

DEMOGRAPHIC, CULTURAL AND WEALTH CONDITIONS FOR CORRUPTION IN LATIN AMERICA

Adrian TOMA*

Abstract. Unrefined control mechanisms developed by civil society, compared with the long exerted dominance of economically and racial selected ruling class, could be one reason for strong apprehension toward corruptive behavior in Latin America. Historically, the "have ones" shaped the law enforcement agencies and judicial system in their own interest. By contrast, human rights activists, liberal "think-tanks", uncontrolled media a.s.o. are "raraavis" in terms of public impact. Bad social politics are the second reason, because they had created a favourable environment for a perpetual high percentage of poor population. This encourages educational, social and political inequity, maintaining the dominant role played by professionals that represent control and tradition in society (military, land owners and the clerics), not innovation, dialogue and added value (middle-class, experts and NGOs). The third reason is the politically driven anticorruption campaign. Its distorted language keeps captive large chunks of population, especially poor urban inhabitants. They are manipulated to validate the judicial extraction from power hubs applied for notorious political and economic leaders and their replacement with similar characters (who control and enforce those processes). Cultural acceptance for other forms of corruption than bribery and the confusion determined by upper class propaganda between lower class handicaps caused by economic constraints and a supposed "inherited corruption" represent another category circumstances that favors dishonest behavior. The fifth cause: weak or inexistent control of central and legal institutions on large parts of national territory, especially in the countryside (caused by war, civil unrest, lack of interest from administrative apparatus etc.). It consolidates people's option for alternative, illegal solutions for their daily problems.

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Introduction

According to Latinbarometro, corruption is one of the main problems in all 13 countries in Latin America. The frequency of corruption scandals no longer

* West University of Timișoara, 4 Vasile Pârvan Blvd., 300223 Timișoara / Vasile Goldiș Western University of Arad, 94 Revolution Blvd., 310025 Arad, E-mail: toma_adrian_ar@yahoo.com

surprises anyone, and the fact that in the last five years, prominent leadership figures from most states have been indicted or found guilty serves only to confirm the suspicions of the majority of the population regarding the gap between what leaders say and what they do. Setting aside the generally accepted corruption among the leadership class of Latin and Caribbean Countries (LAC), one wonders whether these societies as a whole have certain traits that, together, in the long run, inevitably lead to a greater prevalence of corrupt behavior among the leading class. Furthermore, there the question of whether the profile of Latin American society, influenced by historic, economic, demographic and geographic conditions, is of such a nature as to encourage endemic corruption, in which case corruption among high level politicians would be only the most visible and “spectacular” manifestation of a widespread affliction.

It is important to evaluate the results of efforts by these states to counteract the manifestations of corruption, as well as to build social and economic systems that discourage acts of corruption.

The 2019 report of Baker Institute for Public Policy – “The State of Corruption in Latin America” reveals that the public’s concern regarding the effects of corruption has grown slowly but steadily in the past few years, leading to the point where approximately 8% of the population sees it as the greatest challenge. With CPI scores below 20 in the case of Venezuela and over 70 for Uruguay, Latin America is in the middle of international rankings. Yet there is the question whether perpetuating certain harmful patterns of behavior that became a norm for civil servants and members of the military in the region until the twentieth century do not, still, translate into greater public tolerance of inappropriate behavior from civil servants.

This possibility leads to the question: “What are the historical, demographic, economic, social, cultural and legal conditions that make possible for corruption to survive at certain levels – which according to some, are endemic – in Latin America?”.

The institutional framework (with a focus on the legal system and law enforcement)

While the Big Brother-type regime of the Chinese Communist Party or the police state built by Putin in Russia maintain their ability to control, block through intimidation and even physically eliminate those who take a stand against corruption in the political and economic system, in Latin America, it is precisely the weaknesses in the functioning of state institutions that in the last decade, made possible the mobilization of broad social support for effective anti-corruption measures.

First of all, Latin America is full of areas where the authority of the state is severely undermined or nonexistent. Governments have been confronted with – or have acquiesced to – the loss of control of entire regions, whether it is to politically mobilized guerrillas or criminal cartels. The weakness of central authorities is always an incentive for law-breaking behavior, often of a more violent or visible kind than what corruption typically entails. As a result, one can say that the establishment of decisional flows, informational flows, taxation regimes or parallel goods that substitute the official flows and regimes is absolute proof of endemic corruption in those areas.

There are encouraging signs regarding the capacity of law enforcement structures to handle criminal activity in general and corruption in particular. There is an overall paradigm shift, from a traditional paradigm of national security focused on war readiness or combatting subversive activities, to a model where the main threats are thought to be cross-border criminality, terrorism, human trafficking, poverty and AIDS.¹

Nevertheless, policing systems in the region are still subject to modes of organization and leadership that are politically influenced. In Venezuela and Cuba, a large share of resources goes to defending authoritarian left-wing regimes, and in Bolivia, the populism of the regime has led to stronger political subordination. Countries like Colombia and Mexico face large losses of personnel and tremendous operational pressure on police forces, which for years have been fighting armed militias in remote areas.

A characteristic element of police forces in Latin American states is the fact that they have in the past been involved in preserving the interests of ruling elites. Whether to support the seven-decade leadership of the PRI in Mexico or the military dictatorships in Argentina, Brazil and Chile, the police – often subordinate to the military – acted as a guarantor of the status quo, favoring the leadership class. The latter is found in the cities. Except for raids organized in rural areas, sometimes with the support of the military, there was always a mismatch between the resources allocated to cities, where the establishment is concentrated, and the number of police and other civil servants found in agricultural and mining regions, sometimes already hard-hit by civil war, separatist movements or cartel presence. The economies of LAC still rely heavily on the riches exploited in these vulnerable regions, where the presence of authorities is less conspicuous.

Police corruption is a reality pointed out by respondents to surveys in several countries point to in the past two decades. In 2010, it was defined as the institution's greatest problem² (by 33% of respondents), surpassing lack of personnel (22%). Unequal treatment was also mentioned by large shares of respondents in most LAC countries, for instance by 44% of respondents in Uruguay and 86% in the Dominican Republic.

More than the performance of the police, the functioning of the courts has a major influence on the efficiency of efforts to combat corruption. It is significant that, at least in some Latin American states, the authorities made efforts to implement modern and impersonal managerial methods to create the conditions for an independent justice system. These models were copied, as in the case of police reform, mostly from the North American space.

The example of Brazil, having implemented New Public Management (NPM), is relevant thanks to its scope, consistency and to size of its apparent impact. In the article “The paradox of the reform of the judiciary: clashes between the new public administration and the organizational culture of ‘jertinho’”³, the Brazilian authors evaluate the establishment of the Conselho Nacional de Justiça (CNJ) to implement NPM⁴ in the justice system.

The Council was given the power to control the administrative and financial activity of the courts and inspect how judges and civil servants were fulfilling their mission. Among the prerogatives of the CNJ are:

- strategic planning control and making projections regarding the evolution of justice in Brazil; Technological modernization of the judicial system;
- Extending access of the public to justice, social harmony and responsibility;
- Guaranteeing individual liberties and the proper execution of penal sentences;
- Laying out annual objectives for the courts;
- Defining indicators of efficiency, productivity and quality, as a way of making justice serve the needs of the public better.

All of these attributes are derived directly from NPM and have turned the CNJ into the most important engine of the Brazilian judicial system.

By applying these principles, the Council has waded into a territory of managing logistical and financial processes that are related to the justice system and wherein Brazilian magistrates in charge of the courts, as well as chief prosecutors, had enjoyed absolute authority. That is still the case in many other countries, where the authority of magistrates with leadership positions is extended to civil personnel that works for the courts and prosecutor's offices.

Although judges and prosecutors consider judicial activity as being the defining function of the organizations where they work, and as a result are little concerned with the conditions in which support activities for courts and prosecutor's offices take place⁵, they extend their authority over these areas (in terms of deciding the objectives, personnel policy and resource allocation).

The CNJ also exerts pressure over the Brazilian judicial system towards the adoption of one of the principles of the NPM that is most difficult to implement: "separating supply from production" and "separating management from the stakeholders";

Similar bodies in other countries, which have the role of watching over the activity of magistrates do not get involved in the above-mentioned areas and do not establish performance indicators for judges and prosecutors, and consequently they cannot initiate deep organizational shifts, unlike in the Brazilian model.

The implementation of NPM in Brazilian justice is apparently a success, having preceded the bringing to justice of numerous high-level politicians – including current and former presidents – and members of the top management of international companies like Odebrecht.

The conclusion of the study is that, in an organizational culture characterized by paternalism, formalism, rule-bending ("jeitinho"), adventurism and authoritarianism, the top-down adoption of NPM in the justice system has two effects:

- The emergence of formalism, as a negative byproduct of the state reform based on an Anglo-Saxon model that has not been culturally assimilated
- A rallying of the lower-level staff from the justice system around the CNJ, as an exponent of the authorities' stated intent to make the often autocratic

functioning of courts and prosecutor's offices more efficient and more democratic⁶

The justice system in Latin America in the twenty-first century does not, however, just represent a proving ground for experimentation with efficiency-based administrative reforms that have, at any rate, been adopted by third world countries since the 1990s.

Sociological research on the role of justice in the daily life of communities in the region reflects the fact that, against the backdrop of wealth and educational inequalities, the way people relate to justice follows three main patterns:

a) a negative perception of the justice system that does not necessarily mean people are discouraged from calling on the courts. Citizens opt not to "stay silent" to "unmask abuse", to "follow procedure" and reach out to the authorities.

b) social groups that have experienced marginalization and exclusion from positions of authority are more likely to appeal to "alternative strategies", extra-judicial problem-solving approaches: local militias, criminal groups, asking for support from an NGO, direct mediation etc). In this regard, single black women and immigrants are on one end of the spectrum, while wealthy white men are on the other. The latter more confidently call on the services of the justice system.

c) the difference in education levels between social categories within the same country or the differences between countries leads to significant variations in terms of the choice of using or not using one's legal options, as well as non-judicial problem-solving methods.

These are the conclusions of the study "Engaging Justice amidst Inequality in Latin America"⁷, conducted in 2017 in Medellín, Columbia and Santiago, Chile. The research started with focus groups in the two states, and the authors were careful to represent important social and professional categories in the two countries. Despite commonalities, the differences in recent history, especially in terms of the dissemination of certain elements of political culture, led to better results among the Colombians than the Chileans, with regard to their knowledge and ownership of rights as they relate to the justice system. As it emerges from this study, in order for people to take advantage of their constitutional rights and the resources in the legal system, it is necessary not just to lay these out in law and improve technical conditions. It is necessary to put in place institutional learning mechanisms through which citizens can learn how to use the legal system (be it through the courts or mediation/negotiation). Without these, justice represents, for those who are disadvantaged, a secondary option, a "back-up plan" to be considered when other options – more suited to social realities – do not achieve one's individual objectives.

Changes generated by IT&C in unmasking and combating corruption

Uruguay government is on process of digitizing administration. It is meant to lead to a more impersonal and less costly public service, and one which it is easier and quicker to control. According to an World Bank study based on 2017 data, more than a quarter of the procedures applied by central government referring the public service are accomplished entirely online⁸. This impersonal approach discourages

corrupt behaviour and diminishes the importance of the "informal connections" that people used to be encouraged to construct and maintain.

Corruption Perception Index (CPI) registered a rise in scores for Latin America in the past decade. Yet the question is whether this rise reflects the reality on the ground or the result of greater awareness among the population and the business environment of the fact that "uncomfortable" realities, sometimes perceived as "culturally conditioned", are actually manifestations of corruption.

In fact, the lack of efficiency can hide forms of corruption like:

- "monopoly" exercised by certain key public servants (on services such as notices and permits). IT@C implementation on large scale determines the prevalence job over the occupants;

- overwhelming personnel. Some of that can represent political clients of those in power. Extended use of IT@C can ease the outsourcing of some services and, as consequence, discourage the cronyism;

- lack of real competition between employees. The adoption of new technologies produces more transparence, a sort of more competitive "instant accountability". Finally, more realistic pay schemes and performance bonuses could result;

- the competence overlap of agencies could be a sign of interference from interest groups or the result of abnormal increase in activity, in order to justify expenses. IT@C constant reports establish clear boundaries or generates competition within government agencies. The different outlook on certain actions or decisions could be an "early-warning" on corrupt behavior.

When the rule of the "onerous fee" hides a culture of corruption

The high frequency of bribery as a traditional solution for problem solving in relations to numerous types of state employees has had the collateral effect of minimizing the visibility of other manifestations of corruption, such as tax evasion, double standards in the access of different social groups to public office, limited access to public interest information, insecurity, the reduced quality or absence of public services that public servants are remunerated for etc. Such practices were considered abusive or illegal but not necessarily seen as part of the corruption that seeped into the fabric of society. It remains to be seen to what extent online mobilization will alter how acceptable certain harmful but tolerated (or endured) until recently.

The weight of history

For hundreds of years, colonies in Latin America were administered by Spanish or Portuguese civil servants whose decision to enter public service far away from home was often motivated by the desire to get rich at any cost. Buying oneself a public office was often followed by a race against time to accumulate a fortune, before a possible loss of one's position of power and control of resources, as a result either of a real or contrived crime (a scenario similar to the one experienced, thousands of kilometers away, during the same period, by imperial Turkish or local civil servants from the European, African or Middle Eastern provinces of the Ottoman empire).

The fact that one's merits were often irrelevant in obtaining and maintaining public office remained a reality after independence from Madrid and Lisbon, and the proclivity for informal, parallel systems and relationships among the ruling elite was maintained.

Economic conditioning (internal and external)

At the international level, it is important to emphasize that Latin America was, for hundreds of years, just a supplier of precious metals and raw materials for European metropolises. What initially appeared to be a competitive advantage for the Spanish and Portuguese empire over the English and French – who had only recently arrived in North America – eventually became a handicap for the economies of the former colonies. The abundance of gold and silver served to maintain the interest of monarchies from the Iberian Peninsula in maintaining a medieval type European supremacy, based on the abundance of precious metals. In time, this led to inflation, inhibited the development of a bourgeois class and led to economic backwardness. In Latin America, the effect was the creation of large mines and, later, plantations, which were kept running by local and black manpower. Economic relationships based on hierarchy and submission were the norm at a time when Europeans emigrating to North America were determined – given the lack of precious metal and raw materials that fueled Spanish and Portuguese dominance in the Southern Hemisphere – to build an independent and competitive society from the ground up.⁹ Maintaining the Latin American economies and labor force at the periphery of the world economic system for hundreds of years resulted in a limited involvement in decision-making of a middle class that would have been educated, aware of its value and sufficiently economically independent and confident to successfully withstand low- and medium-intensity corruptive pressures. In World Bank analyses, Latin America is the region with the greatest economic inequalities, this being one of the most important indicators of systemic corruption, alongside the lack of political legitimacy, the lack of capacity to create jobs and low institutionalization.

The national economic handicap is maintained today. The reduced relevance and transparency of ambitious economic projects implemented by powers from outside the continent – especially the US but also more recently China, and to a lesser extent, Russia – facilitates eluding public accountability for a significant share of the decisions regarding the resources of Latin American countries.

The internal economic factors that facilitate corruption come from the types of labor relations encouraged in the colonial and post-colonial period. The prominence of mines and plantations consolidated the position among the ruling elite of those who controlled large labor forces, inhibiting creativity and development of the industrial bourgeoisie. The late-stage medieval relations encouraged similar social relations, which delayed the development of civic consciousness, meritocracy and transparent decision-making.

The ethnic-demographic factor

Although in South and Central America, imperial powers never set out to displace the indigenous population and place them in reservations – as they did in

North America – the systematic exploitation of the local population was the norm. Even though the white colonists had no qualms about relations and even marriages with the locals – which led to a majority ethnically mixed population on the continent – the differences in wealth between the descendants of Europeans and indigenous peoples have been maintained into the present. It is not by accident that the higher chances for social and economic upward mobility of the descendants of European colonists are reflected in differences between regions and countries

Significantly, CPI data from 2016, 2017 and 2018 highlighted the perception of citizens of these states that corruption is getting more widespread and “most politicians” are corrupt. Even though this public sentiment can be explained by the spread of social media and the interest of mass media towards acts of corruption¹⁰, the trend is surely real.

The legal context and professional profile of the ruling elites

Much like in other areas of the world where the business environment, technocratic class and civil society have not had enough vitality to supply the majority of the members of the ruling class and set out the development trajectory of the country, leadership positions in Latin America have been disproportionately occupied by people from two environments marked by hierarchy and traditionalism: the military and the clergy. The long periods in which they controlled the state apparatus slowed down progress or even set society back, especially with regard to establishing the rule of law (e.g. the Pinochet regime). Paradoxically, entire areas of Latin America are experiencing what one could call “community-wide Stockholm syndrome”. Entire populations, from wide and preponderantly rural areas, attribute for a long period of time a higher moral authority to regional military rulers – often propelled into power by unfortunate historical events like civil wars, revolts or movements for autonomy from the central administration. The cause is the more just treatment that they exhibit towards regular people in the area, compared to the traditional political and economic elites, often descended from the land-owning colonial elite class. Although involved in embezzlement, military leaders – especially at the start of their “rule” – manifest more care for fulfilling economic, security and judicial commitments (e.g. limiting drug and human trafficking etc). Unfortunately, however, the system upheld through the force of militias subordinated to these local “viceroys” is a parallel system, which undermines the authority of the state without being able to replace it or more effectively resolve issues in the long run (Winifred Tate: “Paramilitary Politics and Corruption Talks in Colombia”).

Social problems

The reduced education level, especially among women, makes it more difficult for citizens to recognize when they are exposed to corruptive behavior or when their rights are being infringed (as well as what legal recourse they may have).

A 2013 analysis by the International Plan for Latin America highlighted that 104 million girls in the region did not manage to finish primary education because they must work, they become pregnant or there is not enough money for educational programs.

In 2018, the OECD estimated that under 2% of 15-year-old students in Latin America have high-level math skills, compared to the OECD average of 13%. The reduced level of expertise in scientific fields also impacts the level of performance of managers and specialists in business.

The availability of people who can innovate to get involved in activities that would improve production capacities, services or the performance of public institutions is undermined by the bureaucracy involved in obtaining patents, as well as the reduced interest of management and elites in introducing new equipments and high-performance instruments, which could threaten the non-meritocratic equilibrium obtained through corrupt practices. As a result, LAC countries had, at the start of the last decade, less than one patent / million inhabitants per year, while the OECD average is 132.

The combination of the above-mentioned institutional, historical, economic, demographic and ethnographic factors produced specific and durable ways in which state institutions were hijacked for private and group interests, such as “coronelismo”. The take-over of the levers of power by local oligarchs and the weakening of central authority is added to South American forms of cronyism, nepotism and patronage.

Significantly, South American corruption, unlike corruption in Europe or the United States, appears more closely linked to the exercise of authority and even the power of the state to constrain. Data collected by Transparency International (TI) in 2016 revealed that the most professional categories perceived as most corrupt are politicians, political parties and the police. Apparently, this data goes against the results of another survey by TI, produced in the same year but on a different continent, wherein a third of respondents acknowledged that they had bribed someone in the past 12 months, but mostly for medical or educational services. The latter behaviors are associated with “low-level corruption”, while the actions of politicians and political organizations go into the category of “high-level corruption” (strongly condemned by mass media and also discussed in Latin American social media).

Thus, the existence of a double standard in judging “day-to-day” corruption and high level corruption contributes to a climate of lenience towards state employees who accept or request “small tokens” and one which creates an entire class of civil servants, small businessmen and taxpayers who are accustomed to corrupt mechanisms and logic. From among these the most “high performing” will ultimately be recruited the future actors involved in high-level corruption.

The precarious nature of the anti-corruption campaign sustained by the financial, informational and acting resources of the leading political elite appears evident, given the fact that the majority of the population is encouraged to extract occasional small benefits by tolerating corrupt behaviors, through two psychological mechanisms:

a) minimizing the effect that low-level corruption has in terms of discouraging meritocracy and “clogging up” the economic machine, by invoking the presumed effect of “greasing the wheels”¹¹.

The OECD (2018) study *Integrity for Good Governance in Latin America and the Caribbean: From Commitments to Action* highlights three aspects of the Latin American society and economy that maintain this mechanism:

- the high share of sectors of the economy where labor is done fully or partly “under the table”

- the low level of “tax morale”, meaning the willingness of the population to pay taxes (almost half of inhabitants would like to avoid paying taxes);

- the informality of relationships between institutions and citizens, materialized in the sporadic, inconsistent and personalized enforcement of rules

These three characteristics lead to a significant reduction in the financial resources that the state has accumulated, directly affecting the state’s capacity to finance development projects and programs intended to reduce inequality. Consequently economic growth slows and inequities are perpetuated, enabling new acts of corruption

b) a shift in focus in the discourse about corruption, from the objective reality of the phenomenon towards stereotyping certain social categories or ethnic/racial groups as corrupt. This way, political and economic elites rally broad swaths of the population for a pseudo-crusade against the basic corruption of the most vulnerable members of society. The repeated attempts of the latter to propel themselves upward in society, individually or as a group, are contested not necessarily because their demands are seen to lack legitimacy but, rather, on the grounds of their lack of culture and civilization, which are labelled as indicators of “corruption” (even as inequality is the cause, rather than the effect, of these “disagreeable” characteristics of the poorest members of society).

Inter-American Development Bank – “Mega Cities and Infrastructure in Latin America- what is people think”. Thomas Serebrisky. To the surprise of readers from other regions, the study reveals that Latin America is the developing region with the highest degree of urbanization (82%). Since living standards are quite low, compared to other continents, there is a majority poor population, captive in urban areas, where short- and medium-term survival depends on factors that often have little to do with the willingness of citizens of this state to do honest work. Importantly, the number one problem that the public identified in the five cities where the study was conducted in 2013 was the insufficient transparency of governance and low participation of citizens in decision-making (the other challenges being public transportation, public utility networks and climate change). Security and transparency were the main concerns in all five cities analyzed – Mexico City, Sao Paulo, Buenos Aires, Bogota and Lima – regardless of social group.

Significantly, public discourse against corruption in the past five years, against the backdrop of scandals that involved hundreds of high-level public personalities in cases such as those of the Brazilian trust Odebrecht or the later disclosures of the Panama Papers, appears to have a political undertone. An examination of the most well-known cases reveals that the adversaries of those indicted or sentenced gained a competitive edge and that the indictment was initiated in key moments for the accused or their detractors. The indictment of former Argentinian president Cristina Fernandez Kirchner consolidated the position of her

rival Mauricio Macri, who then followed her in office (the media attention on this case also drew attention away from the economic problems that the new executive has yet to find solutions for). The corruption trial that ousted former Brazilian president Dilma Roussef from power occurred against the backdrop of a systematic media campaign by political adversaries who may have themselves been worthy subjects of similar corruption investigations.

It is probably no accident that the greatest corruption scandal of the past few years in Latin America, the Odebrecht case, included many sub-cases that focused on contracts signed in other countries, an aspect that the nationalistic media promoted by Latin American elites focused on systematically.

In the study “Social Life of Corruption in Latin America” (2018), Donna M. Goldstein reveals that, prior to this anticorruption campaign that was instrumentalized for political purposes, members of both academia and the judiciary paid little attention to corruption-related crime, especially when it involved the “upper class”. Traditionally, Latin American literature in the field is full of research about drug trafficking, violence at the margins of large cities and crimes committed by the poorer strata of society, from among whose ranks the prison population is predominantly drawn. Meanwhile, tax evaders, “white collar” criminals who embezzle funds, false experts and others, were able to evade accountability for crimes that did significant harm to Latin American communities. The cause of this bias is the perpetuation of control of education and propaganda by an elite that initially owned agricultural lands in Latin American societies (Brazil, with its system of political elites originating from the northeast of the country, represents the most well-known example¹²).

In fact, persons with less education, the poor, most often of partial or full indigenous descent, and finding themselves in a position of economic subordination, automatically become guilty or “predisposed” to a predestined corruption from an ontological point of view, as a result of their positioning on the “undignified”, less skilled and dark side of a system that was built by the people who judge them and their predecessors.

As noted by Michael Muthuscrisna, Assistant Professor of Economic Psychology at the London School of Economics, “cooperation and corruption are two sides of the same reality”. Only a longer experience of democracy and effective functioning of state institutions will allow for a surpassing of the minimal, natural level of cooperation from among families and other tight-knit groups.¹³ Societies oriented towards the primacy of family over other relationships formed by independent individuals tend to be more corrupt because they facilitate nepotism. To the extent that these states have protective mechanisms that limit access to political or economic elites, perpetuating the friendly relationships that members of the group had from the beginning naturally leads to cronyism. The fact that civil servants in the third world traditionally lack accountability for not respecting work hours, not performing tasks on time or fulfilling all of their responsibilities or not respecting procedures, this encourages bribing if only to coax these individuals into performing their duties.

Upon closer inspection, Latin American societies fulfill all of these conditions:

- they are traditionally built on hierarchies where a minority of the population, whose members know each other and tend to lend each other favors (cronyism), has more power and resources than individuals from other backgrounds, geographical areas or other groups;

- the family guarantees affective and material support that state institutions, the business environment and civil society cannot offer to a comparable degree (especially in crisis situations, for which these states prove themselves unprepared again and again). As a result, nepotism is a natural choice, offering the guarantee of a stability that is hard to obtain through meritocracy;

- abiding by the rules is not a behavior based on the conviction of citizens that such a behavior brings better results than corrupt behavior – as would be in a consolidated democracy. To quote Michael Muthucrishna again, institutions with a punitive role the world over do not have enough human and material resources to enforce the rules by fear alone. The conviction of tax-payers that paying their taxes will lead, indirectly, to a more favorable economic, cultural, educational and safer environment for oneself is what facilitates the large-scale adoption of honest behavior. Such trust in the system does not exist in Latin American countries.

As the above-mentioned studies, conducted in the past five years, show, the frustrations of members of the public and the business environment have to do with an extremely broad range of issues: transport, health, electricity, security, the environment, transparency. The demands of citizens have to do with vital services that are normal in a modern society but which are not satisfied at present by the state that nevertheless demands that rules be abided by. This gap incentivizes corrupt behavior among the disabused.

Not at all surprisingly, the lack of transparency of public institutions was one of the main 5 problems identified by the study “Mega City and Infrastructure in Latin America”, wherein 1,000 persons in each of five megacities were surveyed. The lack of transparency does not allow for an appreciation of the frequency and the cost of corruption.¹⁴ As a result, social and institutional mobilization against corruption becomes difficult.

There is a significant difference between “social mobilization” and “social revolt”. The former occurs in societies whose level of social and economic development allows for large enough parts of the population to mobilize and use their energy, wealth and education to initiate substantive reform. The latter is the eruption of frustration in a society that has reached a critical level. It has a destructive impact first on the imperfect institutions, risking a tearing down of functional elements of state mechanisms. In essence, social revolt is the expression of the inability of society to gather a “critical mass” of people – usually members of the middle class – who can dedicate a large part of their time and resources to building economic, political, civil or ethnic coalitions interested in improving the functioning of the state and a more equitable distribution of the decision-making power. Revolt is the expression of having reached the end of one’s rope, not mobilization for a project.

Only if the above-mentioned coalition is in place, greater transparency could lead to real corruption-reducing action. Otherwise, revealing corrupt mechanisms and their spread and effects could lead to revolt or demobilization.

Fortunately, in Latin America there is a growing middle class, both as a share of the population and in terms of its economic and social relevance. The World Bank study “Latin America: Middle Class Hits Historic High” reveals that in just a decade, the middle class grew by 50%, reaching a share of around 30%, similar to the share of the poor. This is good news for democracy in LAC states and for those who hope in a long-lasting, effective anti-corruption effort that is directed towards the needs of citizens, rather than political interests.

Sadly, the fact that the economies in the region are at the periphery of the world economic system, reliant on demand for raw materials and low- and medium-skill labor from more technologically advanced countries, makes the local business environment more vulnerable to turbulence abroad. The 73 million Latin Americans who crossed the poverty threshold in the past decade and the 50 million persons in the same region who became members of the middle class risk losing their newly acquired status. If the role played by these countries in the international flows of goods and capital were to be reconsidered, that would rapidly change the insecurity about the future felt by the social class that can enact corruption.¹⁵

An idea briefly expressed in the above-mentioned article published by the World Bank is that a continued rapid growth of the middle class in Latin America depends on improving the systems in place to train and protect the labor force. We may add that equally important is the quality of the social conditions facing the labor force who aspires to join the middle class, because anything that can contribute to productivity growth can make a difference.

It is therefore relevant to distinguish between “social insurance” and “social assistance”. The former consists of a range of “insurances” against situations that could directly impact an individual’s productivity, such as unemployment, illness, disability or workplace accidents. The latter is made up of a range of instruments that offer assistance to social groups that are in trouble: single parents, homeless persons, persons with psychological issues or serious physical impairments.

There is an assumption that although both ways of addressing problems that citizens can encounter are necessary and desirable, the former has a stronger impact on the productivity of society as a whole. As a result, when funds are allocated to attempt to resolve or mitigate the problems that current, future or former labor force members may have – problems that would reduce their ability to work or prevent them from working – the allocations are made in such a way that they are more likely to facilitate wealth accumulation rather than “general” assistance to vulnerable social groups.

This is where the analysis of the situation in Latin America comes in. Spanish- and Portuguese-speaking countries in the two Americas have created societies that do not fulfill any of the conditions that allowed North America and Western Europe to become prosperous and see high labor productivity. In these countries, there are neither support mechanisms characteristic of the welfare state nor incentive structures for business owners such as those seen in the United States.¹⁶

The rapid income growth generated by better business opportunities cannot occur in a manner similar to what we see in the US because:

1. The capital owned by Latin American companies cannot compare to the capital accumulated by their counterparts further to the North. The profit is proportionally smaller;

2. Large companies and even niche companies are at the top of the “food chain” in terms of accruing the financial benefits of an improvement in the business environment, earning more when the situation is improving in the areas where they function or have contracts. This is less true for Latin American companies, which are reliant on a still marginal market – in a global context – where the rules are often written for stakeholders from outside the continent.

The European model of the welfare state does not exist in Latin America, where, although the pension system works better than one might expect, other benefits are nearly non-existent. There is no lifelong learning for the labor force, no professional retraining projects adjusted to the current and projected evolutions in the labor market, no reduction of the work week, no flexible work arrangements etc. As a result, the labor force benefits neither from regeneration and training schemes available in the EU, nor from “injections” of capital that, in the US context, can help turn some workers in shareholders.

With regard to the welfare system in the LAC region, Francisco H.G. Ferreira wrote in 2010 that countries are still in the process of going from “safety nets” to “opportunity ropes”.¹⁷

Up until the 1990s, most of the rural population did not even receive more than the universal subsidies for small amounts of food and fuel. In parallel, there was an old system of social insurance, held up by the contributions of a small share of the labor force and disproportionately benefitting certain types of employees, such as civil servants, members of the military, healthcare and education system employees etc. There were no exhaustive studies of the target population and, most importantly, the rules were pliable according to individual priorities or interests.

Social protection mechanism up until the 1990s can be split in two main groups (each of which has weaknesses):

- Social insurance, inspired by the Bismarck model implemented in Germany during the reign of Wilhelm. It was a system of insurance geared primarily towards documented workers, concentrated in the cities. Poor laborers, many working by the day – both in rural and urban areas – were excluded. The mechanism never reached its objective of including most of the labor force and ensuring a raise in incomes that would allow for supporting a pension scheme and other benefits associated with documented labor. Even today, the number of people working under the table varies between 40 and 75% of the labor force;

- Social assistance is a later evolution, which followed the demise of military dictatorships in the region and occurred in the 1990s. During this period, special pension and healthcare systems were put in place for people without an income, in addition to means-tested money transfer to vulnerable people (as long as they fulfilled certain conditions and undertook necessary steps, such as checking particular health or educational criteria). Numerous “workfare”-type programs were also implemented.¹⁸ In many situations, it was observed that the costs associated with these programs were seen more quickly than the benefits – something that was due in no

small part to the interference of political actors in the design of the targets, the fieldwork and the subcontracting of the relevant services.

In the case of in-kind programs, which typically involve food aid, there were issues in the contracting of producers, transporters and distributors. These services, subject to interference from interest groups, tended to prevail over more tangible benefits such as feeding children in the schools serving the same vulnerable population.¹⁹

In the case of “workfare” programs, the lack of an appropriate evaluation of the amounts that should be paid to ensure, at a minimum, the subsistence of poor individuals or families that are not documented as part of the workforce, combined with a selection process that did not take into consideration the features and size of the most vulnerable population, led either to outsize demand or, conversely, to lack of demand for these projects. Trabajar, implemented in Argentina, is an example of a program that failed because the amounts handed out were too high and were competing with what the labor market could offer. As a result, there was too much demand for infrastructure projects that would be funded as part of this program, which meant that the budget could not sustain the demand, leading to a wave of accusations that projects were initiated based on patronage. The entire program had to be reinvented under a different name, with a different payment scheme and a new set of criteria for selecting beneficiaries.

The conclusion of this analysis of the social protection systems in the LAC region is that, given the length of time these systems have been in place and the resources they have been allocated, they are not enough to allow for a rapid expansion of the middle class. Latin America is still vulnerable to developments in the global market, and this is one of the reasons why its political system and institutions are still fragile and contested.

References

- ¹ This trend was laid out in the Declaration on Security of the Americas (2003), Organization of American States (OAS).
- ² Cruz, J. M., “Police Misconduct and Democracy in Latin America,” *Americas Barometer Insights Series II/33*, (2010-2011): 16-20.
- ³ De Costa Lima, D.M., Valdez Fereiro F., Bayma de Oliveira, F.. “O paradoxo da reforma do Judiciário: embates entre a nova gestão pública e a cultura organizacional do jeitinho,” *Revista de Administração Pública* 50/6 (2016): 893-912.
- ⁴ Which, as a governance model, had been adopted in Brazil since the 1990s, as a result of the 1988 Constitution.
- ⁵ Clerks, policemen, experts, accountants, administrative staff etc.
- ⁶ The support of personnel with logistical and operational support functions does not in itself, allow justice reform; instead it merely facilitates it, as long as share-holders in the justice system systematically push things in this direction.
- ⁷ Hilbink, L., Salas, V., [Gallagher](#), J.K., Restrepo Sanín, J., “Why People Turn to Institutions They Detest: Institutional Mistrust and Justice System Engagement in Uneven Democratic States,” *Comparative Political Studies* 55/1(2022): 3-31.

⁸ <https://www.worldbank.org/en/news/press-release/2017/08/03/uruguay-digitalizacion-servicios-publicos>, accessed January 2022.

⁹ Which, at the beginning of the 20th century, took from the colonial countries economic and political influences in Central and South America.

¹⁰ That led, among other things, to the sentencing and incarceration of 11 former presidents from the region in less than a decade.

¹¹ Similar to the Chinese cultural model of “small corruption” in PRC that is claimed to have facilitated the direct intervention in the business sector, thus contributing to or, at least, not hindering, the success of the “two systems country.”

¹² Drybread, K., (2018) “When corruption is not a crime: “innocent” white politicians and the racialisation of criminality in Brazil”, *Culture, Theory and Critique* 59/4 (2018): 332-353.

¹³ <https://blogs.lse.ac.uk/latamcaribbean/2017/10/23/in-latin-america-as-in-the-wider-world-corruption-is-rooted-in-our-relationships/>, accessed January 2022.

¹⁴ Understood as the spread of bribery as well as the forms it takes and the costs incurred by society, as a result of a loss of efficiency, competitiveness and of the capacity to finance projects that are useful to the community.

¹⁵ For example, the expected relocation of certain production sites belonging to North American multinational companies from Asia to Mexico – possibly accelerated by the distortions in the supply flows generated by COVID-19 – could significantly alter the minimum wage, business climate and the profile of the average employee in this Latin American country.

¹⁶ When the business environment improves, businesses and business owners have the capacity to “uphold” the labor force by more rapidly resuscitating the labor market and raising paychecks in various fields and geographic areas.

¹⁷ Ferreira, F.H.G., Robalino, D., “Social Protection in Latin America: Achievements and Limitations”, *Policy Research Working Paper 5305*, The World Bank Latin America and the Caribbean Region Office of the Chief Economist, (2010): 1-41.

¹⁸ Trabajar in Argentina, Programa de Empleo Temporal in Mexico etc.

¹⁹ It is only more recent programs, where food aid is merely an incentive associated with the project that otherwise involves health education and planning and monitoring the health status of children, that have allowed a measurable growth in the final results as well as a more accurate assessment of priorities.