State Capture and the Role of Political Parties in Latin America

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Abstract

This study explores the impact of political parties on state capture in Latin America. First, the impact of political party in power [years] is analyzed for a sample of 19 different Latin American countries with data ranging between the years 1996-2017. Second, the impact of political party in power [years] on state capture at varying levels of economic development as measured by GDPPC is then examined. The analysis provides support for the negative impacts of political party in power [years] on state capture. However, the results demonstrate that the impact of political party in power [years] on state capture can be mitigated the more economically developed a country becomes. Overall, the results suggest that a lack of political competition and horizontal accountability that political parties are able to provide in a given country results in enhanced levels of corruption and state capture.

Hypotheses

H1: The longer one single party is able to stay in power -- the weaker political competition is/gets while opposition parties lose power and become unable to exert a check on the majority. This then opens the door for corrupt actors (both public and private) to infiltrate the politico-economic apparatus and get their way via engaging in mechanisms of corruption and capture

H2: The impact of *party in power [years]* on *state capture* will be lower at higher levels of economic development relative to lower levels of economic development as is measured via GDPPC as economically developed countries and their citizens would not tolerate acts of corruption and state capture to 'get business done' as may be the case in a country which suffers from low levels of economic development where political and or private sector actors are more easily capable of skewing the rules of the game in their favor as it is often the case that that less developed countries also lack the necessary institutions and legal/regulatory frameworks for inhibiting corruption.

Methodology

- Given the time limitations in the dependent variable *state capture* this study analyzes the time period 1996 through 2017.
- In total, 19 countries from Latin America are included in a pooled time series cross-sectional dataset where the model estimated is a mixed effects model with time serving as the level 1 units nested within country which serves as the level 2 units.
- Putting it all together – a total of 418 observations were expected but due to limitations in the data relating to missing values pertaining to a country or a year produced fewer total observations for a final n of 349.
- The key independent variable analyzed for its effect on *state capture* is *party in power [years]* defined as the length in power of the party in power in the executive branch governing a given country.
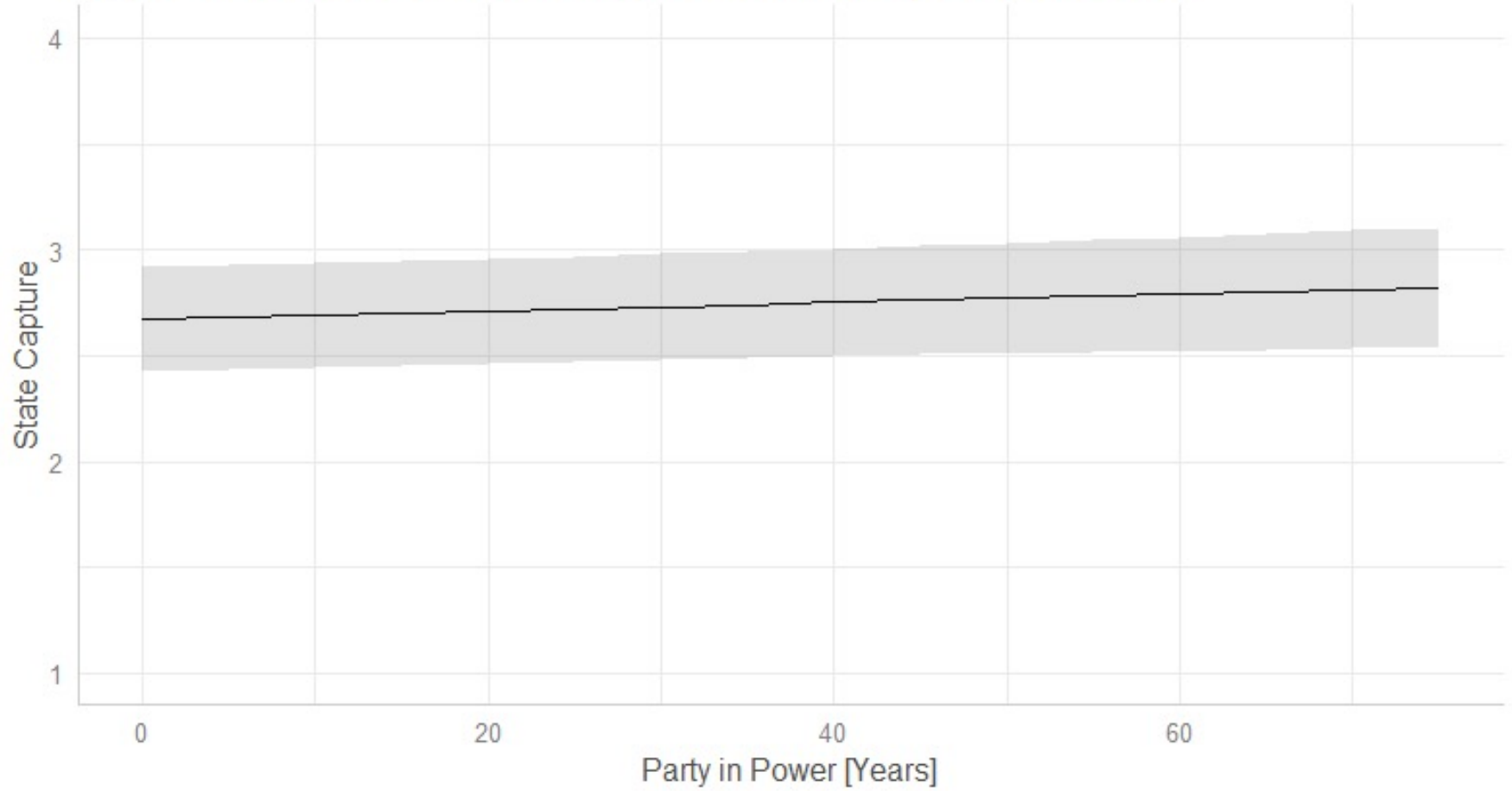
Main Results

Note: *p<0.1;**p<0.05;***p<0.01

	Main Model	Model 2	Model 3	Model 4
Time	0.016***	0.015***	0.015***	0.016***
	(0.006)	(0.006)	(0.006)	(0.006)
Total % Pop Urban	-0.019**	-0.019**	-0.019**	-0.020**
	(0.008)	(0.008)	(0.008)	(0.008)
Economic Freedom	-0.006**	-0.006**	-0.006**	-0.006*
	(0.003)	(0.003)	(0.003)	(0.003)
Total % Nat Res Rents (GDP)	-0.005**	-0.005*	-0.005**	-0.005**
	(0.003)	(0.003)	(0.003)	(0.003)
Drug Trafficking	0.627**	0.628**	0.633**	0.631**
	(0.279)	(0.279)	(0.280)	(0.278)
Party in Power	0.002*	0.003	0.001	0.028*
	(0.001)	(0.003)	(0.004)	(0.017)
^2 Party in Power		0.000	0.000	
		(0.000)	(0.000)	
^3 Party in Power			0.000	
			(0.000)	
Democracy	-0.079**	-0.077**	-0.076**	-0.072*
	(0.036)	(0.037)	(0.037)	(0.037)
Civil Liberties	-0.046**	-0.046**	-0.045**	-0.045**
	(0.02)	(0.02)	(0.02)	(0.02)
Party in Power X Log GDPPC				-0.007
				(0.004)
Log GDPPC	-0.278***	-0.276***	-0.279***	-0.225**
	(0.101)	(0.102)	(0.102)	(0.107)
Constant	0.477	0.467	0.47	0.30
	(0.61)	(0.61)	(0.612)	(0.618)
Intercept (Random Effects)	9.394	4.323	4.16	9.12
	(1.83)	(3.38)	(3.62)	(3.46)
Residual (Random Effects)	0.523	0.527	0.53	0.523
	(0.07)	(0.08)	(0.08)	(0.08)
Correlation Structure (AR1)	0.978	0.978	0.978	0.978
Observations	349	349	349	349
Log Likelihood	242.883	242.977	243.228	244.134
"AIC (BIC)"	" -459.767 (-409.651)"	"-457.954 (-403.983)"	"-456.456 (-398.63)"	"-460.267 (-406.296)"

Summary of Key Findings

H1 evaluation

Figure 1: Substantive Effects Party in Power [Years] on State Capture

H2 Evaluation

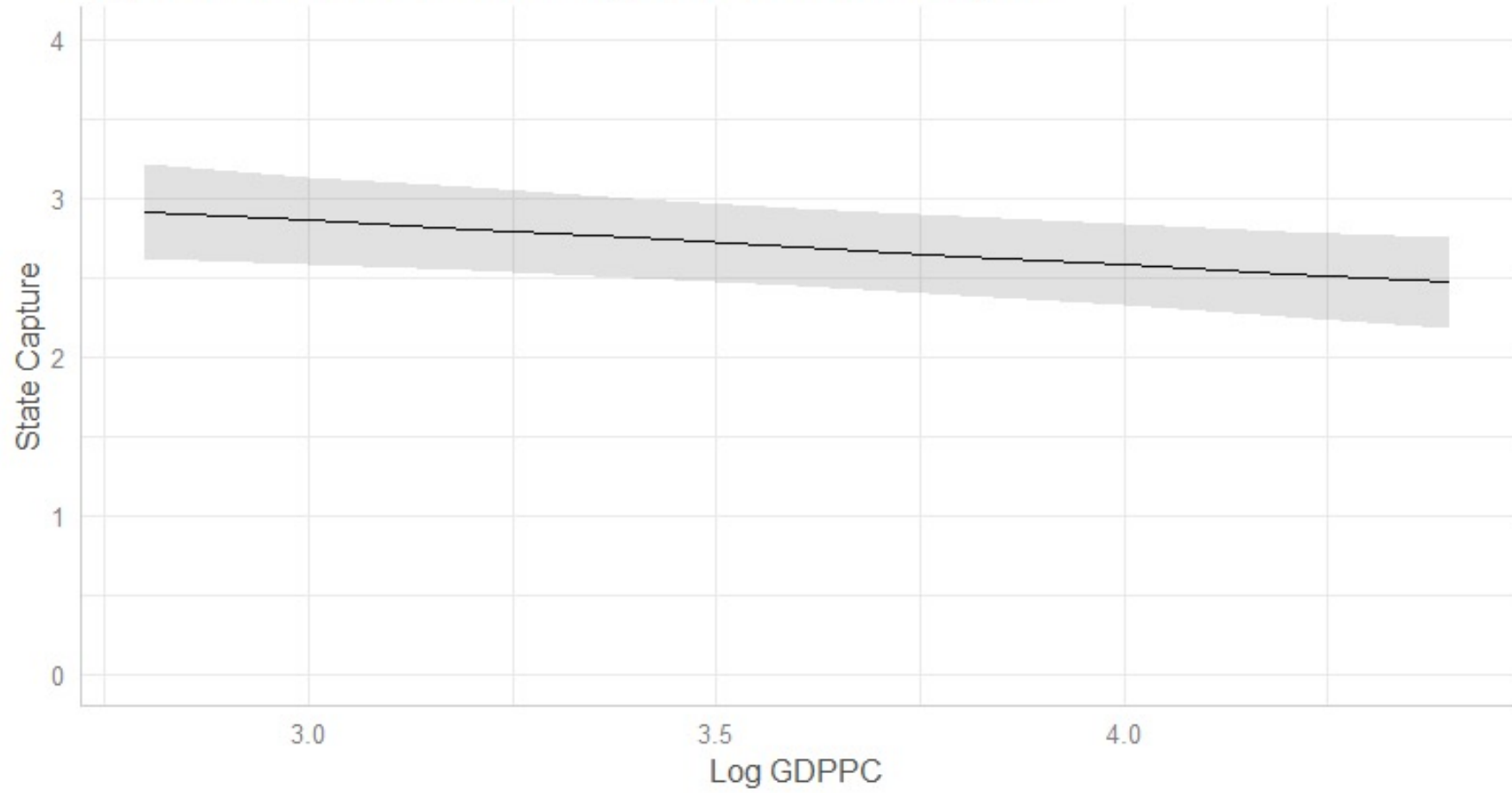Figure 2: Substantive Effects Log GDPPC on State Capture

Figure 3: Party in Power [Years] on State Capture at Varying levels of Log GDPPC

LogGDPPC
3.32
3.64
3.96