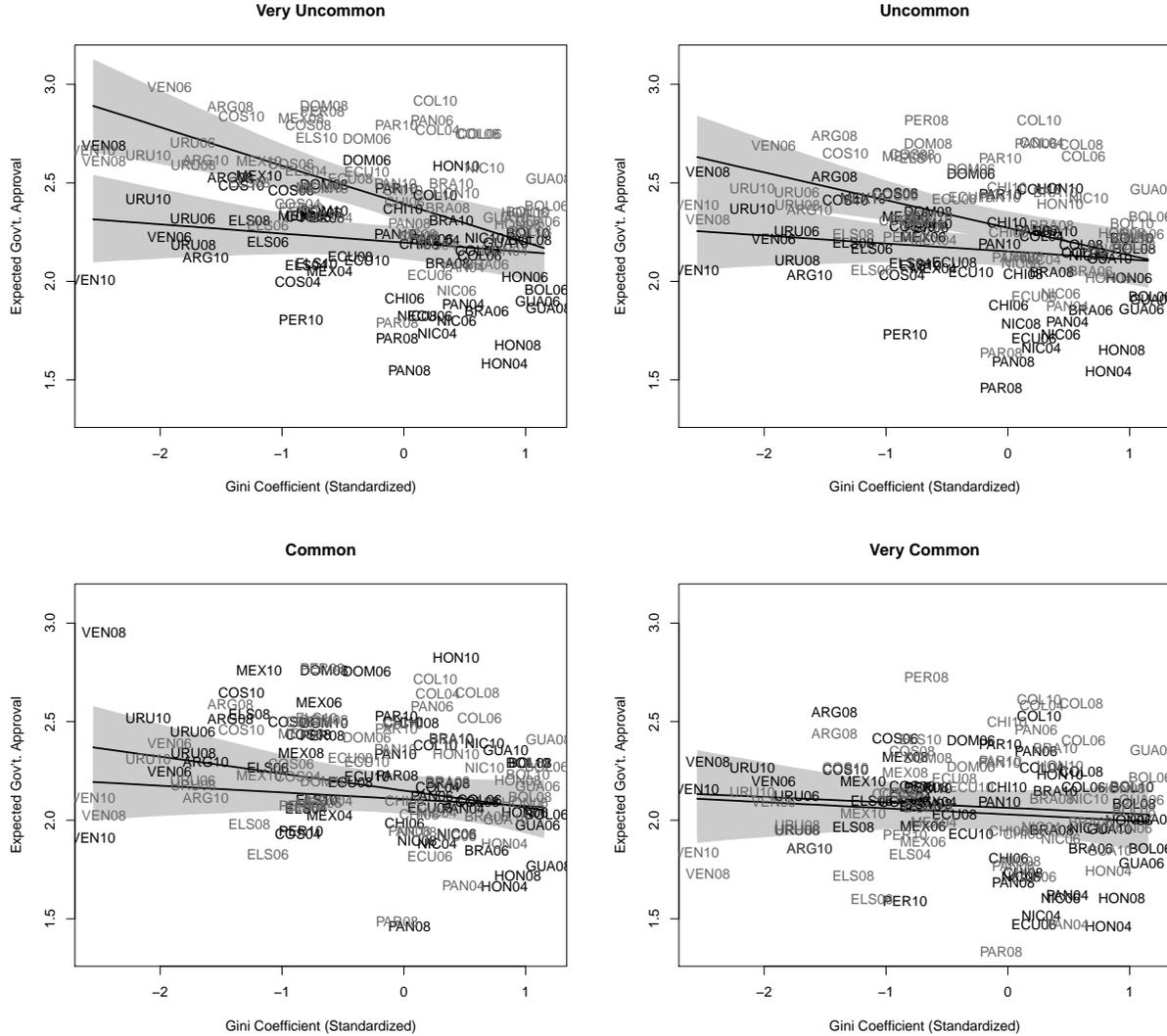


Figure 5.9: Expected Approval of Poor and Wealthy Varying with Corruption and Inequality

Notes: This figure plots the expected values of government approval for poor (black) and wealthy (gray) individuals who believe that corruption is very uncommon, uncommon, common, and very common across levels of income inequality. Poor citizens are those with an income two standard deviations below their country's mean, and wealthy people are those with an income two standard deviations above their country's mean. Income inequality is measured with estimated Gini coefficients from the Standardized World Income Inequality Database (SWIID) (Solt 2009), standardized so that a unit increase in income inequality represents moving one standard deviation in the distribution of Gini coefficients in the sample.

remains unchanged. As a result, there is no significant difference between poor and wealthy people's support for the government in very unequal countries, even when they believe that corruption is very uncommon. In contrast, when wealthy citizens' believe that corruption is very common, their support for the government does not vary with the distribution of income. Instead, both poor and wealthy citizens appear to show little support for the government when they believe that corruption is common, regardless of the distribution of income.

These results suggest that wealthy citizens are more likely than poor ones to hold their governments accountable for corruption, but that this is mitigated by the distribution of income in their country. In relatively equal countries, wealthy citizens reward their governments for controlling corruption, but withdraw support when they believe that corruption is widespread. However, in very unequal countries, wealthy citizens' perceptions of corruption have very little impact on their support for the government, allowing governments to retain support despite widespread corruption. In contrast, corruption has little impact on poor people's support for the government, and this does not vary with the distribution of income in their country. As a result, democratically-elected governments have more incentive to curb corruption in countries where income is distributed more equally than they do in very unequal countries.

One interesting result of the analysis is that wealthy citizens appear to reward the government for controlling corruption more in relatively equal countries than they do in very unequal ones, but do not appear to punish the government more corruption when they believe it is widespread. How might this be explained by my theory? As I have argued, a few wealthy citizens benefit from high barriers to market entry, because they can collect economic rents through non-competitive pricing. High barriers to market entry allow government officials to collect bribes and other extralegal payments, which may benefit them personally or politically. As long as the benefits of limited market entry outweigh the costs of corruption, those wealthy citizens who do enter the

market will tolerate corruption. However, those who are excluded from the market are likely to disapprove of the government.

In very unequal countries, the government has little incentive to curb corruption. There are only a few people with sufficient income to enter markets, so high barriers to market entry only exclude a few potential entrants. Those who do enter the market receive economic rents from limited entry, and so are willing to pay the added costs of corruption. Government officials can continue to use their discretionary control over market entry to collect bribes and other extralegal payments, as long as they are not greater than these economic rents. Because government officials have an incentive to collect as much of these economic rents as they can, market entrants end up about as well-off as they would be if they had entered a market without high barriers. Reducing corruption may increase support for the government slightly, because market entrants would be able to keep more of these economic rents. However, reforms that would reduce barriers to market entry would only allow a few other citizens to enter the market, and therefore would not increase support for the government much. The government is therefore better off maintaining high barriers to market entry, because they can continue to collect bribes and reducing barriers has impact on political support.

In more equal countries, governments may face incentives to curb corruption and reduce barriers to market entry, because they may be able to expand their political support. More people have sufficient income to invest in markets, so barriers to market entry must exclude a larger number of potential entrants, if economic rents are to remain large enough that people are will to pay the costs of corruption. The government can retain the support of a few wealthy citizens by maintaining high barriers to entry, while continuing to collect bribes and other extralegal payments. However, the government may be able to expand its base of support by reducing barriers to market entry, which also limits officials' opportunities to collect bribes.

The results of the analysis are consistent with this interpretation of my theory. In very unequal countries, governments face little opportunity to expand their political support by reducing barriers to market entry. However, they can continue to collect bribes and other illicit payments by limiting market entry. In contrast, in relatively equal countries, governments must exclude more wealthy citizens from markets in order to collect bribes by limiting market entry. The government therefore faces a trade-off. Reducing barriers to market entry requires relinquishing access to funds through illicit exchanges, but can also significantly expand its political support. Therefore, corruption is likely to persist in very unequal countries, because it has little impact on the government's political support, but in more equal countries the government may be able to gain support by curbing corruption.

5.6 Conclusion

In this chapter, I have argued that income inequality undermines democratic accountability for corruption, because elected officials can retain support among a small group of wealthy citizens by limiting market entry. Limited market entry allows producers to collect economic rents through non-competitive pricing. As long as the benefits of these rents is greater than the costs of corruption, wealthy market entrants will tolerate corruption and continue to support the government. In very unequal countries, only a few citizens are sufficiently wealthy to enter markets. In these countries, governments can limit market entry and collect bribes from entrants without losing much political support. However, in more equal countries, a larger number of citizens are wealthy enough to enter these markets. In order to maintain the value of economic rents, barriers to market entry must exclude more potential entrants. Since those who are excluded

from market entry are likely to punish the government for widespread corruption, the government can likely expand its political support by reducing barriers to entry and curbing corruption.

In the analysis, I focus on Latin America, where high barriers to market entry have created opportunities for collusion between political elites and wealthy oligopolists. Using data from fifty-eight Americasbarometer surveys covering eighteen Latin American countries from 2004 to 2010 and standardized Gini coefficients from SWIID, I show that the impact of corruption on wealthy citizens' support for the government is contingent upon the distribution of income in society. In relatively equal Latin American countries, where more citizens are at least moderately wealthy, corruption has a much larger impact on wealthy citizens' support for the government than on poor citizens' support. However, in very unequal countries, where wealth is concentrated in a few hands, corruption has little impact on support for the government among either poor or wealthy citizens. Therefore, in very unequal countries, elected officials may face little incentive to curb corruption.

Combined with results from earlier chapters, this paints a grim outlook for developing countries. Poverty and inequality, which are common in developing countries, create opportunities for government officials to mobilize and retain political support despite persistent, widespread corruption. In poor and unequal countries, government officials can mobilize political support through personal exchanges with poor and wealthy voters that undermine democratic accountability, creating few incentives for elected officials to curb corruption. This suggests that economic development is a necessary precondition for curbing corruption in democratic societies.

However, economic growth alone is not sufficient if only a few wealthy citizens benefit. Rather, economic development must raise a sizable portion of the population out of poverty so that they have sufficient income to meet their own basic needs and enter into markets. As the number of economically-independent citizens grows, they will put greater pressure on the government to

abandon corrupt practices. However, without economic development that improves social mobility, countries risk remaining in corruption traps from which there is little hope of escape.

Chapter 6

Promoting Accountability for Corruption in Poor and Unequal Countries

The results of this analysis paint a grim picture for developing countries struggling with corruption. Poverty and inequality appear to undermine democratic accountability for corruption. However, widespread corruption slows economic growth and deteriorates government services and infrastructure (Campos, Lien and Pradhan 1999; Mauro 1995; Mo 2001; Mauro 1998; Bose, Capasso and Murshid 2008), contributing to persistent poverty and inequality. Developing countries can therefore fall into vicious cycles; “corruption traps” in which poverty undermines democratic accountability for corruption, and corruption leads to economic stagnation.

The long-term solution to corruption is economic development that addresses existing inequalities and strengthens democratic institutions. Economic growth alone is insufficient for strengthening democratic institutions if it does not raise people out of poverty. If countries become wealthier, but income inequality persists, then elected officials will still be able to mobilize political support through targeted, personal exchange; both at the top and at the bottom of the income distribution. Ending corruption therefore requires economic and political reforms that improve economic growth, alleviate poverty, and increase the number of citizens who can enter markets.

However, there are also several short-term strategies that development organizations can pursue to increase citizens' economic independence and break patron-client linkages. These strategies pay special attention to the fact that poverty and inequality undermine democratic accountability for corruption by allowing elected officials to mobilize political support through targeted, personal exchange. These exchanges, however, rely on citizens' dependence upon political patrons and brokers for access to important resources. If, however, individuals and communities can provide these resources on their own, their resulting economic independence should allow them to hold elected officials accountable for corruption, and thereby improve governance in poor and unequal countries. It is under these conditions that informational campaigns should be able to improve democratic accountability by increasing awareness of corruption. However, where dependence upon political patrons persists, informational campaigns will be ineffective, and public officials will continue to engage in corruption with impunity.

In what follows, I summarize the argument and the results from my three empirical chapters. I then discuss the long- and short- term prospects for curbing corruption in developing countries. I conclude by discussing how future research can help us understand how political and economic reforms can help curb corruption.

6.1 The Costs of Corruption

Corruption impacts poor and wealthy citizens differently. Poor citizens rely more on government services to meet basic needs, such as food and healthcare programs. Wealthy citizens primarily access government services they need to participate in economic markets, such as government contracts and assets and processing documents such as permits and licenses.

Furthermore, poor and wealthy citizens have different ways of coping with corruption. Wealthy citizens can often afford the costs of corruption. If they face delays or are asked for bribes, wealthy citizens may be able to afford extralegal payments to gain access to government services they need. Poor people's limited incomes mean they often cannot afford these costs.

Corruption also impacts the availability of the resources that poor and wealthy citizens access. There is no private market for licenses, permits, or government contracts, so public officials can only make money from these services by using their discretionary control to extract bribes. In contrast, cash, food, and medical supplies can be sold on private markets, and so the resources the poor might access are at higher risk for embezzlement. High-level political corruption may also divert resources away from services that help the poor.

As I show in Chapter 3, corruption has an important impact on citizens' welfare, which varies with their household income. Wealthy people experience more incidents of corruption than poor people do, but this is because they access more government services in corrupt countries. Poor people, in fact, access more government services than wealthy citizens do in countries where corruption is uncommon. However, poor citizens access fewer services where corruption is widespread. Wealthy citizens continue to access government services in corrupt countries and therefore have more firsthand experiences with corruption.

Furthermore, poor citizens lose access to government services they rely on to meet their basic needs. In countries where corruption is uncommon, poor people are significantly more likely than wealthy ones to utilize public clinics. However, in countries where corruption is very common, poor citizens are much less likely to report utilizing public clinics. Corruption also impacts poor people's ability to participate in economic markets. In countries where corruption is uncommon, poor people are just as likely as wealthy ones to process documents, such as permits. But where

corruption is common, poor people are significantly less likely to process permits than wealthy people are.

These differences in how corruption impacts the poor and the wealthy have important implications for the functioning of democratic institutions. Corruption impacts both poor and wealthy citizens negatively. Corruption is an economic cost for the wealthy and may even limit their access to some services that are necessary for market entry. Corruption also limits poor citizens' access to services. However, because corruption limits their access to services that they rely on to meet their basic needs, poor people must often rely on political patrons for access to important resources in corrupt countries.

6.2 Clientelism and Corruption

Poor people's limited income makes it difficult for them to meet their basic needs. Because they cannot always meet their basic needs in the private market, poor people often rely on government services. However, where corruption is widespread, poor people often cannot rely on access to important resources through official bureaucratic processes.

In general, the poor are more vulnerable to clientelism, the exchange of material benefits for political support (Brusco, Nazareno and Stokes 2004; Stokes 2005; Stokes et al. 2013). However, where corruption limits their access to government services through official bureaucratic processes, poor people are especially likely to rely on political patrons for resources. Because poor people have few alternatives for meeting their basic needs in corrupt countries, they are especially susceptible to clientelism.

In Chapter 4, I provide evidence that clientelism undermines democratic accountability in corrupt countries. I show that people who get help from local officials show more support for the government in corrupt countries, but not in countries where corruption is uncommon. Getting help from a local official actually eliminates the negative impact of corruption on a person's support for the government. I further explore the impact of economic development on clientelism in corrupt countries. Focusing on the most corrupt countries in the sample, I show that getting help from a local official affects citizens' support for the government in poor, corrupt countries, but not in wealthy ones. This is consistent with my theory that clientelism undermines democratic accountability for corruption and may be especially effective where populations are poor.

I also show that poor people are more likely than wealthy ones to get help from local officials, who often serve as brokers in clientelist networks. However, poor people are significantly less likely to report getting help from local officials in corrupt countries than they are in countries where corruption is uncommon. This may be due to the general trend I observe in Chapter 3 showing that poor people lose access to government services where corruption is common. It may be that in corrupt countries only citizens who anticipate receiving resources from a political patron contact local officials. This suggests potential endogeneity between political support and access to public resources in corrupt countries. As Stokes et al. (2013) have argued, it may be the case the brokers target party loyalists for the distribution of clientelist benefits. Further research should delve into whether party loyalists are more likely to receive help from local officials, especially in corrupt countries, and try to verify the causal relationship between clientelism and party loyalty.

6.3 Cronyism and Corruption in Unequal Countries

While scholars have long argued that poor citizens tolerate corruption because they benefit from targeted, personal exchange (Scott 1969, 1972; Theobald 1990), several other scholars have argued that wealthy citizens benefit from corruption (Haber 2002; Johnston 2005; Glaeser, Scheinkman and Shleifer 2003). In particular, a small group of wealthy citizens may use their political connections to gain oligopolistic control over markets (Bourguignon and Dessus 2009; Bourguignon, Ferreira and Walton 2007; Levy and Walton 2009*b*; World Bank 2005). Even though they bear some costs from corruption, such as having to pay bribes or make campaign contributions in exchange for political favors, wealthy oligopolists will tolerate corruption as long as its costs are outweighed by the benefits of economic rents from limited market entry. Such a system is often referred to as “crony capitalism” (Blaydes 2008; Haber 2002; Kang 2002).

However, oligopolistic markets require a small number of producers. Producers in oligopolistic markets face incentives to expand production and lower prices so that they can increase their profits and market share (Stigler 1964). Producers must be able to observe each other’s behavior in order to reinforce collusion and achieve non-competitive pricing. Therefore, there must be high barriers to entry for producers to gain oligopolistic control over markets.

Barriers to market entry ensure oligopolists’ control over markets, but they also create opportunities for public officials to collect bribes and other extralegal payments through their control over market entry. Furthermore, barriers exclude other potential entrants from these markets. While those who benefit from economic rents associated with limited market entry are likely to tolerate corruption, other potential entrants who are excluded from these markets are likely to punish elected officials for widespread corruption.

I therefore argue that the impact of corruption on wealthy citizens' support for the government depends on the distribution of income in their country. Because they have more income to save and invest, wealthy people are more likely to enter private markets than poor ones. As I show in Chapter 3, wealthy people are more likely to process documents, such as permits that are necessary for doing business. This is especially true in corrupt countries, where entrepreneurs are likely to experience corruption when processing permits and other meeting other regulatory requirements. Therefore, wealthy citizens often experience corruption as an added barrier to market entry. In countries where the distribution of income is very unequal, only a few potential entrants must be excluded from markets in order to ensure the interests of wealthy cronies. However, in countries where income is distributed more equally, there are more wealthy citizens who could enter markets if not for high barriers to entry. Therefore, while wealthy citizens are likely to tolerate corruption in unequal countries, more wealthy citizens will punish elected officials for corruption in countries where income is distributed more equally.

In Chapter 5, I provide evidence that the impact of corruption on wealthy citizens' support for the government does, in fact, vary with the distribution of income in their country. I begin by showing that, compared to the poor, wealthy citizens beliefs about corruption have a stronger negative impact on their support for the government. However, this depends on the distribution of income. In relatively equal countries, corruption does impact wealthy citizens' support for the government more than poor citizens' support. But in countries that are more unequal, corruption has significantly less impact on wealthy citizens' support for the government. Poor citizens' support for the government, in contrast, does not vary significantly with the distribution of income.

These results show that income inequality may undermine democratic accountability for corruption, because it mitigates the negative impact of corruption on wealthy citizens' support for the government. This is especially disconcerting, given that, compared to the poor, wealthy

citizens are less susceptible to clientelism and their support for the government is affected more by corruption. It suggests that democratic accountability can only be bolstered by economic development that raises a large portion of the population out of poverty by smoothing the distribution of wealth throughout society.

6.4 Promoting Democratic Accountability for Corruption

6.4.1 Long-Term Prospects

That poverty and inequality undermine democratic accountability for corruption suggests that economic growth may strengthen democratic institutions, especially when that growth raises large portions of the population out of poverty. However, corruption discourages investment and stymies economic growth. Furthermore, when corrupt countries do become wealthier, much of the benefit of economic growth is likely to accrue to politically-connected wealthy citizens (Haber 2002; Johnston 2005; Schneider 2009). Because wealth tends to accrue at the top of the income distribution in Latin America, it has little benefit for the poor, and does not usually lead to higher quality jobs or better education (Schneider 2009). As a result, developing countries can fall into “corruption traps,” in which poverty and inequality undermine democratic accountability for corruption that in turn slows economic growth and reinforces unequal distributions of income.

Elected officials are especially unlikely to engage in reforms that curb corruption if they can mobilize political support through targeted, personal exchange. First of all, political elites may be able to enrich themselves through public coffers when they can retain power despite corrupt behavior. More importantly, they may be able to use their discretionary control over public

resources to their own political advantage, securing their positions in power (Gingerich 2009, 2013). When this is possible there will be few prospects for reform (Bussell 2010, 2012).

Liberalizing economic reforms and bureaucratic reforms can weaken links between elected officials and the beneficiaries of targeted, personal exchange. Liberalizing economic reforms lower barriers to market entry and increase competition. Increased competition restricts opportunities for price-setting and therefore eliminates economic rents. When producers' economic rents no longer outweigh the costs of corruption associated with high barriers to market entry, then they are not likely to tolerate corruption or continue to support a government that fails to curb it. Thus, liberalizing economic reforms can foster demands for a government to curb corruption and promote democratic accountability.

However, such liberalizing economic reforms are unlikely where elected officials' positions are wedded to the interests of economic elites. Instead, elected officials are likely to retain high barriers to entry where they can mobilize political support with a strategy of crony capitalism. There is some evidence, however, that international pressures can encourage elected officials to implement such reforms. For example, expanding global economic competition can create incentives for elected officials to pursue more efficient economic policies in order to keep markets strong and ensure economic growth (Simmons and Elkins 2004). Furthermore, financial crises have historically motivated governments, especially those in Latin America, to pursue reforms (Murillo 2002). This has come, at times, through pressure from international bodies such as the World Bank and International Monetary Fund, who attach aid to economic reforms. But such crises are only intermittent and there are risks of policy retrenchment.

Reforms may also have counterintuitive results. Liberalizing reforms that have opened Latin American markets to foreign entrants, for example, have led to consolidation in some markets (Schneider 2009). In the banking sector, this may have actually increased the cost to consumers

(Martinez Peria and Mody 2004). In the mobile market, this has led to the rise of a regional duopoly (Mariscal and Rivera 2006). Thus, it is not simply a matter of whether such reforms take place, but how they are implemented, that may impact whether economic liberalization breaks links between elected officials and wealthy cronies and improves democratic accountability for corruption.

Reforms that reduce bureaucratic politicization and encourage professionalism should also promote democratic accountability for corruption by weakening links between elected officials and the beneficiaries of clientelist exchange. Politicized bureaucracies allow elected officials to tie low-level public officials' career advancement to their ability to use their discretionary control over public resources for the political benefit of the party (Gingerich 2013). A professional bureaucracy is insulated from such political pressure, which limits the incumbent government's ability to mobilize public resources to its own political advantage. This should also weaken incumbent governments' monopoly control over public resources, creating opportunities for, at the very least, competitive clientelism, in which both the incumbent and the opposition can mobilize political support through the distribution of material benefits. Unfortunately, where corruption is politically beneficial, elected officials are likely to resist such reforms (Bussell 2010, 2012). Greater democratic competition may create incentives for elected officials to engage in bureaucratic reforms (Geddes 1994), but there is evidence that competition can encourage clientelism where populations are poor (Weitz-Shapiro 2012).

Since governments are unlikely to engage in such liberalizing reforms, economic development may be slow and income inequality is likely to persist. Because poverty and inequality create opportunities for elected officials to mobilize political support through targeted exchange, corruption is likely to persist, even where democratic institutions are present. This leaves developing countries at risk of falling into corruption traps, in which poverty and corruption are

reinforcing. However, there are prospects for those concerned about the persistence of poverty and corruption to intervene in developing countries and promote democratic accountability.

6.4.2 Short-Term Prospects

Even as countries develop, there may be opportunities to limit elected officials' ability to use targeted, personal exchange to mobilize political support. Promoting economic independence at local levels should improve democratic accountability by making citizens, especially the poor, less susceptible to targeted exchange. Here, I discuss two interventions that development organizations can pursue that would increase individuals' economic independence and may improve democratic accountability for corruption. First, development organizations can provide aid through non-governmental organizations working on the ground in developing countries that helps supplement individuals' consumption, so that they do not rely on political patrons for access to resources. Second, development organizations may help people navigate bureaucracy and start small businesses in markets with lower regulatory hurdles. This could be especially effective if development organizations support social enterprises that provide services that poor communities need. There are several ways that development organizations can pursue these strategies, whether through unconditional transfers of cash and goods, microlending, or social enterprise development. By promoting citizens' economic independence, development organizations can help improve democratic accountability and ensure that elected officials act in their citizens' interests, and not their own.

Elected officials can mobilize political support through clientelism because poor citizens rely on political patrons for access to public resources. It is their economic dependence that reinforces political patrons' ability to mobilize support through the distribution of material goods. Therefore,

an important way to limit political patrons' ability to mobilize support through clientelism is to increase citizens' economic independence. This means providing alternative ways for them to access resources that help them meet their basic needs.

Development organizations can improve citizens' economic independence several ways. For one, development organizations can distribute goods that citizens need, so that they need not rely on political patrons. This is especially important where citizens are poor and widespread corruption limits access to resources through official bureaucratic processes. However, the means of service delivery is very important in this regard. Because government services are compromised by pervasive corruption, development organizations must provide resources through alternative routes, such as non-governmental organizations that are working on the ground in communities. By providing resources that help citizens meet their basic needs, development organizations can limit their dependence on political patrons, especially in countries where bureaucratic processes are unreliable.

Development organizations can also promote economic independence by helping people start businesses in corrupt countries. Development organizations can help promote entrepreneurship in a number of ways. First of all, they can help entrepreneurs navigate the processes necessary for starting a business, helping them recognize and avoid corruption and acting as watchdogs when corruption does occur. They can also promote investment in markets with lower levels of regulation, so that poor entrepreneurs can start businesses without encountering red tape. Encouraging entrepreneurship may be especially effective at increasing economic independence when it promotes businesses that provide important services to communities, such as access to financial resources, affordable food, or health services. These kinds of investments not only enrich the community, but help the community sustain its economic independence, even after donor organizations are no longer directly involved.

Increasing economic independence solves some of the structural impediments to democratic accountability that allow political corruption to persist. Once economic independence is established, informational campaigns discouraging clientelism and vote-buying and increasing awareness of corruption should be more effective at increasing democratic accountability. The problem is that, without economic independence, citizens' continued dependence on clientelist networks for access to resources can undermine any attempt at improving democratic accountability through informational campaigns. However, informational campaigns may still be important once economic independence has been established. As I show in Chapter 5, while citizens appear to be aware of widespread corruption in their countries, poor people sometimes believe that corruption is less common than wealthy ones who experience more incidents of corruption firsthand. Therefore, a combined effort of increasing economic independence and informing the public about corruption may be the best way to improve democratic accountability for corruption in developing countries.

6.5 Future Research

The results of this analysis suggest that economic development that raises people out of poverty and gives them the means to enter markets is an important structural prerequisite of democratic accountability for corruption. Without economic development, elected officials have opportunities to mobilize political support through targeted, personal exchange. However, this research only begins to scratch the surface of evidence for this theory.

First of all, it is possible to provide more and better evidence that corruption forces citizens to rely on political patrons for access to public resources and that this influences citizens' support for the government. Using survey experiments, it would be possible to get a better understanding of

individuals' propensity to seek help from local brokers in clientelist networks when they lose access to government resources through official bureaucratic processes, drawing a clearer causal link between corruption, loss of access to services, and clientelism. A similar approach may be used to determine the likely impact of clientelism on individuals' support for the government.

It is also possible to determine whether low-level public officials' interests are aligned with those of the incumbent government and whether they act in that government's interests. One approach may be to consider the impact of bureaucratic quality on the partisanship of public employees. If a more politicized bureaucracy leads to a higher likelihood of a public employee sharing the same partisanship as the government, this would be evidence of such an alignment of interests. We would also expect that people who get help from local officials would show more support for the government in countries with politicized bureaucracies, which would be evidence of clientelism. Such findings would provide evidence of a government's ability to consolidate monopoly control over public resources where the bureaucracy is politicized and use that control for its own political benefit.

Furthermore, the evidence I provide that corruption has less impact on wealthy citizens' support for the government in unequal countries than in countries where income is distributed more equally only scratches the surface of theory on the role of crony capitalism. Barriers to market entry and high market concentration are both characteristics of economic systems that are based on crony capitalism. High barriers to entry help protect the interests of wealthy oligopolists, who take advantage of these barriers to consolidate control over markets. Exploring the impact of barriers to entry and market concentration on people's experiences with and perceptions of corruption could provide more evidence for the important role of crony capitalism in the perpetuation of corruption. Furthermore, exploring the impact of barriers to market entry on

support for the government may help us understand the conditions under which wealthy citizens are will to tolerate corruption in exchange for access to limited markets.

Finally, scholars and those in the development community may consider testing the impact of informational campaigns where non-governmental organizations are actively involved in development campaigns through randomized controlled trials. Anti-corruption campaigns should be especially effective where non-governmental organizations are actively involved in the distribution of material benefits. A challenge may be to separate the welfare effects of development campaigns from the trust-building effects of long-term exposure to non-governmental organizations. However, appropriate pre- and post- treatment surveys should be able to account for any differences in people's trust in non-governmental organizations, allowing researchers to estimate the causal effect.

6.6 Concluding Remarks

Efforts to promote democratic accountability for corruption have met with mixed success. Generally speaking, such studies based on these efforts have focused on variation within a single country. Without taking into account how democratic accountability for corruption varies across countries, we cannot hope to understand why corruption persists in some democracies but not others. It is especially important to take into account the structural determinants of corruption, such as economic development and income inequality, when we consider why citizens sometimes fail to hold their elected officials accountable for corruption.

In my analysis, I have tried to account for why corruption persists in poor and unequal democracies by presenting a microfoundational theory explaining how poverty and inequality

undermine democratic accountability for corruption. My findings suggest that elected officials have greater opportunities to mobilize political support through targeted, personal exchange in poor and unequal countries. This not only undermines democratic accountability for corruption, but it also creates incentives for elected officials to continue to engage in corrupt activities for their own personal benefit and political advantage. By pursuing economic development that addresses widespread poverty and inequality, and by helping insure individuals' economic independence, we can improve democratic governance.

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