Abstract:

Do voters punish candidates with records of misuse of public funds while in office? I address this question in the context of the 2008 and 2012 municipal elections for local council in Brazil. I use an original dataset listing all candidates with counts rejected by the federal, state and municipal audit courts and test the effect of count rejection on subsequent electoral returns. I present a quasi-experimental research design matching candidates facing count rejection decisions in audit courts with candidates similar in a set of covariates but who do not have counts rejection records. I subsequently estimate the average treatment effect of the treated (ATT) with a difference-in-difference design, comparing electoral outcomes for the treatment and control groups in two subsequent elections (pre and post treatment). Provisional results suggest that candidates with counts rejected reduce their share of votes in the subsequent election.
**Introduction**

In recent years, an increasing number of studies have focused on the conditions enabling a proper function of the democratic mechanism of accountability. While in theory democracies should provide the electoral mechanisms to remove dishonest candidates, evidence suggests this is not always the case. Manin, Przeworski and Stokes (1999) argue that voters have only one instrument (the vote) to reward or punish multiple actions by the government; thus, when government wrongdoings are coupled with other more important and effective policies voters cannot point out with their vote that they support the latter but not the former. Similarly, O’Donnell (1998: 112) considers that elections cannot secure strong mechanisms of accountability when there are high levels of party and voter volatility, political parties are weak, and elected candidates do not follow the platforms supported during their campaigns. However the reasons behind this trend, evidence suggests that often societies fail to remove corrupt politicians in the electoral game (Kurer 2001).

This paper seeks to provide new empirical evidence to assess whether voters punish candidates accused of wrongdoings. Brazil provides several advantages to test this question. First, Brazilian audit courts are sophisticated and well functioning bureaucratic organs with extensive capabilities to control public officials providing evidence of their wrongdoings. Second, the issue of corruption has received extensive public attention in recent years and it received more media coverage; hence voters are more likely to receive information on this issue. Third, the electoral system for the municipal council representatives -open list
proportional representation- allows voters to select among candidates within the same party\(^1\), so they can avoid selecting dishonest candidates within their chosen party.

**Previous Studies**

Large-N observational studies in different contexts seem to suggest that when enough information is available voters tend to reject dishonest candidates. Peters and Welch (1980) find that U.S. Congressmen accused of corruption have their share of votes reduced in the following elections, but their ability to get re-elected is not compromised since most congressmen engaged in corruption scandals are senior established legislators with a wide margin of vote share. Chang, Golden, and Hill (2010) find that electoral punishment towards Italian legislators accused of corruption since 1948 was virtually nonexistent until the early 1990s. After those years electoral accountability increased as a result of more media coverage of corruption scandals. Pereira, Renno and Samuels (2011) find that federal deputies in Brazil engaged in major corruption scandals were less likely to run for reelection, and when they did they had lower possibilities of winning reelection and received on average less money in campaign donations. Ferraz and Finan (2008) compare the vote share of incumbent mayors in Brazil who have been accused of corruption with those who have not in states that were subject to randomly determined federal audits finding that corrupt incumbents received significant electoral punishment.

\(^1\) Voters can choose either one party as a whole or an individual candidate within the party, but most voters select individual candidates. As Carey and Shugart (1995) show, this creates incentives for competition even within the same party.
Other studies, using field experiments, arrive at different results. Chong et al. (2010) run a field experiment in Mexico providing information on corrupt use of federal funds by incumbent candidates for local elections in precincts where audits were unfavorable to local governments. They find that corruption allegations decrease voting turnout, have no statistically significant effect on incumbent’s vote share and –surprisingly- have a statistically significant negative effect on challenger’s vote share. De Figueirero, Hidalgo and Kasahara (2011) perform a field experiment in the context of an electoral contest of two candidates for mayor who faced corruption accusations in Sao Paolo, Brazil. After distributing fliers informing either corruption allegations of the center-left or of the center-right candidate they find that electoral support for the center-left candidate was reduced whereas electoral support for the center-right candidates was not affected. Benerjee et al.(2010) find that disseminating corruption allegations in real elections in India has no effect on voter turnout or vote share for the incumbent candidate.

Each of these methods has its advantages and its limits. Observational studies improve external validity as the effect of corruption charges is assessed in real elections. Field experiments have the advantage of treatment manipulation, providing a better assessment of the treatment effect. However, designs based on field experiments assume that voters were not previously informed about these allegations –otherwise treated units would not be restricted to the ones assigned to treatments - and run the risk of contamination –voters receiving the flyer can discuss its content with voters who did not receive it-, factors that can contribute to underestimate treatment effects. In addition, by distributing information on
corruption allegations these studies run the risk of “artificially” priming voters on corruption which can lead to overestimating treatment effects.

Arguably, electoral punishment will change according to other dimensions of the electoral competition. Information can be an important factor: if voters do not know about the corruption allegations they will still support a corrupt candidate (Winters and Weitz-Shapiro 2012). Another dimension that can affect voters’ choice is the perceived efficiency of the candidate; when candidates can provide public benefits voters might be less willing to punish them even if they are perceived as corrupt. Winters and Weitz-Shapiro (2012) run an embedded survey experiment in Brazil asking subjects whether an hypothetical third person would vote for a corrupt (honest) candidate who completed many (few) public works. They find that a majority of voters say the person would punish the corrupt candidate regardless of performance.

A related line of argument considers that voters are less likely to punish corrupt politicians when politics is more polarized. Several theoretical models predict that polarization undermines accountability (Besley 2006, Ashworth and Bueno de Mesquita 2009). Eggers (2012), in an observational study, uses variation in the share of votes of the centrist Liberal Democrats as a measure of ideological polarization among the electorate (the stronger the Liberal Democrats the less polarized the district is). He shows that voters in England are more likely to punish candidates accused of corruption in the districts where the centrist Liberal Democrats are stronger, and reversely tend to support candidates facing corruption accusations in the districts where the Liberal Democrats are weaker. In an experimental study with a sample
of undergraduate students Rundquist, Strom and Peters (1977) show that subjects are less likely to punish corrupt candidates when an alternative issue position (e.g. a candidates’ position on the Vietnam War) is more valued by the subjects than the candidate’s records.

Data and Methods

Federal, state and municipal audit courts are entitled by the constitution of 1988 to externally control the expenses involving public funds at all levels of the public administration. This control involves regular assessments of officials’ expenses and an evaluation to determine whether those expenses follow the norms and procedures required by the public administration, such as conducting government purchases with the proper bidding or presenting all required documentation for expenses conducted with public funds, among others (Melo, Pereira and Figueiredo 2009: 1224). In case of rejection, there are several procedural steps that an official can follow to appeal the decision, in which case the audit court is obliged to revise a decision until it exhausts all possibilities of revision, a process that might take several years. The procedures of the courts are similar to the ones of the judicial system, and in fact they operate as quasi-independent judicial authorities (Ibid: 1224).

While in theory, public officials with counts rejected cannot run again for office in the 8 years following the court decision, in practice most officials are able to re-run, as the candidacy needs to be impeached by a public prosecutor –something that does not always happen given the large amount of candidates running for office in municipal elections- and even if his
candidacy is impeached the official can appeal to justice, in which case the final decision –on whether the official is eligible- will take place after the election period.

Decisions by the audit courts are publicized by the courts themselves and –often- by local newspapers. In recent years, and in particular prior to the 2012 election, these decisions received more publicity, as many blogs and websites publicize the list of local officials who faced counts rejection in their own state. Usually, the details of the processes –and the reasons for the counts rejection- are not publicized. Consequently, although in other circumstances we could expect interactions between treatment and the characteristics of the misuse of public funds, we can presume these interactions do not play a role in this case, as voters do not usually learn about the characteristics of each process.

To assess whether candidates running for legislator in city councils have their share of votes reduced when involved in allegations of misuse of public funds I will use matching techniques and a difference-in-difference design. Matching is a technique that seeks to reproduce the conditions present in an experimental design: randomized assignment to treatment, where the experimenter manipulates a stimulus to some individuals leaving other individuals as control. Randomization ensures that individuals in both groups do not differ in background conditions, hence all difference in outcome observed between the “treatment group” and the “control group” can be attributed to the treatment. Matching seeks to reproduce these conditions in settings where the treatment was already assigned. In the case of my study, certain candidates have been subject to a “treatment”: having their accounts rejected. Naturally, in the non-experimental setting these allegations cannot be manipulated.
The matching techniques seek to group together, for the purpose of comparison, candidates who face corruption allegations with candidates who do not face these allegations but who are as similar as possible in all other background characteristics. Hence, candidates who face counts rejection are “matched”, through statistical techniques, with candidates similar in all background characteristics but were not subject to counts rejection, to compare the share of votes received by each candidate.

To match candidates along a set of covariates I use propensity score matching, which measures the conditional probability of exposure to a treatment for the observed covariates (Rosenbaum 2010). While in the pre-matching analysis we expect the conditional probability of the units to be part of the treatment or control group to differ, we match on a set of covariates to ensure that the treatment and control group will only differ in the treatment of interest. The covariates included in the matching are candidate’s party, campaign spending (relative to the average municipal spending), state, and incumbency, all factors that arguably can have an impact on electoral outcomes. The treatment, counts rejection, involves a definitive rejection of counts submitted by the candidate who is running for office – i.e. candidates who were subject to decisions of counts rejection but can still appeal to the decision are not considered in the treatment group-. I only consider counts rejection when the definitive decision by the audit court took place – and was made public- anytime between 2008 and 2012. Note that because the administrative steps required for audit courts to reach a definitive sentence might take several years, “treated” candidates were not necessarily elected in the 2008 election.
Results

Table 1 shows the propensity score of being in the treatment group given party affiliation, state, incumbency and campaign spending. Propensity score matching provides good balance, in all cases the p-value increases after matching and in no case the p-value is significant in the post-matching. This ensures the “as if random” condition, there is equal probability for a candidate of being in the control group or in the treatment group given this set of covariates.

Table 1: Pre and Post-Matching Balance between Treatment and Control Groups 2008 Election.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pre Matching (P-Value)</th>
<th>Post Matching (P Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPENDING</td>
<td>0.00</td>
<td>0.89</td>
</tr>
<tr>
<td>INCUMBENT</td>
<td>0.07</td>
<td>0.60</td>
</tr>
<tr>
<td>Party: PMDB</td>
<td>0.05</td>
<td>0.87</td>
</tr>
<tr>
<td>Party: PSDB</td>
<td>0.02</td>
<td>0.82</td>
</tr>
<tr>
<td>Party: PT</td>
<td>0.00</td>
<td>0.88</td>
</tr>
<tr>
<td>Party: PP</td>
<td>0.54</td>
<td>0.95</td>
</tr>
<tr>
<td>Party: PSB</td>
<td>0.05</td>
<td>0.86</td>
</tr>
<tr>
<td>Party: PV</td>
<td>0.50</td>
<td>0.79</td>
</tr>
<tr>
<td>Party: PTdoB</td>
<td>0.03</td>
<td>0.98</td>
</tr>
<tr>
<td>State: SP</td>
<td>0.00</td>
<td>0.90</td>
</tr>
<tr>
<td>State: RJ</td>
<td>0.04</td>
<td>0.91</td>
</tr>
<tr>
<td>State: MG</td>
<td>0.00</td>
<td>0.98</td>
</tr>
</tbody>
</table>
In Table 2 I present the results of the difference-in-difference. The estimate represents the electoral loss of “treated candidates” in the 2012 election – relative to their vote share in the 2008 election – minus the electoral loss of the “control candidates” in the 2012 election – relative to their vote share in the 2008 election. Results show a decrease in electoral returns of candidates with counts rejected of 1.5 percentage points, and it is statistically significant (at the 0.01 level, two tailed test).

**Table 2**: The Effect of Counts Rejection on Electoral Outcomes (in percentage points)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Estimate</th>
<th>SE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counts Rejection</td>
<td>-1.5***</td>
<td>0.12</td>
</tr>
<tr>
<td>Matched Units</td>
<td>467</td>
<td></td>
</tr>
</tbody>
</table>

SE (Abadie-Imbens Standard Error) ***p < 0.01

**Discussion**

Provisional results suggest that there is an electoral punishment for candidates with records of counts rejection by audit courts. These results are consistent with previous observational studies on corruption and electoral accountability. While previous studies have focused on
electoral accountability for national representatives, this paper replicates these results for elections for municipal government.

The 2012 elections took place in a context of high media attention on candidates’ records. This was the first election after the decision of the Supreme Court ruling the *Ficha Limpa* law as constitutional. This law determined that candidates with antecedents of corruption or misuse of public funds (including counts rejection) wouldn’t be eligible for office. As previously explained, the application of the law was highly imperfect and most candidates with antecedents were able to run for office—either by appealing the judicial decision banning their candidacy or because no public prosecutor sought to reject their candidacy-. But the enactment of the law and the high profile campaign to promote its application created an environment in which candidates’ records were publicized, with different newspapers, websites and blogs listing all the candidates with antecedents of counts rejection. Consequently, results seem to suggest that voters tend to hold politicians accountable when there is handy and reliable information, even in the context of local elections.
REFERENCES


Melo, Marcus André, Carlos Pereira, and Carlos Mauricio Figueiredo. 2009. “Political and Institutional Checks on Corruption Explaining the Performance of Brazilian Audit Institutions.” *Comparative Political Studies* 42 (9): 1217–44.


