

Inefficacy, Political Culture and Popular Perceptions The Determinants of Corruption in Latin America

Combating corruption is a formidable but imminently necessary task in Latin America. High levels of corruption reduce the efficacy of the state, “puts sand in the gears of the economy” and diminish interpersonal trust. In a region with many nascent democracies and fragile economies, corruption threatens to reverse the political and economic advances made within the past two decades. In order to successfully address corruption and its consequences, we must understand its determinants in perceptions of corruption and political culture.

Political scientists are aware that corruption exists in every political system, and that some systems are more disposed to it than others. However, because of its secret nature, it is not always clear what forms corruption takes, what its consequences are or how it arises. A general definition for corruption is misusing political and economic power by public officials for personal gain (Diamond, et al, 1999). In this paper I trace the path of corruption from its creation through its effects on society. The empirical portion will focus on Venezuela and Peru, two states with substantial but disparate levels of corruption. I argue that the inefficacy of the state in the 1970s and 1980s created a cynical, withdrawn political culture that increased perceptions of corruption seen in the 1990s. Perceived corruption creates a cynical and disinterested political culture that diminishes oversight and accountability of public figures and increases the likelihood of political corruption.

This paper will address these questions through a review of the literature on the topic and an empirical study. Part I of the paper is a review of the corruption literature of Latin America. Part II explains the methodology used in the study. Part III provides a recent historical background of Venezuela and Peru to provide context for the empirical study in Part IV. The analysis is based on a series of independent variables relating to political culture, such as

political interest and electoral law, which affect the perceived level of corruption. This paper concludes in Part V with a summary of key analytical findings, policy recommendations based on those findings, potential problems in the paper and questions for further research.

I Literature Review

How corruption arises is very context-specific, depending on the size and structure of the economy and the size and structure of the government (Shleifer and Vishny, 1993). The type and levels of corruption results from “deeply seated patterns in a community’s social and economic history” and is intimately related to “fundamental aspects of political and social culture” (Espach and Tulchin, 2000). Few causes are sufficient to determine the level of corruption without additional variables, and amalgamations of causal variables in one state may produce a completely different level of corruption in another. However, corruption is very similar across Latin America because many Latin American states have similar economies, governments, and culture.

It is important to note that corruption is not perceived equally. Mitchell Seligson (2002) determined differences in age, education, urban or rural residence, gender, income and opinions of regime legitimacy shape the perceived level of corruption across individuals. For example, Allison and Canache (2005) note that those disinterested by politics perceive a greater level of corruption than their politically interested countrymen do. Therefore, studies of corruption should take demographic information into account, especially in opinion data.

The following literature review will be divided into two sections. Section I will examine the origins of the perceptions of corruption through its base in the inefficacy of the state. Section II will determine perceptions of corruption based in political culture.

Section I Efficacy of the State

Democratization and Decentralization

Recent political changes have impacted the level of corruption. The failure of ISI and the wave of democratization and decentralization in Latin America have restructured governments. Kurt Weyland (1998) states corruption has increased in the region over the past ten years because of the wave of decentralization that has created new local governments with accompanying bureaucracies. These new governments have increased the number of bribe seekers. While democratization theoretically should increase the accountability of elected officials and thus reduce the incentives for corruption, an insufficient amount of time has passed to conclude that democratization decreases corruption in Latin America. For now, it appears the state has not completely transitioned to democracy and democratic spirit, reducing the efficacy of the state.

Bureaucracy and Public Corporations

A substantial portion of corruption research centers on the state bureaucracy. The import-substitution policies embraced by many Latin American states in the past decades often involved government intervention in the economy through state-owned enterprises and heavy regulations. Bruce Perlman (1989) holds that state-owned enterprises and heavy regulations result in larger and more complex bureaucracies. This increases the risk of corruption as bribe-payers wish to skirt regulations and win contracts with those enterprises. Perlman blames the bureaucracy as the single largest source of economic malaise in Latin America in part because of its susceptibility to corruption, as well as its paradoxically bloated yet overextended composition. He argues, "The bureaucrats themselves become an elite that has very little interest in the development of the

masses” (Perlman, 1989). Getz and Volkema hypothesize that corruption is more likely to occur in “large, complex bureaucracies characterized by significant specialization and separation of functions.” However, their paper notes that their worldwide study did not support their own hypothesis (Getz and Volkema, 2001).

Paulo Mauro extends Perlman’s analysis. He believes the privatization of state-owned enterprises creates an additional source of corruption as private citizens seek to gain control of or cheaply purchase those corporations (Mauro, 1995). Well-timed bribes may award the bribe-payer with below market prices for shares in these corporations. This allows wealthy individuals to unfairly gain control over some of the most critical enterprises, such as petroleum or telecommunications firms. This essentially transfers a public monopoly into a private one, as well as shifting its purpose from providing public goods to generating profit. Capturing of key corporations spawns a new generation of elites. Applying the ideas stated above, one might expect corruption to be higher in Latin American states with larger bureaucracies or which have recently undergone large-scale privatization or decentralization.

Electoral Systems

Electoral systems that favor personalistic candidates increase the level of corruption. These candidates need substantial resources to reach and make themselves attractive to a large, unorganized lower class. These candidates often work around their designated political party instead of working as a representative and nominee of it. Maintaining an independent group of supporters from the party system is considerably costly and often requires the acceptance of bribes (Weyland, 1998).

Several distinct factors influence the personalistic element of electoral systems. Party and policy emphasis is greater in single member districts and closed list proportional representation.

In addition, party emphasis is stronger when only the party officials may choose the nominee(s). Open list proportional representation, especially when the number of candidates per list is greater than the number of available seats, rewards personalistic campaigns. Generally, as district magnitude grows, closed lists systems reduce the role of personality while open list emphasizes it (Carey and Shugart, 1995). For example, an effective campaign method in Brazil is to distribute beers to voters on the beach (Montero, 2004). Similarly, presidential systems experience greater corruption. Presidential candidates must finance expensive advertising and campaign travel, therefore increasing the likelihood of corruption. As presidential systems are common in Latin America, they will be a useful in accounting for differences between states.

The effects of electoral rules are far reaching, but reforming electoral rules is one of the simplest methods of influencing the level of corruption. Electoral rules substantially shape the party system and the resulting candidates and campaigns. However, only a relatively small group (the legislature) must be swayed to change the rules. Attempts to shape culture in a corrupt bureaucracy of potentially thousands of workers or to the shape the entire population of the state will take a concerted campaign many years to implement change. While a legislature may be resistant to changing the electoral rules that put its members in office, lawmaking bodies are relatively small. In addition, they may face pressure from or be compelled by other branches of government, such as a constitutional court. While a major component of the level of corruption, it must be noted that electoral rules and systems are far more malleable than many of the variables described in this literature review.

Elections are not the only policy-making process with the potential for corruption. Numerous committees, commissions and other advisory groups have substantial input into the policy-making process. Members of these typically unelected groups have closer access to

elected politicians than the majority of voters. Corruption can be two-fold. It may occur as group members attempt to unduly influence the politicians they advise, or it may occur as potential members attempt to ensure their place in such groups (Crisp, 1996). Venezuela in particular is known for its extensive use of unelected bodies in its policymaking process.

Section II Political Culture

Culturally, Latin America is prone to corruption. Between 1998 and 2006, Latin America scored an average of 3.6 out of 10 on the Transparency International Corruption Perceptions Index, and the average ranking of Latin American states against the rest of the world was 68.¹ Since 2003, Latin America has scored 3.5 and fell to an average ranking of 80.

A traditional view is that elected officials should engage in rent seeking over the public good. There is no spirit of public service (Perlman, 1989). Also, traditional societies tend to place greater value in familial relations than industrial or post-industrial societies. This increases the risk that officials with authority to allocate resources (such as licenses, contracts, bank credit or payrolls) will favor family and friends over more economically efficient candidates, which is examined by both Pranab Bardhan and Patchen Barss. A lack of spirit for public service may substantially reduce the efficacy of the state, and an emphasis on rewarding family relations should increase political cynicism and perceptions of corruption.

Instability

Getz and Volkema found the cultural desire to avoid uncertainty and the “power distance” between socioeconomic classes are positively correlated with corruption (2001). The desire to reduce uncertainty supports the idea of the traditional emphasis on family connection in the origins of corruption. Therefore, the appeal of rewarding family members is two-fold. Family

¹ A TI Corruption Perceptions Index score of 0 indicates complete perceived corruption, and a score of 10 indicates no perceived corruption. A rising score signals a reduction in corruption.

members are better known than strangers and therefore less uncertain, and tradition dictates that family should be rewarded regardless. Therefore, it will be difficult to reduce corruption in the region because it is an established business and social practice. Instability increases corruption, which can trigger a vicious feedback cycle of increasing corruption and instability. A similar study by Ai Camp, Davis and Coleman determined that perceptions of corruption caused significant withdrawal from political activity and interest (2004).

Inelasticity of supply makes the region more vulnerable to economic shocks that increase instability. Shang-Jin Wei partly examines the effects of instability in his article “How Taxing is Corruption on International Investors?” He concludes that when long-term positions are uncertain, rent-seeking increases. Those involved “grab what they can get” now because their rent stream may dry up very shortly in the future. Latin America has experienced tremendous political instability because of regime changes to and from authoritarian systems, weak democracies and consolidated democracies. Shleifer and Vishny agree with Wei’s idea and add that corruption especially increases during the transition to a democracy because “multiple agencies take bribes when only one did before.” Therefore, in troubling times, the desire to reduce uncertainty and accompanying corruption examined by Getz and Volkema is especially high.

Political Parties

While electoral laws are important in shaping politics, the structure and function of the party system has enormous consequences for the level of corruption. The electoral system determinates of personal politics assume a stable and competitive party system. In contrast, the condition of party systems can vary between states with similar electoral systems. Highly fractionalized systems increase personalism as the electorate often cannot rely on any party to

consistently advocate and deliver specific policy. This is especially the case in states where the “ideological distance” between parties is low because numerous parties cluster around similar issues. Therefore, the significance and meaning behind party membership is diminished in a watered-down party system (Ai Camp, et al, 2004).

Summary of Literature Review

The above literature review examined potential causes of corruption in Latin America. Culture in the region accepts corruption to a greater degree than other regions in the world, and perceptions of the level of corruption vary with demographic factors. Corruption increases with instability, and corruption is a utilized method for reducing uncertainty. Democratization and decentralization may eventually decrease the level of corruption but have increased the level within the past 20 years. Large bureaucracies may be susceptible to corruption, as are states with electoral systems that favor personalistic candidates and campaigns. A stable party system decreases the likelihood of corruption, but a weak system that does not deliver consistent policy increases the level of corruption. This paper will now turn to a methodological description of the empirical analysis.

II Methodology

This paper will examine connections between the independent variables relating to state efficacy, political culture and the dependent variable of the level of corruption. Cultural and efficacy variables are drawn from the Latin American Public Opinion Project (LAPOP) and Latinobarómetro aggregates. The dependent variable is measured by surveys of the perceived level of corruption. Transparency International provides data for corruption perception on a scale of 0-10, with 0 scoring as maximally corrupt and 10 scoring as no corruption.

The analysis will compare Venezuela and Peru in a qualitative case study. Part IV of this paper will compare the results of the LAPOP survey of each state against the other. Part III precedes the analytical comparisons with a background in recent history to provide context for survey results. Selecting these states provides both ample control variables as well as key differences in economic and political variables. Because forms and levels of corruption are erratic, it is important to remember that linear causality is often difficult to establish. Many of these variables must interact with other variables. For example, while Peru and Venezuela may both experience corruption surrounding oil extraction, their levels of corruption may vary because of differences in culture or law enforcement. This paper will now provide a recent historical background of Peru and Venezuela to provide context for the empirical analysis that follows it.

III Historical Background

The recent histories of Peru and Venezuela have been challenging. Since 1980, Peru has experienced a return to and subsequent breakdown of democracy, a major security crisis and prolonged economic difficulty. Venezuela experienced debilitating inflation in addition to other economic woes, and it has maintained its long history of deeply embedded political corruption and internal government feuding. This section will reveal significant events that have shaped perceptions of corruption leading into the mid 1990s, the time frame of this study, in Peru and then Venezuela.

Peru

The strength of Peruvian democracy and the overall efficacy of the state declined during the 1980s. While democracy was restored in 1980 after military rule since 1968, a series of economic and security crises eroded the strength of the new civilian regime. The primary

security concern during the decade was the revolutionary movement Shining Path (Sendero Luminoso). In this time, an estimated 200,000 citizens were displaced and 18,000 Peruvians were killed (Hudson, 1992). The 1979 constitution permitted a 60-day state of emergency in which constitutional guarantees could be suspended and martial law implemented. Such states of emergency could be renewed repeatedly, and they were frequently declared in half the nation during the last five years of the decade (Hudson, 1992).

In addition to the suspension of constitutional rights, the chaos of an internal war led to many abuses on all sides. Those displaced by war were offered little assistance by the state, and refugees occasionally organized into paramilitary groups of their own. Tensions often arose between refugees and city dwellers, especially when refugees were largely of mixed or indigenous racial origin. While a survey of Peruvians identified the Shining Path movement as the nation's most serious problem, 71 percent of respondents declared, "poverty, social injustice, and the economic crisis were together the root cause of the revolution" (Hudson, 1992). Solutions to these root problems were largely in the arena of the state, and therefore may be perceived as failures in public policy. The frequent suspension of the constitution and the failure of the state to successfully combat the Shining Path movement diminished the perceived efficacy of the state during the 1980s and may largely determine the perceived level of corruption measured in this study. Democracy during this period has been called "democracy with an asterisk," in which "police corruption, torture, clientalism, and abuse of power" were daily occurrences (Mauceri 1997).

Economic trouble occurred simultaneously with the security crisis. A world recession in 1980 caused a drop in prices of Peruvian export products, and excessive government spending on infrastructure projects began an inflationary trend that eventually peaked to 3,399 percent in

1989. The state also excessively borrowed on the international market, eventually isolating itself from the international financial community after the Alán García administration refused to pay more than ten percent of debt service increments (Mauceri, 1996). A short economic boom occurred in the first two years of the García government (1985-1990), but the decade ended with a decline in real wages, agricultural and manufacturing production, investment and GDP (Hudson, 1992). The disappointing performance of the state in light of the return to civilian, democratic rule understandably decreased confidence in the efficacy of the state.

The failure of state efficacy in Peru was largely the result of over-ambition, and many policies were crafted by ideology instead of practical reality. This over-reaching and misalignment of intended effect and reality, especially in economic intervention, substantially reduced the efficacy of the state. The debt crisis of the 1980s gave international lenders a greater role in shaping Peruvian policy, thus weakening the state (Mauceri, 1996).

The decade ended with the impeachment of Alán García after mass dissatisfaction with his economic management and corruption scandals (Kenney, 2004). Alberto Fujimori assumed the presidency in 1990 and quickly implemented the orthodox shock program he campaigned against. The economy did begin to improve, and the Shining Path security crisis abated with the capture of its leader Abimael Guzmán in 1992 (Degregori, 1997). After much wrangling with Congress, heavy-handed politics and presidential decrees, Fujimori suspended the legislature and constitution on April 5, 1992. Fujimori increasingly feuded with his legislature after the collapse of the traditional Peruvian party system in 1990 left him as a minority president (Kenney, 2003). Fujimori vacated the presidency in 2000 after a devastating political scandal. While Fujimori consistently implemented orthodox economic policies, the state still faced a “paucity of hard-policy decisions” and failed to follow through on new policy. While economic growth rates were

high in the 1990s, per capita GDP growth, productivity gains and income distribution were below expectations (Wise, 1997). The 1990s further reduced the perception of the efficacy of the state because of wavering democracy and economic trouble. Perceptions of corruption may be heavily influenced by and associated with the inefficacy of the state.

Venezuela

Venezuela, unlike most of Latin America, has remained a democratic, civilian regime during its recent history. A noted political trend has been the commitment to and expansion of representative democracy since 1959 (Haggerty, 1990). While autocracies are typically perceived as more corrupt than politically liberal states, Venezuela has maintained higher levels of corruption within the past 40 years than its occasionally autocratic neighbors. The design of the policymaking process and the economic and political dominance of oil substantially eroded the efficacy of the state and drained the life out of political culture.

The Venezuelan policy making process included both the electoral and consultative arena. However, neither arena offered an effective means for translating the public's policy preferences into policy outcomes. The Venezuelan state was characterized by a highly concentrated executive authority and a highly concentrated interest group structure (Crisp, 2000).

Party politics decided public policy instead of public preferences. Closed list proportional representation gave party bosses power to choose who became a congressional representative. In addition, party discipline was extremely high, effectively giving all control of policy formation to party elites. This phenomenon was known as "partyarchy," and the Venezuelan president rarely faced an opposition legislature. The combination of a dominant party in the legislature and a concentrated executive power was further known as "presidential partyarchy" (Coppedge,

1994). Interestingly, Venezuela is unique among Latin American states for the frequency and power of its “presidential partyarchy.”

Venezuelan leaders also heavily relied on consultative mechanisms in the policy making process. These included numerous unelected councils and commissions that were largely staffed by business and labor interests. The executive branch relied heavily on the consultative process as a method of bypassing the legislature. The consultative process began to diminish state efficacy as the process became more rigid. The dominance of business and labor interests tended to preserve the status quo and keep other interests outside the consultative process. However, Venezuelan society changed more quickly than the consultative interests. The growth of the middle class, changing expectations regarding the practice of governance and the increasing desire for social and political participation opportunities conflicted with the business and labor interests that steered public policy (McCoy, et al, 1994). Given the misalignment of public interests and state policy, the empirical study later in this paper should confirm perceptions of high levels of state inefficacy. In addition, the highly concentrated policymaking process should create feelings of political powerlessness and withdrawal.

Venezuela’s oil reserves originally promised to finance the development of a solid industrial base, leading to the phrase “sowing the oil.” Export demand for oil raised the value of the bolivar against other currencies by the 1920s, causing the price of traditional Venezuelan exports, such as coffee, to rise to levels where they could not compete with other states (the “Dutch disease”). In turn, Venezuela came to depend on oil as *the* source of foreign exchange and the only feasible source of revenue to decrease dependence on imports (Boué, 1993). Oil revenue, however, was known only to bring “waste, profligacy, corruption, and above all, debt” in addition to depressing other sectors of the economy (Boué 1993).

Despite early attempts at austerity in the early 1980s, the price of oil rose quickly, and revenues were put back into large industrial projects. A global depression in the price of oil resulted in large scale public borrowing and resulting inflation. Because many business and labor interests benefited from state led industrial projects, the consultative process kept public spending at oil boom levels despite the sharp drop in oil receipts. The public, however, had to experience inflation and declining real GDP per capita without any substantial means to influencing policy.

Previously, distributive policies with oil revenue helped smooth inter-party and inter-agency relations (McCoy and Myers, 2004). However, the reduced flow of oil revenues provoked internal government feuds, and many state owned industries, especially the state petroleum corporation, became politicized. In addition, public corporations either operated at a loss or provided poor service, and private corporations were highly concentrated in ownership (Hellinger, 1991). The 1980s became a period of disillusionment with the political process as foreign debt mounted, corruption persisted and socioeconomic problems remained unsolved.

The party system was characterized as placing partisanship above the interest of its constituents, and the electoral abstention rate grew from 3.5 percent to 20 percent between 1973 and 1988 (Hellinger, 1991). A series of nationwide riots erupted from February 27 to March 3, 1989, reflecting the popular dissatisfaction with the state of affairs and president Carlos Andrés Pérez (Boué 1993). After two failed coup attempts, Pérez was eventually removed from office in 1993 following a corruption scandal. Opinion data from 1989 reveals Venezuelans felt they had little influence in the formation and implementation of policy (Haggerty, 1990). The Venezuelan exclusionary policymaking process and reliance on oil revenues misaligned the interests of the

public and the policies of the state, resulting in widespread dissatisfaction with state performance and political withdrawal.

IV Empirical Analysis

The following sections will attempt to empirically examine the origins of corruption in Latin America with a comparison of the effect of independent variables on Venezuela and Peru. Venezuela and Peru share many institutional and economic similarities. However, in 2006 Venezuela scored 2.3 on the Transparency International Corruption Perceptions Index while Peru scored 3.3. Since measurement began for both Peru and Venezuela in 1998, Venezuela has recorded more corruption than Peru each survey year. Their margins of error do not overlap, and Venezuela ranked as the most corrupt state in the region in 2006. What differences between them explain their disparate levels of corruption? The empirical analysis is divided into four sections. Section I identifies popular perceptions of the efficacy of the state. Section II reveals aspects of political culture resulting from the efficacy of the state. Section III provides popular perceptions of corruption. Finally, Section IV provides a summary of the empirical study. Each section compares Peru and Venezuela with the results of the data analysis.

Section I Efficacy of the State

Section I variables attempt to explain the origins of corruption through the identification and description of the efficacy or inefficacy of the Venezuelan and Peruvian state.

Public Dissatisfaction with the Efficacy of the State

LAPOP data confirms the widespread public dissatisfaction with the efficacy of the state. In 1998, the top five major public problems identified by Peruvians were, in order: a lack of basic services (26.1 percent), delinquency (22.9 percent), lack of roads (22.2 percent) and lack of cleanliness (11.1 percent). In 1995, Venezuelans were most concerned about economic crisis

(28.5 percent), personal security (18.3 percent), inflation (9.9 percent), corruption (8.3 percent) and educational crisis (4.8 percent). These problems reflect substantial failures of the Peruvian state to provide its most basic functions, such as security and roads. The Venezuelan state appears to fail in the provision of basic security and to maintain a stable economy. The problems identified above indicate the inefficacy of the state.

Misuse of State Expenditures

The 2005 Latinobarómetro reported 72 percent of Latin Americans stating they did not believe their governments spent tax revenues wisely. However, confidence in the states' abilities to spend money effectively has increased throughout the region. LAPOP data indicates less than five percent of Venezuelans in 1995 believed tax money was well spent, but Latinobarómetro reports 38 percent of Venezuelans do so in 2005. The new constitution and political order of Hugo Chávez may be partly responsible if Venezuelans disassociate his administration with political life prior to 1999. However, the exceedingly small percentage of Venezuelans satisfied with the use of their tax revenues in 1995 reflects the serious inefficacy of the state at that time. LAPOP data on perceptions of fiscal responsibility were unavailable for Peru.

Capacity for Governance

Additional LAPOP data reveals a difference in state efficacy between Peru and Venezuela. When asked about the capacity of leaders to govern within the past ten years, 54.6 percent of Venezuelans believed those leaders had "no capacity" to govern, and 66 percent of respondents believed Venezuelan governments had "almost never" made correct decisions within the same ten years. LAPOP survey questions for Peru on this topic are not the same as the Venezuelan survey, but they may provide a useful comparison. Peruvian municipal and provincial governments responded to citizen input at least "sometimes" 45.8 and 48.5 percent of

the time, respectively. In addition, 55 to 65 percent of respondents believed Peruvian municipal and provincial governments provided an adequate level of the services they actually provided. Lastly, half of Peruvians (49.8 percent) believe the municipal government is the most effective institution or organization to solving a local problem, while the other half of Peruvians would approach a variety of other organizations.

In addition, the majority of Peruvians (63.9 percent) would still turn to government entities (police, public prosecutor, municipal government, etc.) in the event of a serious injustice. While not a direct comparison between Peru and Venezuelans, it appears that Peruvians are more satisfied with at least local and regional government performance than Venezuelans, indicating the greater perceived efficacy of the Peruvian versus Venezuelan state.

Section II Political Culture

Section II attempts to link perceptions of the efficacy of the state to Peruvian and Venezuelan political culture.

Political Interest

The 2005 Latinobarómetro reported only 25 percent of Latin Americans were interested in politics. The study did not report significant growth in political interest in the ten years of data it had collected, reflecting that political culture in the region had not changed. The 1995 LAPOP survey of Venezuela noted 69.1 percent of respondents with little or no interest in politics and only 7.4 percent with much interest. The 1998 LAPOP survey of Peru recorded 37.6 percent of respondents with no interest in politics and 41.3 percent interested in politics but independent of any party (78.9 percent total). The LAPOP survey question and possible responses are not identical, which may skew the responses shown here.

Participation in civil society

Peruvians are more involved with civil society than Venezuelans. In Peru, 40.8 percent of respondents were members of a religious organization, while only 19.1 percent were members in Venezuela. Only 8.7 percent of Venezuelans are involved with a local political group or party, but 15.2 percent of Peruvians participate in such organizations. In professional union membership, 12.9 percent of Venezuelans are members, while 17.4 percent of Peruvians are members. Additionally, 16.8 percent of Venezuelans belong to a neighborhood association, while 29.8 percent of Peruvians are members of local “fathers of family” groups. While not a direct comparison, a local fathers group should contain significant overlap in a neighborhood association because of geographic proximity.

Political Cynicism

In 1995, 77.6 percent of Venezuelans believed the government served the interest of a small, powerful group, and only 4.7 percent believed the government served the interest of all citizens. Ninety percent of the same respondents agreed that political parties are controlled by small, self-interested groups in society. More 82.7 percent of respondents did not believe the government was concerned with the problems of the survey respondents, similar to the 1989 opinion poll mentioned in the above historical background section. In 1998, Peruvians had low levels of confidence in their local and regional governments and mixed confidence in national level institutions. Seventy-five percent of Peruvians had less than “medium” confidence in all political institutions. While LAPOP survey questions did not exactly match, it appears that Peruvians had slightly higher confidence in their political institutions than Venezuelans in the mid 1990, similar to the greater sense of state efficacy in Peru than Venezuela.

Further LAPOP data reveals a greater difference in Peruvian and Venezuelan political cynicism. In Venezuela, 42.8 percent of respondents “strongly agree” with the statement that they felt they had no influence on political outcomes. Peru, however, had only 12.5 percent agree with a similar statement, which more than three times the distance from the Venezuelan percentage. The total percentage breakdowns between survey questions is complicated by a neutral category in the Peruvian survey that is not included in the Venezuelan survey. Therefore, the response to both questions cannot be fully compared as only the extreme answers can be compared. However, the large difference between the strongest agreement categories between the two states appears to reflect a significant difference between feelings of empowerment.

Interestingly, Venezuela was measured as one of the least politically cynical states in the 2005 Latinobarómetro, unlike its results in the 1995 LAPOP survey. Venezuelans felt they understood politics better than citizens of any other Latin American state. Venezuelans, behind Uruguay, felt their government was concerned with their problems more than any other Latin American state was concerned with its internal problems. While having the second highest government approval rating in Latin America, only 27 percent of Venezuelans actually approved of the government, reflecting the large amount of political cynicism in the region. Latinobarómetro recorded a rise in political cynicism between 1996 and 2005. With diminishing confidence in politics and political intuitions, it is not surprising that the level of corruption in Latin America has increased within the previous decade.

Future Pessimism

LAPOP data reveals the pessimistic outlook of Peruvians and Venezuelans. In 1995, 38.9 percent of Peruvians believed the nation would fare worse economically in the future. In 1998,

45 percent of Venezuelans believed the nation would fare worse economically in the future, indicating a slightly greater amount of pessimism than Peruvians.

Party Systems

Venezuela had a more stable party system than Peru during the timeframe of this study, including the dominance of two established parties AD and COPEI (although after 1998 these parties no longer held dominance). Peru, however, experienced the complete collapse of its party system in 1990 (Kenney, 2003). Traditional parties suffered massive electoral defeats, and turnover between minority parties was high. Based on political parties alone, corruption should be higher Peru than in Venezuela. The lack of a firm party apparatus should cause the rise of personal politics instead of campaigning on party policy. Personal campaigns are often very expensive, especially when attempting to reach the unorganized mass that often resides in the informal sector, and corruption often supplements the financing of these campaigns. In addition, the instability created by a weak party system should increase the level of corruption. Many political appointees may fear losing their positions and thus increase their rent stream while they can, or high politician turnover may weaken oversight mechanisms.

However, the established Venezuelan parties in the 1990s were highly factionalized (Ellner, 1996). Therefore, the party system was not a stable as it appears on paper. Competing ideologies within parties reduces the ability of each party to establish consistent policy. The electoral clout of affiliation with a particular party is diminished, and personal campaigns become a more effective method of securing votes.

LAPOP data confirms the poor strength of parties in both states. In 1998, 84.8 percent of Peruvians responded that they were not members of any political groups in their communities. Nearly 80 percent also declared they were either not interested in politics, or they were interested

but independents. In Venezuela, approximately 90 percent of respondents reported they were not members of any political group or party and 70 percent of respondents declaring little or no interest in politics. Ninety percent of Venezuelans agree that political parties are solely concerned with electoral victory and nothing else.

Despite their *declared* little or non-existent interest in politics or membership in parties, the two states have diverging political party participation. Approximately 85 percent of Venezuelans reported that they had never participated in an activity of a party of a candidate. In Peru, 96 percent have attended a political meeting, considerably a greater percentage than Venezuelan participation. While a participation rate of 96 percent appears significant, the majority of Peruvians (62.7 percent) responded that they only occasionally attend a political event. However, this does reveal at least some differences in political culture between the two states. Despite weak parties, Peruvians appear to be slightly more politically aware than Venezuelans, in addition to being more optimistic, more active in civil society and having greater feelings of empowerment as well. This difference could mean that personal campaigns are less effective in Peru than in Venezuela, and therefore corruption resulting from those campaigns will be lower in Peru. As noted in the literature review, higher levels of political awareness across individuals are associated with lower perceptions of corruption. Peru's already significantly lower level of corruption supports this idea. However, political participation is only a component in determining the differences between the two states and must be considered with the variables described above.

Section III Perceptions of Corruption

Corruption in Elections

In 2005, Latinobarómetro reported that 63 percent of Latin Americans believed their elections were fraudulent. In 1998, slightly more than 65 percent of Peruvians responding to the LAPOP survey believed their elections were fixed. However, in 2005, the Latinobarómetro estimate was an astonishing 87 percent of Peruvians believed their elections were rigged. The 2005 Latinobarómetro reported 51 percent of Venezuelans believing their elections were fraudulent, while LAPOP data was unavailable on this topic. The rise in perceived Peruvian electoral corruption is consistent with the general trend of increasing perception of electoral fraud in Latin America measured by Latinobarómetro over the past several years (Latinobarómetro, 2005). While Venezuela modified its electoral system with a new constitution in 1999, both states used closed list proportional representation systems at the time of the LAPOP surveys. Peruvians perceive greater corruption in their elections than Venezuelans, which is surprising in light of the evidence provided earlier in the empirical analysis that indicates Peruvians should perceive less corruption than Venezuelans.

Acceptance of Corruption

In 1998, 57.2 percent of LAPOP respondents in Peru stated they would never pay a bribe. However, 42.8 percent of Peruvians would pay a bribe if they felt it was necessary. Additionally, while Peruvians may be averse to paying a bribe, they are accepting of others paying bribes. Forty percent of respondents would denounce an act of corruption because of a sense of responsibility to do so. However, 27.3 percent would denounce an act of corruption only if affected them, 24.2 percent would not denounce an act because they do not feel it would stop

corruption, and 7.9 percent would not denounce an act because it was not important to them. The majority (59.4 percent) of Peruvians would only conditionally or never denounce an act of corruption, reflecting their tolerance of it. In the Peruvian case, national culture accepts corruption. LAPOP data regarding Venezuelan acceptance of corruption was unavailable.

Section IV Summary

Both Peru and Venezuela suffer from perceptions of the inefficacy of the state. However, Peruvians perceive greater efficacy in their state than Venezuelan LAPOP respondents. Peruvians may have more political interest than Venezuelans, and Peruvians participate in political and civil society more than Venezuelans. Peruvians are also more optimistic, less cynical and felt more empowered than Venezuelans. In addition, Transparency International Corruptions Perceptions Index scores indicate Peruvians perceive less corruption than Venezuelans. Greater inefficacy of the state in Venezuela appears to also result in a more cynical, withdrawn political culture that perceives a greater level of corruption than in Peru.

V Conclusion

I conclude that the higher level of perceived corruption in Venezuela than in Peru is the result of the greater inefficacy of the Venezuelan state and the greater resulting withdrawn, cynical political culture. Explaining different levels of corruption between Latin American states is complex. While empirical work confirms the theories put forth in the literature, this study has potential major flaws. While substantial oil wealth in Venezuela may be a root of corruption, it also provides revenue for income redistribution. A more equal society, according to the literature, has reduced levels of corruption. Yet Venezuela persists as one of the most corrupt countries in Latin America. Venezuelans think of themselves as being politically aware, but the data indicate they are in fact politically withdrawn compared to Peruvians. This phenomenon has

created the greater cynical political culture in Venezuela than in Peru, thereby causing greater political withdrawal. A withdrawn electorate allows corruption to flourish because of decreased accountability of public officials by the public itself.

This study, however, is not without its shortcomings. Because of its secret nature, accurate corruption data are difficult to measure. Using a state as a unit of analysis causes small sample sizes with large chances for error. However, the creation of a dataset with specific incidents of corruption as the unit of analysis would be helpful. A large-scale corruption victimization survey would provide useful data that is also practical to collect. Alternatively, a corruption dataset can be built from police records, although this data would not reflect the true level of corruption because it would only measure rent-seekers who were caught. However, it would at least provide larger sample sizes and actual cases of corruption rather than perceptions of it.

Perceptions of corruption are additionally problematic to work with. As noted in the literature, perception of corruption varies substantially across individuals and time and may be considerably inaccurate. It is uncertain what affect culture has on the level of corruption, and what effect corruption has on culture. Endogeneity may be at work in this study. The data used here provides only a few points in time and no survey incorporated into this study used the same survey questions. Much more frequent, consistent and specific public opinion surveying is necessary to establish temporal precedence and thus help establish causal direction. In addition, the survey questions were not always the same content or the same wording between Peru and Venezuela, potentially skewing the true difference between the two states.

No source of corruption identified in this paper is easily fixed. Economic diversification, political stability, and strengthened interpersonal trust cannot be achieved overnight. Economic

stability may be the best avenue for reducing corruption in Latin America. With a more stable economy, political strife may decrease and the public may gain the time to re-involve itself in civil society. By reestablishing political interest and participation, the Latin American public may realize that corruption does not need to be accepted. However, even an engaged public will not decrease the level of corruption without the substantial resources needed for better law enforcement, educational anti-corruption media campaigns, political outreach programs or reevaluating economic policy. The increasing international interest in the health of the Latin American economy and regional trade integration may greatly assist in the stabilization of individual economies. In addition, the improved flow of information from new technologies may help increase political participation. Corruption will persist at its current level for a significant period of time, but the forces mentioned above, along with the consolidation of democracy, may allow Latin America to drop its level of corruption closer to parity with Western Europe relatively soon.

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