

Robert I. Rotberg *Editor*

Corruption in Latin America

How Politicians and Corporations Steal
from Citizens

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*For
Adriana, Felipe, Marislei, Tuca
Intrepid Warriors*

Preface

Latin America hardly lacks for corrupt corporate and political elites. An almost incessant clamor of signal arrests and trials in dozens of countries in 2017 and 2018 testifies both to the gravity of the problem and to the possibility that decades of transnational impunity are finally being replaced by a new prosecutorial and judicial fervor. Building upon that optimistic notion, this book examines the varieties and displays of corrupt practice from Mexico to Argentina, closely investigates the Brazilian case, and looks forward to specifying exactly how Central and South Americans may sustainably beat back the corrupt demons who have long held the Spanish- and Portuguese-speaking citizens of the hemisphere in their thrall.

This book emerged out of lecturing and cross-disciplinary discussions when I was the first Fulbright Distinguished Professor of International Politics at the University of São Paulo's Institute of International Relations (IRI) in 2016–2017. I am particularly indebted to Pedro Dallari, then Director of IRI, who first suggested organizing a volume like this one, and who also provided an inspiring intellectual collegial home away from home. I am also enormously thankful to Matthew Taylor, with whom I once shared a fellowship year at the Woodrow Wilson Center for International Scholars; he originally suggested applying for the Fulbright professorship. He also very kindly read and critiqued with great insight my two chapters in this volume. Luiz Loureiro, director of Brazil's Fulbright Commission, and his staff provided strong in-country support.

At IRI there were a number of colleagues, two of whom have written chapters in this book, from whose welcome tutelage and friendship I benefited enormously. Felipe Loureiro, also of IRI, was an excellent and gentle tutor in all things Brazilian, all things USP, and everything to do with Brazilian foreign policy. I am endlessly grateful to him for making the year at IRI so rewarding. Likewise, IRI's Marislei Nishijima and her family immediately embraced this visitor from the north and took me on many intriguing expeditions. Their enduring hospitality in and around beaches, zoos, aviaries, and other compelling parts of São Paulo State contributed mightily to a productive academic posting. Andriana Schor and Maria Antonieta Del Tedesco Lins were also welcoming and engaging. So was Kirstyn Inglis. I am grateful to have spent time with all of them, with my students, and with many others

from IRI and other faculties of USP. Lecturing visits to Brasília and Rio de Janeiro were also important and relevant to this book. I am immensely grateful for the opportunity to speak at Fundação Getúlio Vargas (FGV) and the University of Brasília, and to Robert Muggah of the Igarapé Institute and Ana Flávia Platiau at the University of Brasília. Judge Sérgio Moro and his family kindly welcomed me in Curitiba, where the Thirteenth Federal Criminal Court has produced so many critical decisions concerning Lava Jato, corrupt conspiracies, and the fate of impunity.

I salute, too, the contributors to this book, two of whom in their former lives were confronted daily with the failings and consequences of the acts of corrupt politicians, legislators, jurists, and officials. The other contributors, also, have an intimate acquaintance with corrupt practices in the countries about which they have written and several about which they have not. I remain grateful for their strong chapters and the efforts each put into writing (and responding so calmly to the editing of) their chapters in this volume.

We all write in this book in an academic or near-academic vein. But we all know, and express in the following chapters, our desire that the peoples of Latin America who have the need will soon be able to follow the Guatemalans and Brazilians and begin successfully to transform protest into the prosecution or defeat of corrupt executive, legislative, and judicial barons. This book is in part dedicated to the honest politicians, legislators, and judges of the continent, to popular forces of change, and to the distinct possibility of a Latin America freed from corruption.

Lexington, MA, USA

Robert I. Rotberg

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judge on the Guatemala Court of Appeals, 2005–2014. In 2017, she received a National Endowment for Democracy award for fighting impunity and injustice. The Democracy award recognizes the work of courageous individuals “who have fought to expose corruption at the highest levels, in turn risking their careers, their freedom, and their very lives.”

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Ronald Maclean-Abaroa was Mayor of La Paz four times between 1985 and 1996. He also held five different cabinet positions in the Bolivian national government, becoming a very young Minister of Planning in 1982 and Minister of Finance and Minister of Foreign Affairs after his years as mayor. He was his party’s nominee for the presidency in 2002. He is a founding member of Transparency International and has been a Senior Operations Officer in the Urban and Local Government Division of the World Bank Institute. Before he entered Bolivian politics, Maclean-Abaroa launched and managed Bolivia’s largest gold mine. A graduate of the University of Maryland and Harvard’s Kennedy School, he returned there as a Senior Research Fellow after stepping down as mayor. With Robert Klitgaard and H. Lindsay Parris, he wrote *Corrupt Cities: A Practical Guide to Cure and Prevention* (Washington, DC, World Bank Institute, 2000).

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Robert I. Rotberg was the first Fulbright Distinguished Professor of International Relations at the Institute of International Relations, University of São Paulo, 2016–2017. He is the Founding Director of Harvard Kennedy School's Program on Intrastate Conflict, President Emeritus of the World Peace Foundation, Fellow of the American Academy of Arts and Sciences, and Fellow of the Woodrow Wilson International Center for Scholars. His latest books include *The Corruption Cure: How Citizens and Leaders Can Combat Graft* (Princeton, PUP, 2017) and *Canada's Corruption: At Home and Abroad* (NY, Routledge, 2018), ed. with David Carment.

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Chapter 1

The Corruption of Latin America



Robert I. Rotberg

Abstract The nations of Latin America are afflicted with corruption, public and private. Reverberations from Brazil’s ongoing Lava Jato scandal have implicated at least a third of the countries of the region in its pay-for-play results. At the center of this vast web of conspiracy and illicit dealings are construction companies, giant petroleum exploiters, and presidents, vice-presidents, cabinet ministers, and regional political leaders across the continent. This chapter and the ones that follow explain what happened and why it happened (over decades in some instances) across a range of troubled Latin American countries from Argentina in the south to Mexico in the north. A section in this chapter explains why Uruguay, Chile, and Costa Rica are less corrupt than their neighbors. A final chapter suggests how Latin America can reduce the onslaught of corruption.

Latin American countries, regimes, corporations, and political elites are corrupt and have been for decades. In the aftermath of Brazil’s massive Lava Jato (Car Wash) corruption scandal, investigators discovered that the continent’s largest construction firms had systematically been bribing politicians and officials not only in Brazil but also in Bolivia, Ecuador, Mexico, Peru, and a dozen other countries, including Angola. At least \$788 million had been spent by Odebrecht alone to bribe politicians and officials in 12 countries. Separately, the continent’s narcotic trafficking cartels have for decades been suborning politicians and officials in the coca-producing and coca-transporting countries south and north of the equator; criminal gangs have managed to “rent” cooperative security figures and politicians throughout Colombia, Mexico, Venezuela, and many of the Central American and island states. Presidents of Brazil have been implicated in corrupt dealings, and one sentenced to prison. So have a former president of Argentina and a vice-president of Peru. (The latter was sentenced to 6 years in jail for receiving millions of dollars in bribes, in exchange for contracts.) Accusations flew back and forth in late 2017 and early 2018 concerning the sitting president of Peru as well as several former

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presidents of Mexico. The president of Peru resigned in March 2018, fearing impeachment.¹ Older commentators remember how presidents of Argentina and Paraguay, and two presidents of Peru, decades ago, stole from their people over a considerable number of years. Few can forget, too, the deep well of corruption that engulfed Mexico under the long decades of the Institutional Revolutionary Party (PRI) rule in the twentieth century and again recently.

There is abundant anecdotal and circumstantial evidence that nearly all of the nations of Latin America harbor pools of both petty and grand corruption. Only Chile, Costa Rica, and Uruguay are possible exceptions, at least relatively to their neighbors and fellow South American and Central American polities. But even in those comparatively pristine outliers, there are accusations from time to time of corrupt practices within the political elites of each governing establishment. At the other extreme—even well beyond Brazil and Guatemala—Venezuela stands out as an extreme case. The Odebrecht construction company president testified that Venezuela's President Nicolás Maduro had accepted probably \$35 million dollars in "campaign contributions" in exchange for public works' contracts.²

In Brazil, Odebrecht joined with Petróleo Brasileiro (Petrobras), the state-controlled petroleum exploration, refining, and distribution firm, to over-invoice costs of constructing drilling platforms, onshore installations, and the like in exchange for hefty kickbacks to Petrobras officials and payoffs to the major politicians to whom the officials owed their positions. Money sloshed back and forth, all stolen ultimately from the state and its unknowing citizens. Odebrecht got lucrative contracts through fake tenders, and a host of individuals received large bundles of cash, possibly as much as \$22 billion overall. This pilfering scheme came to light in 2014 as a result of a supposed money laundering transaction that took place in a currency exchange located in a petrol station car wash, hence Lava Jato.³

In Brazil, the prosecutions of the Petrobras cases have largely occurred in the federal court in Paraná State and some in the courts of Rio de Janeiro. More than 165 politicians and Odebrecht officials have been implicated, including Brazil's beloved former President Luiz Inácio Lula da Silva. He was convicted first in Paraná's Federal Court and sentenced to a 9-year jail term. On appeal, the judges of the southern Brazilian appellate panel increased his sentence to 12 years. The Superior Court of Justice sustained that sentence just before the Ides of March and

¹The Odebrecht construction firm of Brazil paid \$782,000 to a financial firm owned by President Pedro Pablo Kuczynski of Peru from 2004 to 2007, when he was Peru's economy minister and prime minister. In 2017, his opponents called him "morally handicapped." But he survived an impeachment motion in Peru's Congress. See Andrea Zarate and Nicholas Casey, "Peru Leader Faces Ouster Over Links to Builder," *New York Times*, 16 December 2017. For his resignation, Marcelo Rochabrun, "Peru's President Offers his Resignation," *ibid*, 22 March 2018.

²See Gregory Paw and Sandra Oriheula, "The Long Shadow of Odebrecht's Corruption," FCPA blog, 27 March 2018, www.fcpablog.com/2018/3/27. Brazil's ruling party under Lula mediated these handouts to Venezuela.

³See Robert I. Rotberg, "The Judge Who Could Remake Brazil: How Sergio Moro Has Tackled Corruption," *Foreign Affairs* blog, 21 Dec. 2016, www.foreignaffairs.com/articles/2016-12-21.

sent Lula to prison. Far-ranging chapters in this book by Marislei Nishijima et al. and Rafael Braem Velasco show how fully these contemporary irruptions of greed are rooted in the country's deep culture and in permissive failures of accountability, even at the municipal level.

Beyond Brazil, the plea-bargained testimonies in the Paraná court led to revelations about corrupt dealings in Bolivia, Colombia, Ecuador, Mexico, and Peru. They also led to an inquiry by the US Securities and Exchange Commission (SEC) and the US Department of Justice into Petrobras' bilking of shareholders. Petrobras agreed to pay nearly \$3 billion to settle with the SEC and to avoid a class action suit by shareholders.⁴

Separately from Petrobras/Odebrecht, in late 2017 five prominent former Argentinian politicians, including a former vice-president and a former planning minister, were jailed awaiting trial on corruption charges. The planning minister was accused of taking bribes from Odebrecht in exchange for contracts for the construction of gas pipelines. The corporate paymasters were also incarcerated. Meanwhile, former Argentine President Carlos Menem (in office from 1994 to 1999 and in 2018 a senator) was sentenced to 4 years in jail for embezzling public funds so that monies could be distributed as patronage payoffs to his followers in government. Natalia Volosin's chapter on Argentina examines her country's long confrontation with corrupt political practices; Menem's was only an interlude, followed more recently by a decade of Kirchners, husband and widow. Volosin explains how difficult it is to extricate Argentina from its partiality to corrupt practices.

In Mexico, a state governor alleged in 2018 that President Enrique Peña Nieto had tried to squash an investigation of corruption that reached high up into the president's political party.⁵ In early 2018, investigators revealed that the PRI had attempted 2 years before to win various state and local elections by surreptitiously shifting sizable central public funds to their affiliates in the several Mexican states, more than \$14 million per state. Unfortunately, these illegal and questionable transfers to finance state political campaigns were in many cases converted to private use by individuals in at least some states; they were siphoned off along the way. As well, PRI lost the elections, anyway, in several critical states.⁶ Stephen Morris' chapter reels this story back to its roots and provides a telling exegesis of the intertwining of criminality, criminal gangs, and corrupt politicians and bureaucrats.

⁴Chad Bray and Stanley Reed, "Brazil Oil Giant to Pay \$2.95 Billion Over Bribery Scandal," *New York Times*, 4 Jan. 2018. See also Matthew Taylor, "The Anticorruption Imperative for Latin America," 6 Nov. 2017, <https://aualablog.net/2017/11/06/the-anticorruption-imperative-for-latin-america>.

⁵Ernesto Londono and Daniel Politi, "Corruption Arrests in Argentina Spur Hope and Wariness," *New York Times*, 9 Jan. 2018; Azam Ahmed and Paulina Villegas, "In Mexico, Inquiry Said to be Killed by Leaders," *ibid*, 9 Jan. 2018.

⁶Azam Ahmed, "Mexican Governing Party's Ex-Chief Maneuvers to Avoid Graft Arrest," *New York Times*, 23 Feb. 2018.

Honduras and Guatemala

Although Honduras' President Juan Orlando Hernandez won a hotly contested and questionably counted election in 2017 despite having been implicated in 2015 in a vast scheme to receive at least \$300 million in bribes from local and foreign suppliers of medicines and medical devices, he could not escape the taint of corruption. The streets of Tegucigalpa, the capital, erupted in 2015 in weekly protest marches, but Hernandez was never driven to resign. Instead, he admitted that the ruling National Party had benefited and then managed to introduce a new commission, so far mostly inactive, to watch over and reduce corruption within his country. Kai Lehmann's chapter in this book probes deeply into the interstices of crime and corruption in that country. Lehmann argues on theoretical and experiential grounds that the practice of corruption is so deeply engrained in Honduran life that its eradication must be considered only a long-term possibility.

During the same 2015 period, neighboring Guatemala experienced larger and more agitated protests, with thousands demonstrating in the central square of Guatemala City for President Otto Perez Molina's removal. According to the findings of the unique UN-created International Commission against Impunity in Guatemala (CICIG), the state's customs agency received millions of dollars in kickbacks in exchange for reducing import duties for many local companies. Customs officials had funneled those substantial bribes directly to the president and his vice-president. The commission also reported that narcotics traffickers financed politicians from the president on down the ranks and that the nation's social security system was riddled with suspect payments and fraud. Cash was being laundered left and right.⁷ Furthermore, the heads of the national health system had skimmed millions of dollars off contracts for medical treatment.

Three cabinet ministers, the heads of the central bank and the social security system, and Guatemala's sitting vice-president all lost their positions. Fourteen more cabinet ministers resigned. President Perez followed in their wake after more than 100,000 protesters demanded his departure. Again according to the commission, Perez and his cronies at one point had skimmed at least \$65 million from the state. It called Perez' ruling party "more a criminal gang" than a party—"a kleptocratic conspiracy capable of capturing the national revenue stream."⁸ Judge Claudia Escobar, who served as a Guatemalan magistrate for 7 years, reveals in her chapter in this book exactly how her country so fully combined corruption and criminal activity and drove her and her family to flee for their lives.

The good work of the Commission against Impunity continues, however. In 2018, armed with investigative materials from the commission, the police arrested former President Álvaro Colom (2008–2012), his finance minister, and nine other former members of his cabinet. All were charged with facilitating the transfer of

⁷ See "A Central American Spring?" *Economist*, 15 Aug. 2015.

⁸ Robert I. Rotberg, *The Corruption Cure: How Citizens and Leaders Can Combat Graft* (Princeton, Princeton University Press, 2017), 280.

millions of dollars to an urban bus company that could not account for how all of the money was utilized. Much of it was designated to buy equipment that was never purchased.⁹

Meanwhile, Perez and several members of his cabinet were jailed and awaiting trial in 2018 for customs fraud and illegal campaign financing. Former President Alfonso Portillo (2000–2004), extradited to the United States, admitted pocketing \$2.5 million in exchange for the grant of diplomatic recognition to Taiwan. The sitting mayor of Guatemala City was charged in late 2017 with giving important contracts to a mob boss and former military officer who had been running an illegal business empire from prison before being assassinated in 2016.

Jimmy Morales, the presidential successor to Perez, in 2018 was feuding with the CICIG and tried to remove its director. None of this chicanery can surprise readers after they peruse Escobar's chapter on her country. She indicates in one section how officials often tried to buy her judicial decisions to help their political party behave illegally. She also recounts how fully complicit court administrators were in corrupting the judicial process and how leaders of the senior judiciary were either too steeped in corruption themselves, or too frightened, to curb such open excesses.

Abusing Public Trust

Dictators pilfer and suborn the public trust as thoroughly as they subvert political participation, bankrupt treasuries, and impoverish their peoples. But so, it transpires, do democratically elected leaders at municipal, provincial, and national levels in almost all Latin American polities. Having sticky fingers is a continental malady and one to which many of the citizenries of South and Central America have long steeled themselves. (Nara Pavão's chapter discusses the major extent to which Brazilians have reconciled themselves to the corrupt ways of politicians, officials, and entrepreneurs.)

Three chapters in this volume, those by Lucia Dammert and Katherine Sarmiento on Peru, Marislei Nishijima and her coauthors on Brazil, and Rafael Braem Velasco, also on Brazil, remind us that as much as corrupt shenanigans populate national capitals, so they also infect provincial and municipal locales. Dammert and Sarmiento reveal how much of the corrupt behavior that corrodes Peru is regionally based and quite removed from national concerns. Braem Velasco exhaustively mines data from and on Brazil's 5770 municipalities (based so far mostly on an extensive examination of one state) to show how the many defalcations of corrupt officials can be discovered.

As to how much has been purloined or converted from public to personal uses throughout Latin America in the past 10 years, no one knows exactly. But the World Bank estimates that the global economy loses as much as \$1 trillion annually to

⁹Elisabeth Malkin, "Guatemala Arrests ex-President and his Finance Minister in Corruption Case," *New York Times*, 13 Feb. 2018.

corruption; Latin America's share might be, say, \$200 billion. The World Economic Forum suggests that the global annual cost of corruption is about 5% of total planetary GDP, possibly \$2.6 trillion. According to the same source, the cost of doing business rises about 10%, on average, due to corruption. Global Financial Integrity estimates that \$7.8 trillion was diverted illegally from emerging economies between 2004 and 2013. Economists have argued that nations around the globe forfeit to corrupt practices as much as 2% of GDP per annum. The head of the International Monetary Fund told a London Anti-Corruption Summit that corrupt practices lead to low growth and income inequality. "A country," she warned, "can be trapped in a vicious circle of corruption and fiscal profligacy, ultimately leading to a debt crisis" and human impoverishment.¹⁰ Whatever the absolute totals for Latin America, they are large, invasive, and disruptive.¹¹

Argentiniens, Brazilians, Colombians, Guatemalans, Hondurans, Mexicans, and the rest all know the truth of these statements even if the exact amounts that have been pilfered by their political and corporate leaders over years and decades cannot be known precisely. Except for the relative comparisons contained in the three major indexes discussed below, we cannot even be sure that the citizens of one country have suffered more or less than their neighbors. All we can say with surety is that nearly all Central and South Americans, even those whose countries are not examined in this book, have been fleeced systematically and sustainably by their ruling elites. We can conclude without too much fear of contradiction that Latin America's leaders and political operators are corrupt even if we cannot know exactly how rich many of their political and corporate political leaders have become and precisely how many hundreds of millions of dollars have been purloined by one administration after another in one country after another. The plunder per capita may not equal that which has occurred over equivalent time in Kenya, Nigeria, and South Africa or in China, India, and Pakistan. But there can be no doubt that in much of Latin America, public officials have looked after themselves very well, enriched their families and supporters, obtained party campaign funds, subverted national planning priorities to create opportunities for personal gain, and, generally, shown their followers and voters little respect. Indeed, the moral fabric of one Latin American society after another has been coarsened, and their rulers have become successively more illegitimate as corrupt dealings have consumed the body politic almost everywhere.

¹⁰Christine Lagarde, quoted in Szu Ping Chan, "Global Corruption Risks Tipping More Countries into Crisis," *Telegraph*, 11 May 2016.

¹¹For some of these data, especially on illicit outflows of cash from Latin American nations, see Global Financial Integrity's reports, www.gfintegrity.org. Those reports contain individual country data, only some of which are up-to-date.

What the Indexes Report

There are at least three well-validated methods of substantiating these alarming conclusions. Transparency International's Corruption Perceptions Index has rated nearly all of the nations of Central and South America annually since 1995. So have the World Bank's Control of Corruption Indicator, since 1996, and the Index of Public Integrity, since 2016. Answers by respondents to survey questions posed by the *Latinobarómetro* also confirm the Index findings. Additionally, beyond these standard methods of translating what we know and suspect about graft in Latin America, there are at least 100 indexes on governance and related subjects that are helpful in understanding how sleaze undermines economic growth prospects, accountability, and other positive outcomes for most of the polities of Central and South America.

According to Transparency International, of 180 global states evaluated in the Corruption Perceptions Index (CPI) in 2017 (released in 2018), Uruguay ranked best among Latin American countries at #23, after the United States (16), Ireland (19), and Japan (20), tied with France, and just before Barbados and Bhutan. Its raw score (where 100 is perfect and the Nordic nations and New Zealand and Singapore score in the upper 80s) was 70.

New Zealand was at the very top of the Index for the first time in 2017, with Nordic nations trailing. The CPI derives its scores from the aggregated opinions of experts and corporate executives collected by a dozen institutions and instruments. Their collective optic is corruption in the public, not the private, sector.¹²

Chile (post-Pinochet) was the second Latin American polity on the CPI, at rank place 26, with a score of 67. Several deciles lower, well after the best performing Caribbean and African states, was Costa Rica, at #38, with a score of 59. Cuba ranked 62nd and scored 47 (below the midway mark). Argentina ranked 85th with a score of 39, up three points and ten places since 2016, presumably thanks to the leadership actions and policies of President Mauricio Macri and his administrative team. Brazil, having largely exchanged places with Argentina over the year, ranked 96th (previously 79th) and scored 37, down 3 points, tied with Colombia, Panama, and Peru. (The unfolding Lava Jato scandal presumably influenced Brazil's fall in ranking and score.) Bolivia and El Salvador followed in 112th place (33); Ecuador, 117th (32); Honduras, Mexico, and Paraguay, 135th (29); Guatemala 143rd (28), along with such places as Kenya and Bangladesh; Nicaragua, 151st (26); and Venezuela, 169th (18), just above North Korea. Note that most of countries of Central and South America rank well below the middle of the list, with very low absolute scores. For comparison, Haiti ranked 157th (22) and Guyana 91st (38).

¹²For a detailed examination of the methodology of indexing corruption as utilized by Transparency International, the World Bank, and the Index of Public Integrity, see Rotberg, *Corruption Cure*, 54–61. The most useful of the governance indexes mentioned in a preceding paragraph are discussed in the same book, 61–73. A fuller discussion is contained in Robert I. Rotberg and Aniket Bhushan, "The Indexes of Governance," in Rotberg (ed.), *On Governance: What It Is, How It Is Measured, and Its Policy Uses* (Waterloo, ON, CIGI, 2015), 55–90.

It is evident, according to the Corruption Perceptions Index (CPI), that corrupt practices are alive and well and endemic in all but a few places in Latin America. Significantly, too, the 2017 rankings accounted for greater corruption in Brazil and less in Argentina, but did not seem fully to factor in recent occurrences in Colombia, Peru, and Mexico.¹³

The World Bank's comparable scoring system confirms these CPI results. Its Control of Corruption Indicator rates 215 countries according to a collection of 32 different public opinion and survey inputs, including the CPI. It measures perceptions about the extent to which "public power is exercised for private gain." Further, it measures the "capture" of a state by predatory elites and private interests (as in Brazil).¹⁴ Its rankings in 2016 were based on scores from 0 to 100, where places such as Denmark, Finland, Norway, New Zealand, and Switzerland scored a full 100. Uruguay led the Latin Americans, again at a very respectable 91. Chile followed with 90, Costa Rica with 80, Cuba with 65, Argentina with 55, and Peru and Colombia with 53.

All of the other Latin American countries were below the halfway mark, again. Brazil was just under 50, followed by Panama (49), El Salvador (44), Ecuador (39), Honduras (37), Guatemala and Paraguay (35), Mexico (33), Nicaragua (30), and Venezuela (11). Compared to the CPI, the World Bank's methodology resulted in a few differences in the relative ranks, but nothing that stands out as significant. And Haiti again ranked just above Venezuela. Using both tried and true indexing methods, therefore, most of the Latin American countries rank poorly, certainly on the charts from Cuba (60) downward. Again, only Uruguay and Chile, plus a weaker Costa Rica on this scorecard, perform well (Table 1.1).¹⁵

One other ranking system, the very new Index of Global Integrity, as yet rates only 109 countries. Its rankings are developed from six closely related indicators: judicial independence, administrative burden, trade openness, budget transparency, e-citizenship, and freedom of the press. The makers of the Index assert that each of these variables is associated significantly with control of corruption.¹⁶ On that basis, and perhaps because its rankings were issued in 2017, not 2016, or because of something idiosyncratic in the methodology, this index rated Costa Rica higher than Uruguay and Chile. Brazil also scored comparably lower on this index than on the other two. In 2017, this index, which uses a 10-point scoring framework, was led by the least corrupt Norway with a score of 9.79. The usual other Nordic and several continental European countries followed. Twenty-fourth on the list was Costa Rica, the highest-ranking Latin American country, with a score of 8.03. Uruguay ranked 29th, with a score of 7.82. Chile was 33rd, with a score of 7.50. Forty-third was Peru, with a score of 6.81. Fiftieth was Colombia with a score of 6.54. Argentina followed in 54th place, scoring 6.46. Mexico was four places lower, with a score of

¹³Transparency International, Corruption Perceptions Index, 2017, www.transparency.org.

¹⁴<http://info.worldbank.org/governance/wgi/index/2016>.

¹⁵World Bank Control of Corruption Indicator, 2016, info.worldbank.org/governance/wgi.

¹⁶<http://www.integrity-index.org/methodology>.

Table 1.1 Latin American corruption Raw scores from indexes

	CPI	WBCC	IPI
Total	<i>N</i> 180 100	<i>N</i> 215 100	<i>N</i> 109 10
Argentina	39	55	6.46
Bolivia	33	27	4.25
Brazil	37	50	5.83
Chile	67	90	7.50
Colombia	37	53	6.54
Costa Rica	59	80	8.03
Cuba	47	65	
Ecuador	32	39	
El Salvador	33	44	
Guatemala	28	35	6.24
Honduras	29	37	4.97
Mexico	29	33	6.40
Nicaragua	26	30	
Panama	37	49	
Paraguay	29	35	
Peru	37	53	6.81
Uruguay	70	91	7.82
Venezuela	18	11	1.94

6.40. Guatemala (67th) and Brazil (74th) followed, with scores of 6.24 and 5.83, respectively.

In this index, Venezuela was the worst performer of all countries globally as well as in Latin America, with a score of 1.94. Five places up from the bottom was Bolivia, with a score of 4.25. Honduras had 4.97. (Other Latin American countries have not yet been rated.) In other words, this third indexing method essentially confirms what we learned from the first two: Latin America is riddled with persistent corruption even though most of its countries appear to be less corrupt overall and per capita than many African and some Asian entities.

These existing methods of comparing levels of corruption across countries globally, or even within a region such as Latin America, are all approximations of some absolute standard. Thus, the first two older indexes are essentially measuring perceptions or opinions (educated or not) of the extent of corruption within a country. The newest one goes about measuring corruption in a more innovative fashion but still employs subjective optics. Together, however, they provide a baseline on which to situate conclusions about corruption in Latin America, about how deeply entrenched corrupt practices are, and about how similar corrupt dealings are across countries despite their different political cultures and histories and their very dissimilar kinds and histories of political leadership.

The fact that Brazil and Argentina switched places from 2016 to 2017 on the CPI shows that perceptions of corruption do change, if only after massive publicity. But the fact that the most recent CPI rates Brazil, Peru, Colombia, and Panama equally

corrupt (in 96th place) suggests—in the face of anecdotal beliefs to the contrary—that Colombia on this dimension is no better than Brazil and that Peru and Panama are as bad as or no worse than Brazil. The two other indexes distinguish these and other peers from each other more finely, and one index rates Guatemala as less corrupt than Brazil. There are other anomalies, too, and observers can quibble endlessly over the detailed scores and rankings. Nonetheless, all three methods of comparing corruption across Central and South America show that there are huge disparities among neighbors and near neighbors and, if the scores are reasonably and relatively accurate, that Latin America is indeed rampantly corrupt. Moreover, the relative scores of Latin American countries as compared with European or Asian or African scores have not changed that much over 20 years. Corruption is a Latin American constant, a political context within which most countries organize themselves.

What does need explaining, after inspecting these three indexes and glancing at the 100 or so governance indexes, is why Uruguay and Costa Rica are relatively so non-corrupt and, in modern times, why Chile's reputation for being relatively non-corrupt has withstood a series of recent challenges.

Costa Rica's non-corrupt standing, with a long-observed democratic tradition, may require less questioning since committed leadership consciously converted the operations of the state to probity 60 or 70 years ago. Cuba, which also ranks relatively well, presumably benefits from long-imposed strictures on private gains outside the very small ruling elite. Its image in that arena is certainly favorable. But how did Uruguay escape the temptations that led its larger neighbors astray?

Uruguay, Chile, and Costa Rica

Somewhere in the late nineteenth century, Uruguay emerged from its colonial past with a very different approach than its neighbors regarding the sanctity of the general interest as opposed to favoring personal interest and condoning the abuse of public office. As a collective behavioral approach, its contained population, mostly engaged in agricultural pursuits, frowned on corrupt practices. By 1916, the political parties that competed for votes had developed what they called the practice of co-participation. Power and clientelistic practices were largely eschewed. Avoidance of political competition and the sharing of the outcomes of office holding became the norm. The pressure to amass campaign funds—one of the several key drivers of corruption everywhere—was limited since the ultimate stakes were rather small. Moreover, in these early years of the Uruguayan Republic, its citizens grew wealthier per capita than other South Americans. They became better schooled. Overall, by the middle of the twentieth century, Uruguay was a modernization success story. Prosperity, comparatively high levels of education, a strong social safety net (on a pre-Nordic model), a large middle class (now 71% of the whole), and a relatively

homogeneous and small population contributed to expectations of good governance and a limited amount of corruption. Democracy flourished.¹⁷

Despite two coups and intense anti-leftist military rule from 1973 to 1985, Uruguay has remained strongly democratic and well governed. Unlike so many of its neighbors, Uruguay has a more robust and long-established rule of law regime. Uruguay's judges are well respected even if the processing of court cases is slow and cumbersome. The police are regarded as comparatively honest; yet, in 2015, nine policemen were prosecuted for fraud and abuse of office. Even so, only 7% (a very low number by global standards) of Uruguayans said that they had been asked for a bribe to access public services in 2014. Eighty-three percent of Uruguayans, according to a Latinobarómetro poll in 2015, had not experienced corruption or heard of it in the 2 months prior to the survey. That is a striking statement for Latin Americans. Moreover, "Irregular payments or bribes in connection to annual tax payments are uncommon."¹⁸ Nevertheless, 50% of Uruguayan respondents to a poll said that customs officials were corrupt. In an echo of what was begun in Brazil, too, Odebrecht set up a fake corporation in Uruguay (easy to do) to launder payments to one of the Petrobras directors. In Uruguay starting up a business only takes 6.5 days, and obtaining electricity for a household or a business is accomplished swiftly. Procurement issues—kickbacks to secure contracts for public works projects or supplies—are infrequent. But obtaining construction permits is bothersome and often takes more than 200 days.

In sum, compared to the rest of Latin America, Uruguay is less corrupt in theory and practice. Furthermore, when corrupt dealings or questionable conflicts of interests are revealed by investigatory media or other means, the populace in Uruguay is critical and appropriately appalled. Why, then, is this jurisdiction and the possible other two exceptions so distinct in outcomes from its neighbors and fellow Spanish-speaking descendants of the same colonial overlord?

Uruguay's small population of 3.5 million socially integrated persons may help secure the country against corruption since it has fewer people even than Singapore and Hong Kong. The homogeneity of its population, however, may not be conclusive. Nor is its relative absence of indigenous inhabitants (a strong feature of Bolivia and Peru, but not of Argentina). Costa Rica also has a modestly sized population of five million, with comparatively few indigenous citizens. Chile is larger, with 19 million people, with only a small percentage of its population being Native Americans. No number, however, helps to answer the question: why are all three countries, relative to their peers, non-corrupt?

¹⁷See Daniel Buquet Corleto and Rafael Piñeiro, "The Uruguayan Path from Particularism to Universalism," in Alina Mungiu-Pippidi and Michael Johnston (eds.), *Transitions to Good Governance: Creating Virtuous Circles of Anti-corruption* (Cheltenham, Elgar, 2018), 57–79.

¹⁸GAN Business Anti-Corruption Portal, "Uruguay Corruption Report," May 2016, www.business-anti-corruption.com/country-profiles/uruguay, accessed 24 Feb. 2018. See also Maira Martini, Transparency International Anti-Corruption Help Desk, "Uruguay: Overview of Corruption and Anti-Corruption," March 2016, www.transparency.org/files/content/corruptionqas/country_profile_uruguay_2016.pdf.

Whereas those who seek cultural explanations for corruption might want to point to something in Chile's population composition and to the fact that Chile was settled later than other South American countries (as opposed to Spain's early influence on Bolivia, Peru, and Ecuador), its peoples came as much from Spain as other places, including Uruguay and Costa Rica. Chile does harbor pockets of Basque, Croatian, and German immigration, and some Uruguayans are descended from Italians (as in much of southern Brazil) and Swiss, but deriving something distinctive from such ethnic and cultural origins cannot explain either Uruguay's or Chile's twenty-first-century outcomes. It is difficult to posit culture as the difference that makes Uruguay and Chile the "Denmarks" of South America.

In seeking better explanations for anti-corruption attitudes and actions, the kinds of open, democratic, and courageous political leadership that Uruguay has enjoyed since the end of the military dictatorship in 1985 may be decisive. The same outcomes may be important in appreciating why post-Pinochet Chile, too, ranks highly on the indexes. Uruguay (and also Chile and Costa Rica) seems to have transitioned away from military control toward a multiparty system that, in contrast with many of its neighbors and peers, has not depended on shady financing schemes for campaigns (a function, too, of Uruguay's small size). Nor has Uruguay relied as much as its peers and neighbors on clientelistic and patrimonial appeals for loyalty and support. In terms of patronage, and appointments to the numerous and influential state-owned enterprises, Uruguay's parties still share across party much more effectively than do their counterparts elsewhere. That sense of compromise and the absence of a zero-sum approach to the public trough contribute to limited competition and reduced corruption. Most of all, the even-handed decisions made by a succession of leaders have done for Uruguay what a succession of the nineteenth-century compromises did for Denmark and Sweden.¹⁹

Uruguay is almost completely literate, as are Chile and Costa Rica. As in the Nordic cases during the nineteenth and twentieth centuries, being well educated militates against tolerance of corruption. Building upon these literary and schooling attainments, Uruguay is blessed with an unusually free and fearless media for Spanish-speaking Latin America, a feature also present in Chile and now in Costa Rica. One small institution is unique to Uruguay—the Junta de Transparencia y Ética Pública (JUTEP). It manages and monitors asset declarations by public servants and procurement decisions by public sector agencies, something that could easily be done elsewhere, and to good effect. It trains officials and promotes ethics and transparency throughout the government and has been important in maintaining Uruguay's positive reputation since 1998.

Uruguay also has strong laws that hold politicians and officials accountable, but so do Argentina and Chile; a difference is that impunity has never been conferred or expected in Uruguay or Chile and Costa Rica since the military era. This result reflects a sustainable sense of judicial independence that has only recently been established *de facto* (as opposed to *de jure*) in sections of Brazil and in Guatemala

¹⁹ For details on the origins of the Nordic and Antipodean exception model, see Rotberg, *Corruption Cure*, 197–222.

through its very special UN-sponsored commission. Other contested polities do not yet enjoy this rule of law bedrock, *de facto*.

Explanations for Chile's comparatively limited levels of corruption also, along with Uruguay, go back to its independence in 1818 and the decades of the nineteenth century and early twentieth century that followed. Like Uruguay, Chile was a colonial backwater far from the centers of Spanish colonial power and exploitation in and around the Caribbean and the Viceroyalty of Peru. Other Spanish colonies had gold or silver, but Chile and Uruguay had none. (Only later in the nineteenth century, after wars with Bolivia and Peru, did Chile gain easily gathered resource wealth from guano and nitrites.) As a result, say the authors of a compelling recent study, "scarcity and sobriety became the norm among government officials under colonial rule and, thus, established a precedent that survived after independence was achieved."²⁰ Furthermore, the local ruling class in Chile before and after independence was very European and very influenced by the ideas of the Enlightenment (as in Scandinavia) and by Anglo-Saxon and American liberal values. Their ideas of constitutionalism were derived less from currents of thought in Catholic-influenced southern Europe than they were from northern Europe and North America, their trading partners. Unlike the landowning elites in Argentina and Brazil, the patriicians who helped to rule Chile in the nineteenth century lived in towns and cities more than on great estates. They also focused less on personal enrichment and considered themselves stakeholders rather than all-powerful patrons and *caudillos*.

Leadership seems to have been decisive, too. Diego Portales was a George Washingtonian-type figure who was influential in Chilean politics in the decades after independence and who is credited with authoring the Constitution of 1833. It sought to establish strong institutions within a strongly centralized state, but—because Portales distrusted politicians and political maneuvering—it also was written to discourage the concentration of power in the hands of single individuals or a small group of cronies. It was a second reason why Chile entered the twentieth century without a tradition of "big man" rule.

The 1925 Constitution, after a period of instability, shifted power from the legislature to the executive and thus weakened the political dominance of Chile's landed oligarchy. The new constitution also, signally, mandated life tenure until age 75 for judges (appointed by the president) and thus put formidable foundations under the country's already robust rule of law tradition. Of equal significance, in this period, Chile established the Contraloría General de la República—an office of comptroller general or auditor-general. (Its head was also appointed until age 75 by the president.) This powerful body was a bulwark against corruption, and unlike in modern Indonesia, its leaders were able by force of personality, and, later, because of Chile's competitive party system, to maintain an institutional independence even under military rule after 1973 and until 1978 and then again after the restoration of democracy in 1990. Much more recently, Chile abolished its old system of investigating and prosecuting miscreants under the order of judges. In 2005, Chile established a

²⁰Patricio Navia, Alina Mungiu-Pippidi, and Maira Martini, "Chile: Human Agency Against the Odds," in Mungiu-Pippidi and Johnston, *Virtuous Circles*, 213–233.

Fiscalía Nacional, a national prosecutor's office, to take charge of these functions. Ensuring fair competition and ending the kinds of oligopolistic practices that can lead to corporate corruption are now also assisted by two additional twenty-first-century antitrust bodies.

Chile and Uruguay thus possess institutional safeguards against personal rule and kleptocratic aggrandizement. Their democratic political cultures are long established and domestically well regarded. Together, the collective behavioral expectations developed in the nineteenth century and after and the institutional barriers to chicanery—despite slippage from time to time—give both Chile and Uruguay an intolerance of grand and, certainly, petty corruption that is as Nordic in its ethos as South America can exhibit.²¹ Nevertheless, this does not mean that during the twentieth century or now, either country was or is pure. Political vote buying was the norm in Chile, certainly, during the 1930s and 1940s and well into the 1950s. Patronage was rife, as it seems to have been in Uruguay during much of the same era. But the presidents of the immediate period before Pinochet's coup each strove with growing success to limit the role of privilege and of purchased influence in politics. They could lead credibly because they were honest politicians of comparatively unblemished integrity. At the end of the twentieth century, their leadership and their efforts and Chile's long-established institutional underpinnings of good governance gave that nation an expectation of widespread accountability in the public sector, buttressed by a formidable rule of law culture.

Just as Uruguay and Chile are significant outliers in South America, Costa Rica is strikingly dissimilar from its Central American neighbors in many important ways, not least in terms of its status as a comparatively non-corrupt country in Latin America and globally. Unlike Uruguay and Chile, however, Costa Rica was thoroughly corrupt in the nineteenth century. Holding public office was openly used for personal enrichment and on a large scale. Prominent families competed for political positions in order to enrich themselves and their cronies and clients. Two authorities call corruption in Costa Rica before the twentieth century, and even well into that century, "systematic and widespread."²²

Nevertheless, Costa Rican exceptionalism now, and then, helped to propel the nascent state on a trajectory that was distinct from those of its neighbors. In 1869, Costa Rica introduced free, compulsory education. In 1889, it held a free and fair election and witnessed the country's first peaceful transfer of power. Gradually, in the 1880s and 1890s, judges were given more and more autonomy, and congressional and executive interference became less burdensome.

Following a 2-year dictatorship that ended in 1919, Costa Rican opinion shapers sought ways to curtail executive power, to enhance judicial independence and overall accountability, and to curb the corrupt excesses that had been central to the operations of the dictatorship. An Oficina de Control was established specifically to

²¹ See the extensive analysis in *ibid* and Arturo Valenzuela, *The Breakdown of Democratic Regimes: Chile* (Baltimore, Johns Hopkins University Press, 1978).

²² Evelyn Villarreal and Bruce M. Wilson, "Costa Rica: Tipping Points and an Incomplete Journey," in Mungiu-Pippidi and Johnston, *Virtuous Circles*, 184–185.

audit all governmental spending and, especially, contracts let by the executive. Those who overthrew the dictatorship also encouraged the emergence of a bold free press, specifically in order to enhance future accountability and transparency. Judges were given life tenure and guaranteed salaries, and the court system was gradually professionalized, especially after further reforms in 1935. Subsequently, the country's 1949 Constitution gave the judiciary the full independence that it enjoys today (in stark contrast to Guatemala or Panama).

Even so, politicians still managed to enrich themselves by holding public office, and the purchasing of influence, permits, and major contracts (through kickbacks) were still features of Costa Rican political life. It took popular anger at the extent of political and corporate abuses to erupt (among other causes) into a major civil war in 1948. The war, and its democratic victors organized by José Figueres Ferrer, led to Costa Rica's reconfiguration into the Central American paragon that it now represents. "The Civil War and its aftermath in fact helped change the country from a politically unstable democracy to a stable and consolidated democracy with competitive elections among ideas-based political parties as Costa Rica was transformed from a poor backwater to the most prosperous country in the region."²³

Drawing upon the democratic ideas of Rodrigo Facio Brenes, a homegrown political conceptualizer consciously influenced by the Uruguayan political model and its successes, Figueres agreed to dissolve his victorious junta and to give the country's presidency to his major opponent. He and Facio persuaded the constitutional assembly to abolish the nation's standing army, constitutionally to establish the weakest presidency in the Americas, and to create a unique institution, the Tribunal Supremo de Elecciones (Supreme Elections Tribunal, [TSE]).²⁴ Politically and financially autonomous, this last body controls all aspects of elections, including the training and staffing of poll workers, and also acts as the nation's registrar general for births, marriages, and the like.

The framers of the 1949 Constitution were intent on preventing coups, dictatorships, civil wars, and the kinds of large-scale fraud that had been common before the civil war. To those ends, the 1949 Constitution also inaugurated several new institutions to enhance accountability: the Comptroller General's Office (Contraloría General de la República, CGR), the Attorney General's Office (Procuraduría General de la República, PGR), and an audit agency, called the Bank Auditing Office, for the newly nationalized state agencies, which included the state banks and the country's electrical utility. Subsequently, too, a law was passed in 1950 that mandated the declaration of assets by all public officials (later including judges). In 1973, in order further to insulate the executive from temptations to potential interference, the prosecutorial office and the criminal police were placed under the authority of the Supreme Court. The Fiscalia was even moved out of the executive branch and placed under the courts so that corruption (and other crimes) could be pursued more completely.

²³ Ibid, 190–191.

²⁴ "Costa Rica: Stability at a Price," in James Dunkerley, *Power in the Isthmus: A Political History of Central America* (London, Verso, 1988), 598–599.

Of even greater importance was the 1989 reform that created a special (and again unique, except possibly for South Africa) Constitutional Chamber of the Supreme Court. It has broad powers of judicial review, its decisions are not subject to further adjudication, and it grants standing to challenge the constitutionality of legislative and executive actions rather easily and widely. The chamber constitutes a very useful watchdog against corrupt practices and an institution to which civil society and individuals can present challenges to authority.

Despite these positive institutional developments, there were a plethora of corruption scandals during the 1990s and the 2000s. Those incidents, largely but not exclusively involving financing of elections; the awarding of contracts for telephone, electrical, and aviation franchises and purchases; money laundering through national banks; and speculation of official resources, sometimes involved sitting and former presidents, legislators, and even the elections office. Some of the illicit monies came from Taiwan and some from drug smugglers. So, despite the many institutional safeguards and the mostly valiant efforts of the press, corrupt behavior continued to some significant degree in modern Costa Rica through 2017. Although corruption was not the central issue of the 2018 presidential election contest, the overwhelming victory of center-left candidate Carlos Alvarado Quesada strengthened the hands of those in civil society who had been campaigning against home-grown corruption as well as the muted but nonetheless evident narco-trafficking that spreads illicit money into all Central American polities. President Alvarado promised to battle corruption.²⁵

Together with a more vigorous free media, and a more aroused civil society, the most recent scholars of Costa Rican corruption assert that a corner has been turned. Several new laws passed in the 2000s have helped and have been employed successfully to strengthen accountability. Judges in this century are better trained and not drawn from political parties or ranks. There was some impunity, but certainly not on the scale reached in other Central American countries. There is an office of public ethics that acts to oversee the civil service and politicians, and petty corruption is absent in daily public and private interactions.

In 2018, “Costa Ricans are ... highly sensitive to corruption, and corruption scandals are more frequently reported in the media. ... cases are much more likely to be officially reported or brought to public awareness on social media where they will be met with emphatic disapproval and even condemnation, which in time helps to make corruption less acceptable.”²⁶

Neither Uruguay nor Chile has extensive oil deposits. But Chile is one of the world’s greatest producers of copper. Uruguay relies on exports of beef and has some gold. Costa Rica exports bananas, pineapples, and coffee and imports tourism. All three countries consequently have been spared the resource curse and episodes of Dutch disease. None has succumbed to the rent-seeking avarice of Brazil nor (except for Chile in 2015) has experienced the kinds of massive contracting and

²⁵“The Better Alvarado,” *Economist*, 7 April 2018.

²⁶Villarreal and Wilson, “Costa Rica,” 210–211.

procurement infractions that have been so prevalent in Brazil, Ecuador, Honduras, Guatemala, and Peru (not to mention Venezuela).

In the Chilean case, allegations of corruption marred the final years of Michele Bachelet's presidency; candidates from her political party were accused of accepting illegal corporate contributions and her son of taking a large loan from a wealthy banker to purchase land that was expected to soar in value thanks to zoning decisions that could be influenced politically. Nevertheless, Chile's vibrant press and reliable public institutions were resilient. No impunity resulted, and the country's reputation as a non-corrupt or minimally corrupt South American outlier survived the scandal.²⁷ In 2018, despite the growing presence of narcotic traffickers, its institutions remain strong and uncaptured by malevolent forces. Collectively, in 2018, Chileans, like Uruguayans and Costa Ricans, regard corrupt dealings by their politicians and officials as intolerable, and that result is a collective behavioral asset.

Cultural Relativism and Functionality

Corruption, to be clear, is neither culturally relative nor functionally efficient in terms of delivering services to those who demand it most. No Latin American nation condones corruption or fails to forbid it in the usual manner. None is permissive. Legal prohibitions may be written in different words across the Central and South American universe, but without real distinctions in meaning. Nonetheless, the Chileans, Costa Ricans, and the Uruguayans have and have enjoyed over time institutions that are more robust and more able to combat fraud and graft.

No one claims that corrupt practices produce positive goods or somehow facilitate commerce or the interaction between citizens and the state. Nor are corrupt practices regarded as "natural" or anywhere accepted as a norm or even as a way of life that has its own rules. Nevertheless, corruption persists and, until the breaking out of the Odebrecht scandal, was regarded as inescapable in at least the field of large-scale construction contracting. Nara Pavão's chapter in this volume discusses how corruption is regarded by citizens in Brazil and, by extension, elsewhere in South America.

Abuses of Trust

As defined universally and in the legal codes of Latin American nations, corruption is "the abuse of public power and position for private gain." Another close variant is "abuse of entrusted power for private benefit." Both refer to the conversion of an elected or appointed public office (or a position of public trust like a directorship of

²⁷ See Juan de Onis, "Chile in Crisis: South America's Model Nation Grapples with Graft," *Foreign Affairs*, April 12, 2015, www.foreignaffairs.com/articles/chile.