

The background image shows a large, light-colored building with a prominent clock tower. The clock tower has a golden dome and two large clock faces. In the foreground, there is a stone wall with a green hedge and a bronze lion statue. The sky is blue with some clouds.

CES Open Forum Series
2020-2021

No. 44 - July 2021

Albana Shehaj

PREJUDICE AND PRICE:
Corruption and Distributive Politics

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Abstract

Political corruption is a critical impediment to the success of transitioning democracies, its persistence jeopardizing economic growth and delaying democratic development. Yet voters are unwilling to vote out corrupt parties in a consistent manner, even while they protest and express indignation at the pervasiveness of political corruption. This article studies electoral backlashes against corruption by examining the link between corruption perceptions among voters and distributive policies incumbent parties use to assuage voter demand for electoral accountability. It presents a theory of “corruption compensation,” which stipulates that corrupt incumbents strategically target larger shares of government resources to regions where corruption perceptions are higher and voters can credibly threaten to withdraw their electoral support. Using original, subnational data from Albania, the paper shows that high corruption perceptions reduce incumbent support among voters, but resource provisions mitigate this effect. The findings supplement electorate-based theories of distributive policies and contribute to an emerging literature on the political economy of distributive politics.

For their excellent advice on this project, I thank Allen Hicken, Brian Min, Anna-Grzymala Busse, Adrian Shin, and Ronald Inglehart. For their insightful comments at various stages of this project, I also thank the anonymous reviewer and my colleagues at the Minda de Gunzburg Center for European Studies at Harvard University.

Why do voters vary in their demand for accountability, and under what conditions are the distributive policies of corrupt governing parties able to curtail electoral punishment? In theory, representative institutions should reduce corruption by making it possible for citizens to punish corrupt politicians and their parties. However, democratic accountability does not always emerge. Several of Europe's transitioning democracies demonstrate no consistent indications of electoral backlash against pervasive corruption despite indicators showing that 90 percent of respondents in these states consider corruption to be a major problem in their countries (European Commission, 2014).¹ Voters' unwillingness to cast out corrupt incumbents has profound implications for democracy. Scholars argue that corruption threatens economic growth and undermines the ability of democratic states to provide public goods (Norris, 2011). It also allows corrupt governing parties to secure power and retrench institutional mechanisms of accountability, stunting democratic consolidation or prompting authoritarian backsliding.

Despite voters' expressed indignation (e.g., protests) over the proliferation of political misconduct, electoral backlashes against culpable incumbents are infrequent.² For instance, Croatian prime minister Ivo Sanader remained in office from 2003 to 2009 despite his involvement in siphoning off funds from state-run companies, a crime which ultimately resulted in his nine-year sentence in 2014. In Albania, former prime minister Ilir Meta was appointed president in July 2017 despite public awareness of his continuous engagement in political graft.³

To explain this puzzle of incumbent survival despite persistent corruption, I propose the

¹ In Romania, the Czech Republic, Lithuania, Slovenia, and Slovakia, nearly 90 percent of respondents identified corruption as a major problem facing their country.

² An analysis of the demand for electoral accountability does not imply that backlash never occurs. For instance, in Italy, voters' punishment in response to the 1990s Tangentopoli investigation brought about the end of the "First Republic." Similarly, Mexican voters' electoral support for Vicente Fox during the 2000 presidential elections signaled their punishment of the long-reigning Institutional Revolutionary Party (PRI). However, these cases are not uniformly replicated (Treisman, 2000).

³ This pattern is visible in non-European transitioning democracies as well. In the case of Brazil, former president Lula da Silva was a leading presidential contender in the country's 2018 elections, despite longstanding corruption allegations against him that in July 2017 resulted in his ten-year sentence.

“corruption compensation” hypothesis: corrupt incumbents strategically allocate financial resources as a proactive or retroactive reimbursement to mitigate electoral backlash. Previous studies of corruption have focused on country- or individual-level factors—such as the state of the economy, information asymmetries, and partisanship—to explain why some corrupt governments are able to survive voters’ electoral wrath. I compliment these works by focusing on the interactions between parties and voters. My theory highlights that constituencies differ in their perceptions of incumbent parties’ political corruption. This may be due to variation in information provided by the media (Chang, Golden and Hill, 2010), partisanship alignment (Anduiza, Gallego and Munõz, 2013), or ethnic makeup (Chandra, 2005), among other factors. Governments then observe and exploit this variation in deciding where to allocate greater resources to increase their electoral payoffs. My theoretical approach contributes to the literature’s current assessment of the origins, spread, and effects of political corruption and joins more recent works in evaluating corrupt politicians’ to credible threats of an electoral backlash—a question that scholars consider to be in need of theoretical and empirical inquiry (De Vries and Solaz, 2017; Mares and Young, 2019; Rupnik and Zielonka, 2013). A corruption compensation approach tests: (1) politicians’ strategic responses to looming electoral punishment; and (2) the effect of such responses on accountability. I derive a series of expectations about the conditions under which parties engage in compensatory strategies and find that in regions where governing parties allocate greater resources, an electoral backlash is less likely to occur.

Building on these theoretical premises, I evaluate whether corruption compensation strategies shape voter perceptions and electoral behavior in the most likely environment for the occurrence of such mechanisms. I concentrate my analysis on Albania—one of Europe’s post-socialist, transitioning democracies. Ranking consistently among Europe’s most corrupt countries, Albania is characterized by wide-spread awareness of political corruption, making every actor aware of

clientelistic exchanges. Media exposures and European Commission reports that point to corruption as an obstacle in the country's democratic progress and EU integration have reinforced the electorate's awareness of political misconduct. Accordingly, Albanian citizens consider corruption to be one of the most salient issues facing their country.⁴ The Albanian case is therefore an apt one for dissecting the causal and sequential complexities of the theoretical framework and tracing the process through which party-level distributive policies affect electoral outcomes. Beyond this country-specific case, I construct a general theory of variation in demand for accountability as a contributor to electoral volatility that applies to any transitioning or developing state.

To systematically examine my theoretical expectations, I employ a mixed-method approach that combines qualitative and quantitative analysis. To generate the study's main hypotheses, I use qualitative evidence gathered from interviews with voters and political elites conducted during my fieldwork in the region from 2017 to 2018. For the quantitative component, I have assembled original, sub-national data on Albania's distributive allocations, electoral indicators, and voter attitudes from 2005 to 2010. These data capture both cross-sectional and temporal variation in the heterogeneity of allocations and electoral behavior across the country. Finally, I assess an instance of elite political corruption—the 2008 explosions that occurred in Albania's Gerdeci region—to trace the theoretical steps and evaluate variation in voters' electoral response to political misconduct. The empirical findings provide support for my theory, showing that corrupt political actors leverage distributive policies to influence voter behavior and evade the political costs of corruption.

The theory and findings of this article demonstrate the need to consider the effects of both political corruption and subsequent distributive policies on electoral outcomes. Electoral accountability constitutes a central mechanism of democratic robustness (Barro, 1973; Ferejohn, 1986): when voters do not punish corrupt incumbents, politicians are likely to continue their

⁴ Nations in Transit, 2020. <https://freedomhouse.org/country/albania/nations-transit/2020>.

practices (Acemoglu, Johnson and Robinson, 2003). Persistent corruption stalls long-term economic development and jeopardizes democratic consolidation by depleting valuable resources, undermining political competition, and eroding citizens' trust in democratic institutions (Mauro, 1997; Anderson and Tverdova, 2003; Lauderdale, 2010; Hicken, 2011). However, there is scarce systematic understanding of the strategies that parties adopt to preempt electoral accountability and the effects of corruption on political behavior, particularly in regard to the question of why some voters in new democracies tolerate corruption while others do not (Mares and Young, 2019; Kostadinova, 2012). This article aims to address this point. In so doing, it contributes to answering the important question of what drives voters' electoral sensitivity to corruption, as well as to the scholarship on the sources of institutional quality and economic prosperity.

Theoretical Perspectives

Corruption and Electoral Punishment

Existing studies of electoral accountability are based on the retrospective voting model (RVM), in which voters punish political corruption when it leads to low economic performance (Ferraz and Finan, 2008; Krause and Méndez, 2009; Winters and Weitz-Shapiro, 2013; Klačnjaja, 2016).

Corruption has negative economic consequences because it discourages foreign direct investments, hinders international trade, and heightens income equality (Hines Jr, 1995; Wei, 2000; Habib and Zurawicki, 2001; Gupta et al., 2004), while channeling scarce resources toward private gains (Mares and Young, 2019; Mauro, 1997; Méon and Sekkat, 2005; Hicken, 2011). In addition, corruption hinders collective action and reduces citizens' ability to hold their governments accountable. More importantly, it undermines public trust in institutions and jeopardizes democratic consolidation by impeding the development of a democratic political culture (Morris, 1991; Rose, Mishler and Haerpfer, 1998; Mishler and Rose, 2001). Consequently, when voters have institutional means to

sanction corrupt or incompetent politicians, the threat of electoral punishment should therefore decrease corruption (Key et al., 1966; Fearon, 1999).

The causes and effects of corruption are of central interest among political scientists.⁵ Research points to country- and individual-level factors as drivers of voters' tolerance of corruption, including the state of the economy (Klašnja and Tucker, 2013; Zechmeister and Zizumbo-Colunga, 2013), partisan alignment (Anduiza, Gallego and Muñoz, 2013; Wagner, Tarlov and Vivyan, 2014; Muñoz, Anduiza and Gallego, 2016), ethnic identities (Banerjee and Pande, 2007), voters' educational background, viable candidate choices (Anduiza, Gallego and Muñoz, 2013), information asymmetries (Chang, Golden and Hill, 2010; Botero et al., 2015), and political culture (Chang and Golden, 2004; Barberá and Fernández-Vázquez, 2012).⁶ While some of these studies find that corruption allegations reduce incumbents' reelection chances, such instances are rare despite the gravity of the allegations (Welch and Hibbing, 1997; Bågenholm, 2010; Chang, Golden and Hill, 2010). Others find that the effect of corruption on electoral outcomes is not detrimental to political survival, and corrupt politicians are, in fact, often reelected (Rundquist, Strom and Peters, 1977; Reed, 1999; Chang, Golden and Hill, 2010; Vivyan, Wagner and Tarlov, 2012; Fernández-Vázquez, Barberá and Rivero, 2016).

A Theory of Corruption Compensation

To explain when corruption incites an electoral backlash, I argue that the heterogeneity in voters' corruption perceptions has been overlooked.⁷ When voters perceive their governments to be corrupt, they are more likely to vote them out of office (Ferraz and Finan, 2008; Krause and Méndez, 2009; Winters and Weitz-Shapiro, 2013; Klašnja, Tucker and Deegan-Krause, 2016). This is especially the

⁵ See among others, Miller, Koshechkina and Grodeland (1997); Kneen (2000); Philp (2002); Mishler and Rose (2005).

⁶ For an excellent overview of the literature see De Vries and Solaz (2017).

⁷ See Klašnja (2011) for a few studies that take voter heterogeneity into account.

case when institutional structures (Golden and Mahdavi, 2015) provide voters with the opportunity to penalize corrupt representatives by selecting higher performing ones (Key et al., 1966; Fearon, 1999). Knowing this, corrupt parties can influence voting behavior by providing goods and services to areas where corruption perceptions are especially high.⁸ This does not suggest that greater allocation inflows alter voters' perceptions of political misconduct. I instead argue that when voters with high corruption perceptions receive additional material resources from incumbents, they turn a blind eye to corruption allegations while still believing that their governments are nonetheless corrupt.

Corruption perceptions intensify when the media informs voters about politicians' misconduct (Ferraz and Finan, 2008; Chang, Golden and Hill, 2010; Botero et al., 2015; Klačnja, Tucker and Deegan-Krause, 2016). This type of information updates voters' priors on party performance and initiates the process of blame attribution by allowing them to assign responsibility to malfeasant politicians. In turn, parties lose their ability to extract rents and are more likely to lose elections especially when a robust opposition provides them with viable electoral alternatives (Grzymala-Busse, 2008). Under these conditions, parties have credible and rational incentives to find strategies to forestall electoral backlash. *Political corruption* emerges when elected party representatives engage in fraudulent political conduct (Grzymala-Busse, 2008). Fraudulent behavior denotes, broadly, the exploitation of public resources for personal or party gains (Nye, 1967; Treisman, 2007; Rose-Ackerman, 2008). In this article, I focus on cases where party representatives engage in corrupt behavior that directly contradicts voters' views of proper representation and governance, to avoid subjective explanations of "exploitation" and subsequent biases resulting from its broad nature (Rose-Ackerman, 2008; Olken, 2009). This type of political misconduct includes violations of the

⁸ See De Vries and Solaz (2017, pp. 397) for a discussion of how research on governments' responses to corruption allegations has received "scant empirical attention." For a detailed review of the literature on policy responses to corruption allegations, see Healy and Lenz (2014).

“universality” norm (Rothstein and Teorell, 2008) and reaches beyond it by including cases where parties and representatives disregard citizens’ interests despite contrary stipulations of the law.

To maximize their reelection chance, incumbents allocate more government resources to regions where the electorate’s corruption perceptions are high enough to merit compensation. Parties’ incentives to allocate more resources to high corruption perceptions regions increase during election years when the threat of punishment is credible and pressing. In alignment with Golden and Min (2013), I define *strategic allocation of resources* as funds and privileges that are institutionally granted from the central government to regional governments. Local politicians then use the resources to promote economic and social development in their constituencies, providing both immediate and long-term gains to voters. Voters can observe the policy outcomes of central-government provisions through improved regional infrastructure, an increase in employment opportunities, and other positive economic outcomes. Strategic allocation of resources enables incumbent parties to reclaim electoral popularity. Therefore, I expect that during election years, parties will allocate greater resources to regions with greater increases in corruption perceptions.

HYPOTHESIS 1: Higher corruption perceptions lead to more allocations during election years.

Parties can reap these benefits of corruption compensation across the ideological spectrum. In regions where incumbents have enjoyed voter loyalty for a long time (Cox and McCubbins, 1986; Banerjee and Pande, 2007; Anduiza, Gallego and Muñoz, 2013), additional resource provisions reaffirm their commitment to the electorate while providing an electoral hedge against potential misconduct allegations. In swing regions (Lindbeck and Weibull, 1987; Dixit and Londregan, 1996), parties exchange material provisions with voters for their electoral support. Even in regions where voters hold vastly different ideologies from incumbents, corruption compensation policies can

increase electoral success if electoral rules permit allocation of seats according to the number of votes received (i.e., proportional representation) (Persson, Tabellini and Trebbi, 2003; Manzetti and Wilson, 2007; Stokes, 2007; Grzymala- Busse, 2008; Hicken, 2011; Fernández-Vázquez, Barberá and Rivero, 2016; Rudolph and Däubler, 2016).

How do voters react to parties' allocation strategies? When voters perceive government corruption to be pervasive and do not receive substantial compensation, they punish corrupt incumbents by withdrawing their support (Krause and Méndez, 2009; Winters and Weitz- Shapiro, 2013; Klačnja, Tucker and Deegan-Krause, 2016).

HYPOTHESIS 2: Higher corruption perceptions lead to lower party vote shares.

However, accountability varies according to regional voters' ideological alignment, ethnic identities, or informational asymmetries. Incumbents use this information as an indicator of voter support for their parties when making allocation decisions.⁹ Faced with potential punishment, the parties engage in strategic allocation of resources in order to mitigate the negative effect of corruption perceptions on vote shares.

HYPOTHESIS 3: Higher allocations attenuate the extent to which corruption perceptions lead to lower vote shares

Greater allocations to recipient regions benefit constituents by way of boosting short- as well as long-term economic and development prospects. In regions where the electorates' perceptions of

⁹ Politicians receive information on voter attitudes from various sources, including direct contact with voters, regional networks, regional public protests, and public surveys.

political misconduct have increased, greater allocation of resources may serve to assuage voters' electoral wrath, weakening punishment or enhancing support for the governing party. Since voters tend to reward incumbents for economic growth (Klašnja and Tucker, 2013; Zechmeister and Zizumbo-Colunga, 2013), voters residing in regions with higher levels of corruption compensation resources are less likely to withdraw their support for incumbents, as stated in hypothesis 3. Note that greater allocations can have a mitigating effect on electoral behavior without necessarily affecting corruption perceptions. When regional benefits are sufficiently high, voters may choose to support governing parties — especially if they also perceive the opposition to be highly corrupt — while still remaining aware of the former's political misconduct.

HYPOTHESIS 4: Resource allocations to regions with high corruption perceptions increase governing parties' vote shares.

Figure 1 summarizes the causal steps of my theoretical argument. First, corruption perceptions drive voters' electoral choices, and incumbents observe both election outcomes and regional variation in corruption perceptions. Note that high corruption perceptions lead to lower vote shares for incumbents as noted by the negative sign. Second, incumbents allocate more financial resources to constituencies with high corruption perceptions in hopes of increasing their electoral success. Finally, when voters reap the benefits of the allocations and become better off economically, they vote for ruling parties even though they still deem the parties to be corrupt.

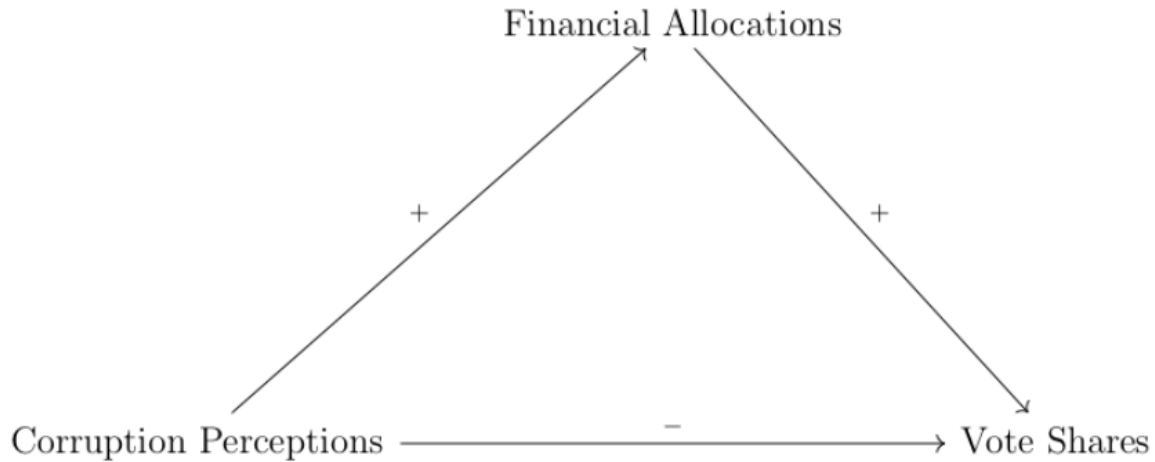


Figure 1: A Relational Illustration of the Corruption Compensation Hypothesis

Albania: A Motivating Case

In this section, I examine these relationships in the case of Albania—one of Europe’s struggling transitional democracies where political actors continue to maintain power despite protests by the electorate against the pervasiveness of corruption. The following sections are organized as follows. First, I provide a discussion of Albania’s political background, electoral systems, and statistical regional structure. I then introduce the case of the Gerdeci explosions which occurred at a munitions decommissioning facility in an area close to Albania’s capital of Tirana on March 2008. I proceed by tracing the study’s theoretical steps to assess how this exogenous shock, widely linked to corruption and political misconduct by the governing party’s leadership, impacted corruption perceptions, resource allocations, and the governing party’s electoral outcomes.

Background and Electoral Systems

Albania is a parliamentary republic whose process of democratization has been turbulent. The collapse of the communist regime in 1991 and the country’s transition to a parliamentary democracy

marked the end of Albania's single-party dominance and the beginning of a proportional-majoritarian system that lasted from 1992 to 2005. The electoral system was replaced by proportional representation prior to the country's 2009 parliamentary elections.

The Albanian legislature is comprised of 140 members of parliament (MPs), elected every four years through a party-list proportional representation system with closed candidate lists. In accordance with the European Parliament's regulations for common classification of territorial units for statistics (NUTS), the regional structure of Albania is divided into three NUTS 2 statistical regions (North, Center, South) and twelve NUTS 3 administrative counties. Combined, there are 36 main cities consisting of 61 smaller municipalities comprised of 308 communes (Figure 8).

A Case of Corruption: The Gerdeci Explosions

On March 15, 2008, Tirana was shaken by an explosion originating from a munitions decommissioning facility designated to dismantle communist-era military ordnance. The explosion occurred in the commune of Gerdec, approximately fifteen kilometers from Tirana. Ten thousand people were affected by the powerful blasts, and approximately 4,000 had to be evacuated from the disaster area (United Nations Disaster Assessment & Coordination, 2008). Twenty-six individuals lost their lives, including women and children, one person was declared missing, and another 300 citizens were injured and flown to Italy, Switzerland and Greece for medical treatment. Aside from human costs, the explosions further damaged critical infrastructure (including roads, water and power supply networks, public school buildings, and health centers) and destroyed nearly 3,000 local businesses, further exacerbating the crisis for the surviving inhabitants who lacked the resources to abandon the area (UNDAC).

While the Gerdeci explosions had devastating security and socioeconomic ramifications for the region's residents, they also presented critical political and electoral challenges for the incumbent Democratic Party (DP), headed by Sali Berisha, whose leadership was implicated in the scandal.¹⁰ Cognizant of the country's upcoming 2009 parliamentary elections, the growing momentum of the opposing Socialist Party and Albania's impending NATO membership, DP's leadership engaged in several damage-control strategies to limit the political repercussions of the scandal. Three hours after the explosions, government and DP representatives took to the media to claim non-involvement in the Gerdeci affair.

Despite Berisha's claims to the contrary, opposition forces led by the Socialist Party pointed to Berisha and his family's involvement in the sale of surplus weaponry and mismanagement of the disposal of obsolete weapons. They demanded his resignation on grounds of corruption and political misconduct (Kulich, 2008). The opposition's demands were underpinned by domestic and international media accounts pointing to the prime minister's involvement in the illegal sale of the weaponry. Reports concerning the involvement of Berisha's family in the Gerdeci scandal were widespread across the country and gave rise to numerous voter protests. Citizens and the victims' families demanded an investigation into the causes of the explosions and called for a change in government and legal accountability for Berisha and his collaborators.

Gerdeci: The Electoral Aftermath

Conventional theories of democratic accountability suggest that public fury at the Gerdeci explosions should have led to electoral punishment of Berisha and the incumbent DP. Despite reports by media and opposition forces on Berisha's involvement in the Gerdeci tragedy, Berisha

¹⁰ News reports maintained that the Gerdeci factory was under the management of Berisha's son, brother-in-law, and a number of additional family members.

and the DP-run coalition proceeded to claim electoral victory in the 2009 parliamentary elections. What was most puzzling about this outcome was Berisha's and DP's anticipation of that victory. Berisha's confidence in his party's ability to assuage voters' wrath was evident in his choice of electoral district where he ran as the head of his party's list. He could have chosen to run in regions far removed from the scandal in order to preempt an electoral backlash, but instead he chose to run in the region of Tirana, where the Gerdeci explosions had taken place only a few months prior. His calculated risk paid off.

In other sub-national regions, distinct patterns of electoral punishment of Berisha's DP emerged. While in the counties of Vlore, Shkoder and Durres DP lost considerable portions of its vote share, in the counties of Fier and Korce its electoral losses were only modest (with, respectively, a 5.7 percent and 3.01 percent decline in vote share). In the counties of Kukes, Diber, and Berat, however, electoral punishment for DP did not materialize; in fact, the party's vote share grew by 6.4, 2.69, and .43 percent, respectively, in comparison to the 2005 parliamentary elections.

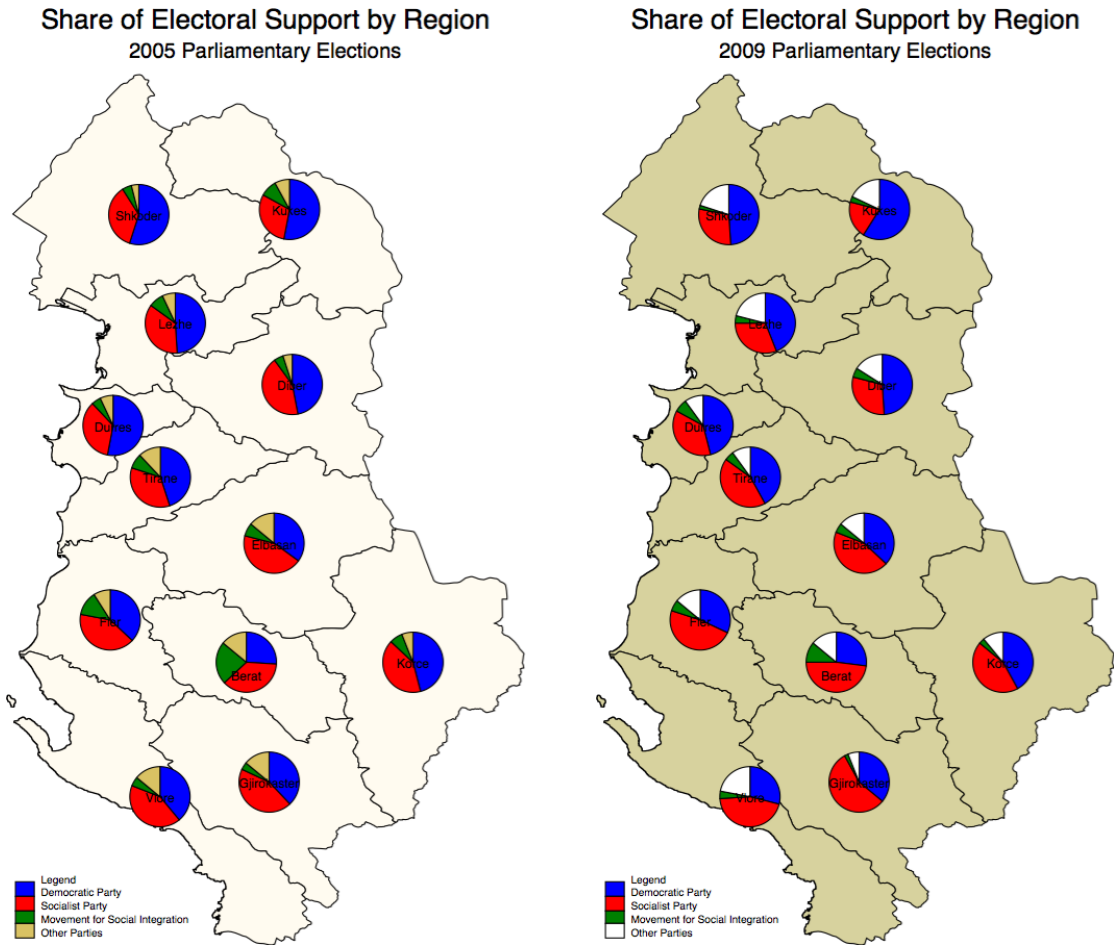


Figure 2: Party Vote Shares by Electoral Counties

Data Source: CEC Albania.

Note: The pie charts represent vote shares by statistical region for the main political parties during the 2005 & 2009 Parliamentary Elections.

Figures 2 and 3 capture distinct patterns of regional variation in electoral support for DP during Albania's 2009 parliamentary elections. Figure 2 presents vote shares for Albania's main competing political parties—Democratic Party, Socialist Party, and the Movement for Social Integration (LSI)—during the 2005 and 2009 parliamentary elections according to NUTS 3 statistical divisions. Figure 3 further dissects DP's vote shares in the 2009 parliamentary elections according to the country's main 36 electoral counties.

Shares of Regional Electoral Support 2009 Parliamentary Elections

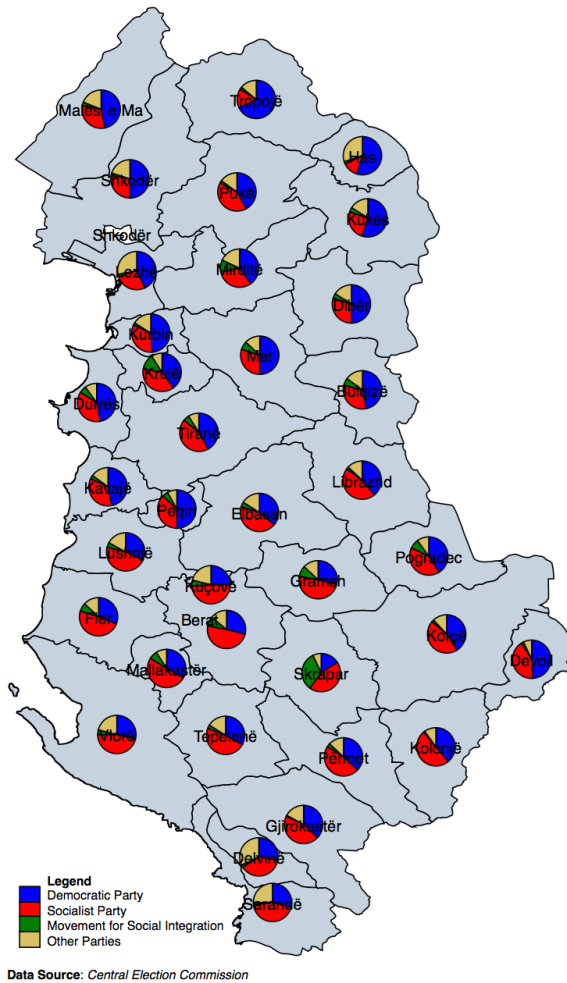
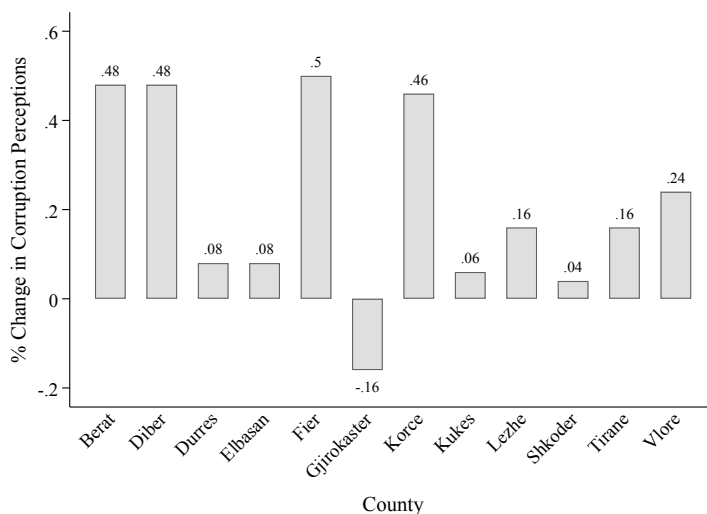


Figure 3: Party Vote Shares by Main Municipalities, 2009

When analyzing DP’s 2009 vote shares in accordance with voters’ assessment of escalating political corruption between the 2005 and 2009 elections, the general pattern that emerges is one of electoral tolerance: in regions where voters’ corruption perceptions were high enough to warrant significant electoral punishment for DP, punishment was either modest or did not materialize. To illustrate, Figure 4 captures changes in regional public perceptions of mounting political corruption

during the period between 2006 and 2010.¹¹ In the counties of Fier and Korçe, where the proportion of respondents who believed corruption had escalated between the two elections grew by 50 percent and 46 percent, respectively, losses in DP’s 2009 vote shares were relatively low at 5.7 percent and 3.01 percent compared to its 2005 vote shares. Elsewhere, in the counties of Berat and Diber, a significant increase of 48 percent in the proportion of respondents who believed corruption had surged over the last three years did not result in electoral backlash, and DP’s vote shares actually increased during the 2009 parliamentary elections by .43 and 2.69 percent respectively.

Figure 4: Corruption Perceptions by Electoral County. Albania, 2006 vs. 2010



Survey Question - To what extent do you agree with the following statement: “There is less corruption today than four years ago.” Graph depicts the percentage of respondents who “Disagreed” and “Strongly Disagreed” with the statement. Data Sources: LITS (EBRD, 2010).

¹¹ Percentage of respondents is calculated by combining the proportions of survey participants who responded that they “Disagreed” and “Strongly Disagreed” with the statement: “There is less corruption today than three years ago.” Life in Transition Surveys (LITS). <https://www.ebrd.com/what-we-do/economic-research-and-data/data/lits.html>

This overall trend of electoral tolerance is especially puzzling given voters' keen awareness and disapproval of government's political misconduct.¹² As shown in figure 5, distrust in political parties increased from 45 percent in 2006 to 53 percent in 2010, while distrust in government reached a high of 44 percent in 2010 compared to 31 percent in 2006.¹³

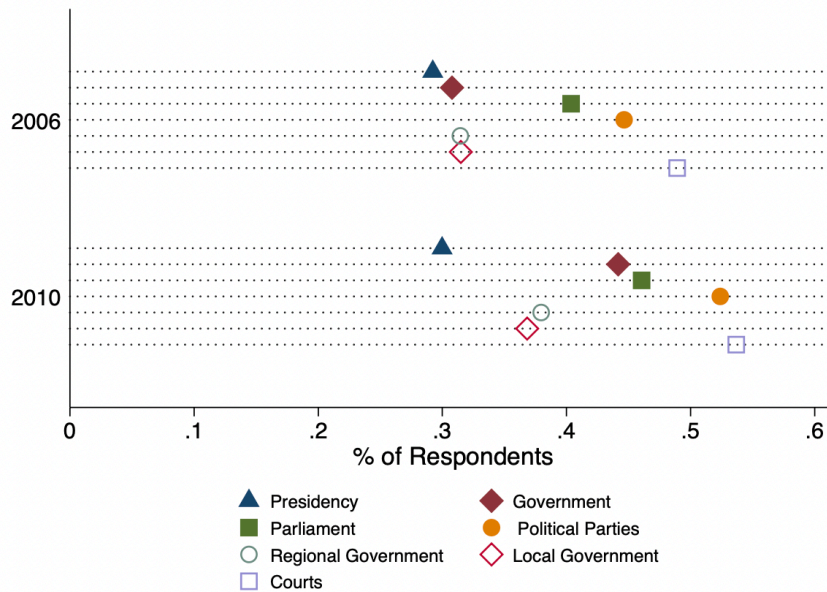


Figure 5: Distrust in Political Institutions, 2006 vs. 2010

Question: “To what extent do you trust the following institutions?” Graph presents the percentage of survey participants who had “Some” and “Complete Distrust” in the listed institutions.

Data Sources: LITS (EBRD, 2010).

I argue that variation in patterns of electoral punishment is driven by DP's strategic allocation of greater funds to regions where voters' high corruption perceptions indicated a higher likelihood for an electoral backlash. In response to the question of how parties respond to voters'

¹² When asked about the trajectory of corruption in the last three years prior to the 2010 survey (a period that coincides with the time of the Gerdeci scandal), approximately a third of Albanian voters believed that corruption had increased, while more than 40% considered it to have remained stable.

¹³ Question: “To what extent do you trust the following institutions: The Presidency, the government/cabinet of ministers, regional government, local government, the parliament, courts, political parties, the police?” To capture total national levels of distrust in each institution, I combine the proportions of respondents who expressed “Some distrust” and “Complete distrust” of each institution.

likelihood of punishment, an Albanian MP emphasized that resource allocation was a viable mediating mechanism:¹⁴

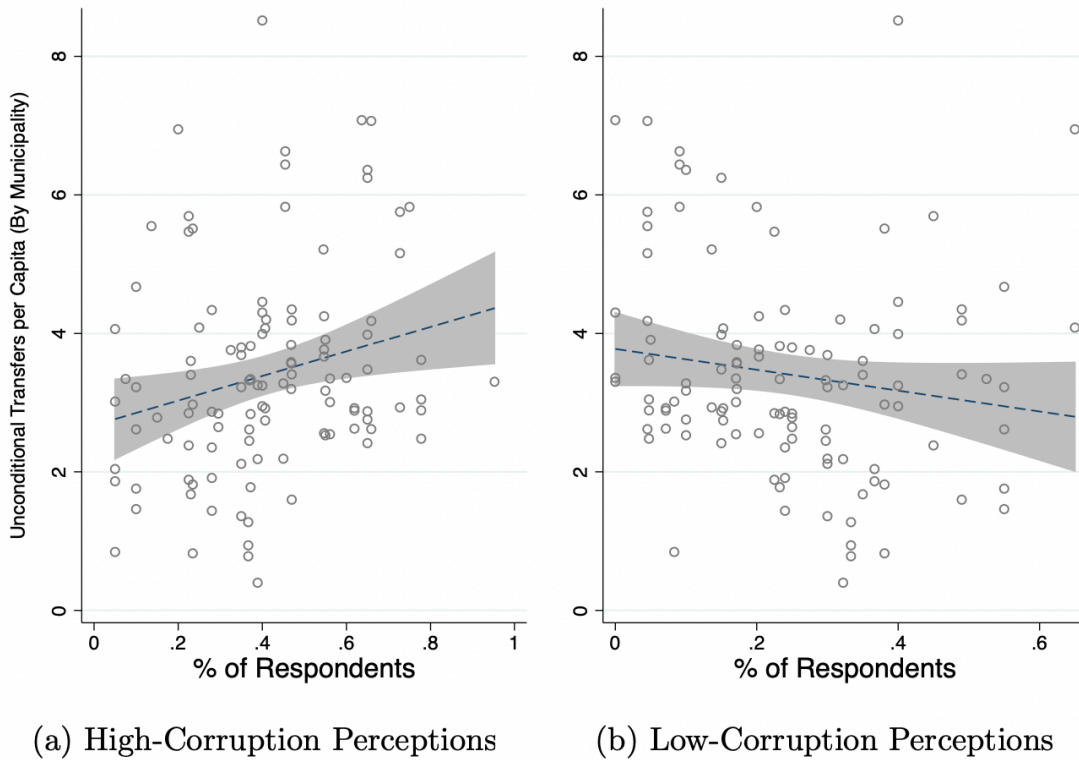
Look, politics and corruption go hand in hand. This tale is as old as time. It's naive to think voters don't know or expect this. Corruption only becomes a problem when parties overdo it, and voters learn about it from the media, newspapers or personal sources. Then, the party's electoral success much as that of a skilled businessman depends on the ability to find the solution that best solves the problem and then invest its energy and resources into it. And like with most problems solved by money, the strategy to solving this particular one is to become the good guy, or the good party. And you become the good guy by way of giving. You give so they forgive. It's possible but morally challenging to chide someone who has been good to you and yours versus otherwise. This works for the voters, but it works for the politicians rather nicely too. The good lamb nurses from two mothers.

Figure 6a, which plots the relationship between unconditional transfers (UT) per capita distributed by the party in government to regional municipalities and the proportion of respondents who consider political misconduct to have increased over time, suggests, for all the evident noise, a positive relationship between the two variables. Alternatively, figure 6b suggests an inverse relationship between UT per capita and the proportion of respondents who believe that corruption has decreased in recent years, indicating that municipalities with lower proportions of corruption-aware voters receive fewer resources from the governing party.¹⁵

¹⁴ Question: "How do parties whose reputation has been tainted by corruption grapple, if at all, with voters' distaste of it?". Interview conducted in July 2018. Tirana, Albania.

¹⁵ Survey Question: "To what extent do you agree with the following statement: There is less corruption today than four years ago?" Figure 6(a) denotes the percentage of respondents who "Disagreed" and "Strongly Disagreed" with the statement. Alternatively, figure 6(b) denotes the percentage of respondents who "Agreed" and "Strongly Agreed" with the statement.

Figure 6: Resources vs. Corruption Perceptions, 2005 & 2010 (by Municipality)



Once strategic resource allocation has been identified as a viable measure for addressing corruption perceptions, incumbents face the challenge of identifying the regions where a compensating strategy returns higher electoral payoffs. This step is key to parties’ optimal use of their limited resources as a mechanism for influencing voting outcomes. Incumbents gather information on where resources should be allocated—that is, where demand for accountability is likely to be most elastic—through political “brokers” (Stokes et al., 2013) and direct engagement with voters.

Finally, the corruption compensation hypothesis raises two information-related questions that call for theoretical validation. First, how aware are parties of the electorate’s corruption sentiments? Second, how aware is the electorate of regional benefits provided by the incumbent? Given parties’ electoral incentives to constrain voter discontent, I expect parties to engage in strategies that, similar

to “machine politics” (Dixit and Londregan, 1996), enhance communication with the electorate and make the latter aware of past and present benefits provided by the party. These measures—ranging from personal contact with voters to use of regional networks—serve the party’s dual purpose of engaging in credit-claiming and gathering information on voter attitudes. For instance, in his 2009 pre-election interview titled “This Is Why My Victory Will Be by a Large Margin,” Prime Minister Sali Berisha addressed concerns that voters had been offered little opportunity to understand Berisha’s past performance and his plans for the next four years. He said:

I think that the campaign this time has had several dimensions. There is one dimension that has come to little media attention, our focus on the citizens... all our group leaders and candidates for deputies, all our party bodies have had intensive contacts with the citizens, talking to them, listening to them, and collecting their opinions. Such contacts, which could be hundreds in a day, have been little reported in the media. I have taken great care in this dimension and have issued clear directives to my people to have such contacts with the citizens. In addition to addressing rallies with thousands of people overflowing the squares, I have had individual meetings with young people. I have worked hard on dimension.¹⁶

Therefore, building informational connections with the electorate allows parties to stay informed about regional benefits and to gauge voter attitudes in adjusting their compensating algorithm.

Empirical Analysis

Sample Selection

To examine the effect of parties’ distributive policies on voters’ electoral responses to corruption, I conduct a sub-national analysis in the transitioning democracy of Albania. From a theoretical perspective, post-socialist Albania exemplifies several characteristics — which Albania shares with the rest of Europe’s transitioning states — that are central to the puzzle at hand. These commonalities render Albania a valuable case for drawing external validity and theoretical generalizations across post-communist regimes. An initial commonality relates to the country’s

¹⁶ Peza, June 28, 2009.

political rights and participation. Similar to other transitioning democracies in the region, Albania is characterized by free and fair elections where the head of government and national legislative representatives are elected by voters who have full political and participation rights. According to Freedom House estimates, in 2019 Albania scored 3 out of 4 in political rights; 3 out of 4 in political pluralism and participation, and 3 out of 4 in government functioning. In this context, Albania's electoral performance is compatible with most countries in Latin America and North Africa which are often examined as case studies for drawing generalizable conclusions on clientelism and political behavior.

An additional key characteristic is the degree of political corruption in the country. According to Transparency International's 2017 ranking, Albania—with a Corruption Perceptions Index (CPI) of 38 and a global ranking of 91—trailed Russia, Ukraine, Moldova and its bordering neighbors, Macedonia and Bosnia and Herzegovina in transparency, making it one of the most corrupt European democracies.¹⁷ Albania's high degree of corruption is puzzling considering the country's intention to gain EU membership.¹⁸ Having survived the longest and most isolationist communist regime in the region, Albania entered its democratic phase as Europe's poorest transitioning country. Hence, the country's elites and its electorate have long considered EU membership a symbolic form of acceptance by the larger European community. Most importantly, EU ascension is also a viable mechanism for remedying Albania's economic disadvantage. In addition, the electorate's rising expectations of EU integration present Albanian elites with increased electoral pressures and therefore credible and rational incentives to comply with the EU's anti-corruption measures in order to secure membership. Despite EU-related constraints however, corruption among Albania's political representatives—including illegal funding of political parties,

¹⁷ Transparency International, 2017 Report.

https://www.transparency.org/news/feature/corruption_perceptions_index_2017.

¹⁸ Albania submitted its application for EU membership in 2009.

faulty privatization practices, and misappropriation of state revenue and property—have persisted over time.¹⁹

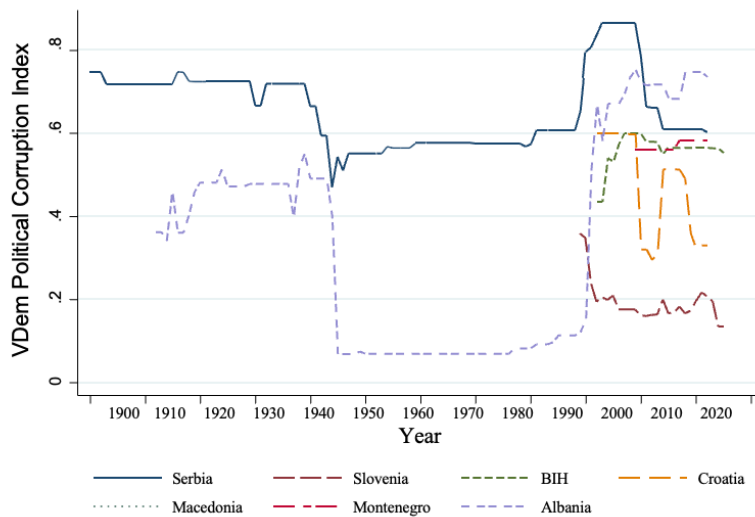
In parallel with the country’s growing political corruption, the electoral tolerance of Albanian voters—similar to that of other electorates across Europe’s post-communist space—has also persisted over time despite established mechanisms of democratic accountability. A case that illustrates both of these tendencies is the political rise of Ilir Meta, the previous leader of Albania’s Movement for Social Integration (LSI) Party and an avowed supporter of EU integration.²⁰ Meta’s engagement in political misconduct was nationally broadcast when a 2011 video recording of his private, corrupt dealings with his collaborator, Dritan Prifti—then Minister of Economy, Trade and Energy (2009 to 2010)—was leaked to the national media by a disgruntled Prifti.

Despite the scope of the scandal and subsequent outrage on the part of the electorate, Meta, who at the time was Deputy Prime Minister under Berisha, continued his political rise. He became chairman of the Albanian parliament in 2013 and was appointed president of the Albanian Republic following the country’s 2017 elections. Similar cases of limited consequences for political misconduct by elected representatives persist in Albania, even though voters consider corruption to be a significant issue facing their country. According to the Albanian Institute of Statistics, in 2010 nearly 50 percent of Albanian voters believed political parties to be involved “often” and “very often” in corrupt practices, while 60 percent believed the same of their central government (figure 5). In light of these parallel tendencies, the Albanian case constitutes, from a theoretical perspective, a suitable choice for an analysis of factors that reduce voter demand for electoral accountability.

¹⁹ These practices were at the base of Albania’s 2012 ranking as the most corrupt country in Europe and one of the most corrupt in the world under Berisha’s government (Transparency International Report, 2012).

²⁰ LSI aligned with Berisha’s Democratic Party during the 2009 parliamentary elections to form the country’s governing coalition.

From an empirical perspective, a sub-national analysis provides more reliable and granular data on corruption. General data limitations on types of corruption across Europe’s post- socialist space hinder our ability to explore variation in corruption and voters’ electoral responses. In cases where the data allow for an exploration of types of corruption, the patterns that emerge are often contradictory and caution against treating the post-socialist region as a whole (figure 7).²¹ For instance, an analysis of the V-Dem data (Coppedge et al., 2016) indicates a general decline in public corruption, but an increase in executive, legislative, and judicial corruption. A cross-country analysis



Data Source: Varieties of Democracy (V-Dem). <https://www.v-dem.net/en/data/data/>.

of VDem’s Corruption Perception Index of several post-socialist states indicates no clear pattern from which generalizable conclusions can be drawn (figure 7).²² In light of such empirical challenges, assessing corruption compensation in a single country of the post-socialist space enables a concentrated analysis of variation in patterns of electoral accountability while constraining variation in country-level factors.

Figure 7: Corruption in Former Yugoslav States and Albania, 1900-2015

²¹ Irregularities are also observed in the former Russian Republics (figure A3).

²² VDem’s corruption perception index (v2x-corr) is constructed by weighting equally four various government spheres (executive, legislative, judicial and public sector). Similar patterns emerge when analyzing the data across the former Soviet countries (figure A3).

Data Sources

I have compiled an original sub-national dataset consisting of electoral and fiscal indicators at Albania's municipality strata, which I merge with county-level data on corruption perceptions indicators retrieved from the Life in Transition Survey (EBRD, 2010). The sources of the data are multiple. To assemble district-level electoral data for the main political parties during the country's 2005 and 2009 elections, I rely on statistics from Albania's Central Election Commission. For fiscal data on the amount of unconditional transfers distributed by the central government to the country's municipalities, I collect original indicators from the Albanian Ministry of Finance. I then map the unconditional transfers data, available at the district level, onto the country's electoral municipalities to match the unit of analysis of the electoral data. Moreover, I rely on indicators from the Central Bank of Albania to collect data on economic variables available at the county strata (e.g., gross domestic product, growth rate, and gross value). Finally, I collect municipality-level population data from the Albanian Institute of Statistics (INSTAT).

To capture voter attitudes toward political corruption, I use the Life in Transition Survey (LITS) data. The LITS Survey—administered by the European Bank for Reconstruction and Development (EBRD) and conducted in the years 2006 and 2010—captures the experiences and attitudes of citizens in transitioning, post-communist European states.²³ Combined, the final dataset is time-series-cross-sectional, and its multi-level structure consists of repeated observations on fixed sub-national units. Figure 8 illustrates the structure of the data.

²³ EBRD, 2010. In the case of Albania, the LITS uses the electoral register and divisions as the basis for the Primary Sampling Unit (PSU) sample frame.

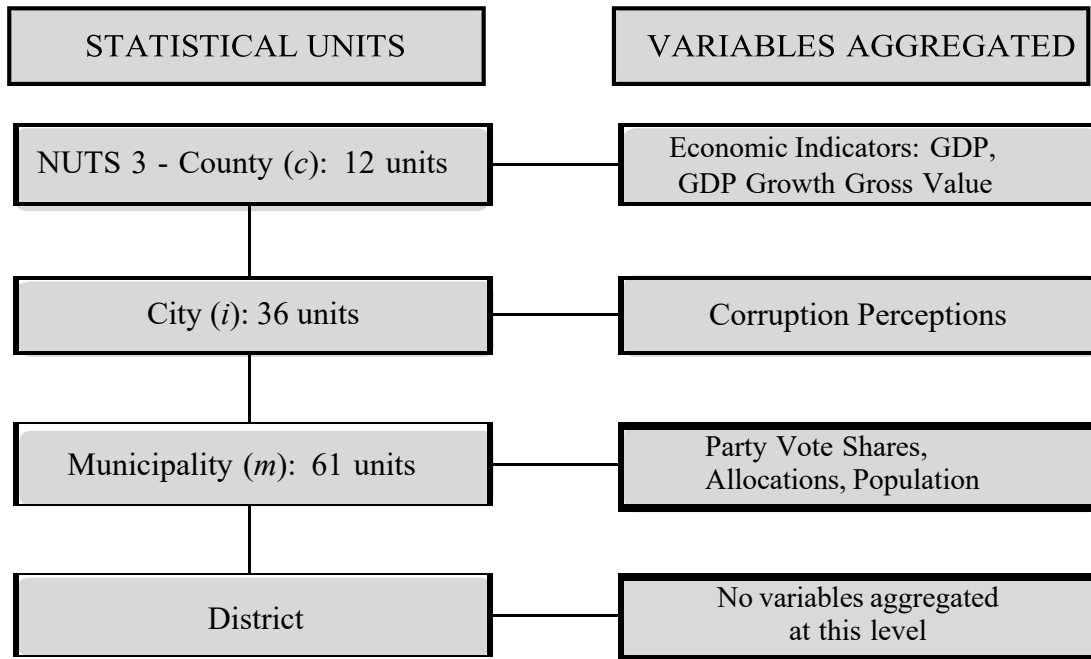


Figure 8: Final Data Structure

Note: The column on the left presents the various statistical strata and the numbers indicate the number of units in each stratum. The right column indicates the variables available at each corresponding stratum.

Variables of Interest

Democratic Party Vote Shares

One of the main variables in the analysis is DP's vote shares in the 2005 and 2009 elections. This variable is formally constructed as follows:

$$\text{Party Vote Share}_{mt} = \frac{\sum_{j=1}^n \text{Party Votes}_{mt}^j}{\sum_{j=1}^n \text{Valid Votes}_{mt}^j} * 100$$

where $\text{Party Vote Share}_{mt}$ is the vote share for each political party at municipality m at time t . $\text{Party Votes}_{mt}^j$ is the total number of votes for each party in each district j of municipality m at time t ; and $\text{Valid Votes}_{mt}^j$ are the total valid votes in each district j of municipality m at time t .

Corruption Perceptions

To capture voter attitudes toward political corruption before and after the Gerdeci explosions, I collected regional responses to the following LITS question asked in both 2006 and 2010: “To what extent do you agree with the following statement: ‘There is less corruption today than three years ago?’” I estimate the proportion of respondents who believed corruption had increased over the period 2006–2010 by combining the proportion of respondents who stated that they “disagreed” and “strongly disagreed” with the statement (EBRD, 2010). I formally construct the corruption perceptions variable as follows:

$$\text{Share of Respondents}_{it} = \frac{\sum_{m=1}^n \text{Respondents per Question}_t^m}{\sum_{m=1}^n \text{Survey Participants}_t^m},$$

where $\text{Respondents per Question}_t^m$ is the total respondents who “disagreed” and “strongly disagreed” that corruption had decreased over the last four years in each municipality at time t ; and $\text{Survey Participants}_t^m$ is the total number of survey participants in each municipality m at time t .²⁴

Unconditional Transfers as Revenue Sources for Sub-Regional Governments

Albania’s Organic Law “On the Organization and Functioning of Local Governments” specifies three types of transfers from the national to local governments: unconditional transfers, conditional transfers, and shared taxes. The law states the intended purpose of unconditional transfers is to establish fiscal equalization between local governments. These include funding operating expenditures and investments, such as reconstruction and maintenance, at the local level. According to the National Strategy of Decentralization, unconditional transfers include: a transfer of vertical compensation based on the ratio of responsibilities and functions between central and local authorities, to be used for general and non-targeted support of expenses for public services and

²⁴ Since not every municipality’s corruption perceptions data were available, I aggregate the data up to the city level.

functions of local governments; and equalization grants to support local governments that have an insufficient local revenue and resource base.

The Organic Law, however, does not provide a definition of the allocating formula or the amount of unconditional transfers to be distributed to local governments. The law's ambiguity on both the size of the transfer and its allocating formula has allowed the party in government full discretion over the amount of unconditional transfers to be received by local governments and created an opportunity for manipulating both factors via repeated amendments to the national government's Annual Budget Law (Levitas et al., 2016).

Since the dynamics and instability of public finances makes it impossible to define a unique formula connecting the value of the unconditional transfers with the total of the state budget expenditures, the amount of unconditional transfers to local governments is left at the discretion of the central government and the party in power and approved each year by the State Budget Law. This discretionary fiscal authority provides an opportunity for malfeasant incumbents to engage in corruption compensation by strategically allocating greater shares of resources to regions where electoral backlash against parties' grafting practices is more likely to be assuaged. Therefore, I use the share of unconditional transfers provided to local governments as a proxy for strategic allocation of resources by the Democratic Party. Normalizing the amount of unconditional transfers by the total number of voters per municipality accounts for the fact that larger municipalities require greater amounts of transfers in order for a distributive strategy to be effective.

Formally, Unconditional Transfers (UT) per Capita is the sum of the total amount of unconditional transfers distributed to each municipality m at time t , divided by the sum of

total voters in m at time t :²⁵

$$\text{Unconditional Transfers per Capita}_{mt} = \frac{\sum_{j=1}^n UT_t^j}{\sum_{j=1}^n \text{Total Voters}_t^j}$$

Where UT_t^j is the total amount of unconditional transfers to district j time t ; and Total Voters_t^j is the number of voters of district j at time t .

Control Variables

I control for confounding variables associated with resource allocations, corruption perceptions, and the party's electoral returns. To account for the effect of voter ideology on DP's electoral outcomes (Anduiza, Gallego and Muñoz, 2013; Muñoz, Anduiza and Gallego, 2016; Peters and Welch, 1980), I construct a binary indicator of each district's ideological alignment during the previous election. I then include in the analysis the mean of this variable across each electoral municipality. This data comes from Albania's Central Election Commission (KQZ). An alternative explanation for limited electoral punishment relates to the opposition's strength. A viable opposition not only constrains party misconduct out of fear of retaliation but also affects voter responses to party performance by providing them with credible electoral alternatives (Ferejohn, 1986; Fearon, 1999; Grzymala-Busse, 2008). To account for this tendency, I control for voter perceptions regarding the strength of political opposition in each municipality.²⁶

Moreover, voters who suspect increased corruption over time may choose to abstain from voting altogether, particularly when the opposition is perceived to be an equally corrupt alternative. Under these conditions, voters have a low expectation of altering the political status quo and

²⁵ To accommodate limited data availability on district-level population, I use total number of voters as a substitute for district population.

²⁶ To capture the strength of the opposition, I calculate the proportion of respondents at the municipality level who answered "Agree" and "Strongly Agree" to the question: "To what extent do you believe that the following exists in your country: Strong Political Opposition?".

therefore choose not to turn out for elections.²⁷ To account for the possibility of non-engagement in the electoral process as a potential voter response, I therefore control for voter turnout by calculating its mean across various districts within each electoral municipality. Finally, I include in the analysis a set of economic measures and population controls that may also affect the response variable. I account for regional GDP and growth rate as measures of the unconditional relationship between transfers and party vote shares. These variables address the literature's findings that economic performance is both a confounder and a strong predictor of election outcomes (Duch and Stevenson, 2008; Lewis-Beck and Paldam, 2000).

Other possible factors that might affect variation in unconditional transfers are voters' perceptions of opposition parties and changes in electoral behavior between urban and rural voters. With regard to the first, it is reasonable to expect that if voters consider the opposition parties to also be corrupt, the efficiency of transfers would be higher as voters' "exit" options would be limited. Alternatively, if the opposition is perceived to be cleaner and more credible by voters, this would translate to a need for the incumbent party to accelerate resource allocation in order to ensure voters' electoral support. While the LITS data used here only capture voters' corruption perceptions of the governing party and therefore do not accommodate opposition-party controls at the sub-national level, evidence from figure 5 above shows that on average, Albanian voters perceive all political parties to be highly corrupt, which in turn is expected to increase the efficiency of local transfers. Second, the structure of the data does not accommodate a distinction between the urban vs. rural identities of voters whose perceptions are measured. While in the case of Albania, this potentially confounding variable is less of a concern given the mixed rural and urban demographic makeup of the majority of electoral counties, it is of empirical interest when testing the corruption

²⁷ While turnout rates have been on the decline throughout Eastern Europe in recent years, in the case of Albania, the drop in turnout rates between years 2006 and 2010 was only 2 percentage points, going from 51% in 2006 to 48% in 2010.

compensation mechanism in larger countries with a more defined demographic structure.

Model Specifications

In accordance with my theoretical propositions, I expect that regions with higher corruption perceptions will receive greater allocations from the governing party, especially during election times. To assess this expectation, I evaluate the interaction effect of corruption perceptions with election years on resource allocations provided by the governing party to sub-national units.

Formally,

$$\text{UT Per Capita}_{m,t} = \beta_0 + \beta_1 \text{CP}_{i,t} + \beta_2 \text{Election Year}_t + \beta_3 \text{CP}_{i,t} \times \text{Election Year}_t + \gamma \mathbf{X}_t + \alpha_c + \mu_i + \epsilon_{m,t} \quad (1)$$

where α_c and μ_i note county and city error terms, respectively; \mathbf{X}_t is a vector of controls; and $\epsilon_{m,t}$ denotes the municipality-year error term.²⁸

An additional theoretical expectation is that corruption compensation policies—parties' allocation of greater resources to regions where the electorate perceives more corruption—lead to increases in the electoral returns of corrupt governing parties. Therefore, I examine the interaction effect of two explanatory variables on parties' electoral outcomes: 1) voters' perceptions of escalating political corruption, and 2) its interaction with unconditional transfers per capita from national to local governments. I expect that the combined effect of these variables explains electoral outcomes for Albania's Democratic Party under Berisha's government.

I estimate a hierarchical model with random intercepts by municipality and county for municipality nested within county. This model controls for nation-wide trends that vary from year to year while allowing for the inclusion of random effects other than those associated with the error term (Laird and Ware, 1982). Formally,

²⁸ *CP* denotes Corruption Perceptions.

$$\text{DP Vote Share}_{m,t} = \beta_0 + \beta_1 \text{UT Per Capita}_{m,t} + \beta_2 \text{Share of High CP}_{i,t} + \beta_3 \text{UT Per Capita}_{m,t} \times \text{Share of High CP}_{i,t} + \gamma \mathbf{X}_t + \alpha_{ct} + \mu_{it} + \epsilon_{mt} \quad (2)$$

where α_c and μ_i note county and city error terms, respectively; \mathbf{X}_t is a vector of controls; and $\epsilon_{m,t}$ denotes the municipality-year error term.²⁹

Estimation Results

I first examine the expectation that regions with greater increases in constituents' perceptions of political misconduct receive greater allocations from governing parties (hypothesis 1; equation 1). The theory predicts that during election times, the parties have greater incentives to aggressively deploy proactive or retrospective compensating policies in order to mitigate a potential electoral backlash. Table 1 provides estimates of the determinants of resource allocations in year t during the period between 2005 and 2010. In Models through 1 and 5, the coefficients, β_1 and β_3 from equation 1 are of primary analytical interest. β_1 represents the effect of corruption perceptions on the dependent variable during non-election years. The interaction value of β_1 and β_3 represents the effect of corruption perceptions during election years. A positive β_3 coefficient would be consistent with the theoretical expectation that higher corruption perceptions lead to more allocations during election years.

Models 1 through 5 each incorporate different political and macroeconomic controls possibly correlated with both corruption perceptions, election years, and the dependent variables. Throughout the models, the coefficient β_3 of the interaction term is in the predicted positive direction and statistically significant at the 1 percent level ($p = 0.001$). This lends support to hypothesis 1, confirming the expectation that resource allocations during election years are not merely driven by

²⁹ *CP* denotes Corruption Perceptions.

economic or ideological factors and that voters' corruption perceptions also enter governing parties' allocating calculus.

Table 1: Determinants of Resource Allocations

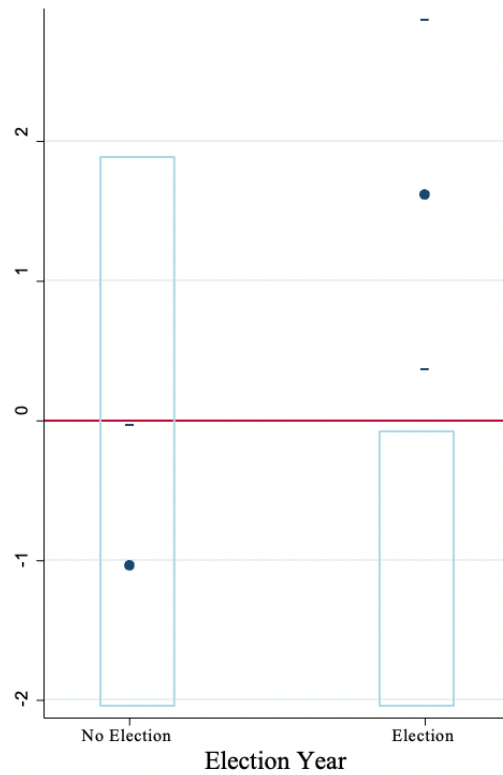
	(1)	(2)	(3)	(4)	(5)
CP_{it}	-1.018*	-1.035*	-0.409	-0.336	-0.379
	(0.512)	(0.513)	(0.517)	(0.478)	(0.479)
Election Year $_t$	-1.847***	-1.717***	-1.628***	-1.653***	-1.677***
	(0.324)	(0.330)	(0.326)	(0.299)	(0.299)
$CP_{mt} \times$ Election Year $_{it}$	2.931***	2.652***	2.507***	2.533***	2.537***
	(0.745)	(0.756)	(0.746)	(0.677)	(0.677)
UT Per Capita $_{m,t-1}$		0.135**	0.172**	0.185***	0.187***
		(0.046)	(0.044)	(0.040)	(0.040)
Turnout $_{mt}$			5.408***	4.331***	4.348***
			(1.025)	(0.941)	(0.940)
Strength of Opposition $_{it}$			-0.357	-0.293	-0.310
			(0.578)	(0.531)	(0.531)
Party Alignment $_{mt}$				0.005	0.008
				(0.234)	(0.233)
Voters Per Municipality $_{mt}$				-0.000***	-0.000***
				(0.000)	(0.000)
$\ln(\text{GDP Per Capita})_{ct}$				-0.242	-0.264
				(0.251)	(0.251)
$\ln(\text{Growth Rate})_{ct}$					-0.090
					(0.088)
County-Year RE	✓	✓	✓	✓	✓
City-Year RE	✓	✓	✓	✓	✓
Observations	336	335	335	335	335

Note: This table portrays a mixed, multilevel model analysis of the determinants of Resource Allocations in year t . The dependent variable is Resource Allocations in electoral municipality m of county i at time t . Standard errors are shown in parentheses. RE indicates random effects and ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively.

Figure 9 depicts the marginal effect of corruption perceptions on resource allocations during election years (model 2). As shown, the marginal effect of greater allocations to high corruption perceptions regions increases as the election year variable shifts from zero during non-election years to one during election years.

The second step in the analysis is to evaluate whether higher corruption perceptions trigger lower party vote shares (hypothesis 2); and whether this negative effect is attenuated by the

Figure 9: Marginal Effects of Corruption Perceptions on Resource Allocations with 95% Confidence Intervals (Model 2)



provision of higher compensating allocations (hypothesis 3). Table 2 provides estimates for the relationship between high corruption perceptions and resource allocations on party vote shares during election years 2005 and 2009. Model 6 tests solely for the interaction effect of allocations and corruption perceptions on vote shares. Models 6 through 9 incorporate—in an incremental manner—additional controls that could be related to both resource allocations and corruption perceptions. As shown in Table 2, the coefficient β_2 on the corruption perceptions variable is negative and highly significant while that on the interaction term is positive and remains significant in the presence of additional controls.

Table 2: Determinants of Democratic Party Vote Shares by Election Years 2005 and 2009

	(6)	(7)	(8)	(9)
UT Per Capita _{mt}	-1.664*	-2.658**	-2.061*	-1.934*
	(0.810)	(0.853)	(0.815)	(0.828)
Corruption Perceptions _{it}	-19.195**	-23.432**	-20.598**	-19.868**
	(7.090)	(7.126)	(6.689)	(6.734)
UT Per Capita _{mt} × CP _{it}	3.497*	4.859**	3.465*	3.287*
	(1.732)	(1.745)	(1.662)	(1.673)
Voters Per Municipality _{mt}		-0.238*	-0.259**	-0.253**
		(0.093)	(0.087)	(0.088)
GDP _{ct}		0.109	0.079	0.098
		(0.190)	(0.189)	(0.189)
Growth Rate _{ct}		-0.291	-0.237	-0.211
		(0.271)	(0.257)	(0.258)
Turnout _{mt}			-25.647***	-26.108***
			(6.650)	(6.670)
Strong Opposition Perceptions _{it}				-2.878
				(3.459)
County-Year RE	✓	✓	✓	✓
Municipality-Year RE	✓	✓	✓	✓
Observations	112	112	112	112

Note: This table portrays a mixed, multilevel model analysis of the determinants of Democratic Party vote shares in year t . The dependent variable is Vote Shares for Democratic Party per electoral municipality m of county i at time t . Standard errors are shown in parentheses. RE indicates random effects and ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively.

However, since the two main components of the interaction term UT per capita and corruption perceptions are both continuous in nature, an empirical concern rests with the interpretation of their coefficients. Specifically, the negative coefficient on UT per capita implies that the negative correlation between corruption perceptions and vote share only holds when the amount of UT per capita in a given municipality is zero. Similarly, the negative coefficient of the corruption perceptions variable suggests that the negative relationship between unconditional transfers and vote share only holds when the corruption perceptions of a particular municipality are zero. To address this concern and facilitate the interpretation of the marginal effects of the interacting explanatory variables on the outcome variable, in figures 10a and 10b I present two

symmetric marginal plots (of model 7) that capture the effects of each of the interaction term variables on the dependent variable (Berry, Golder and Milton, 2012).

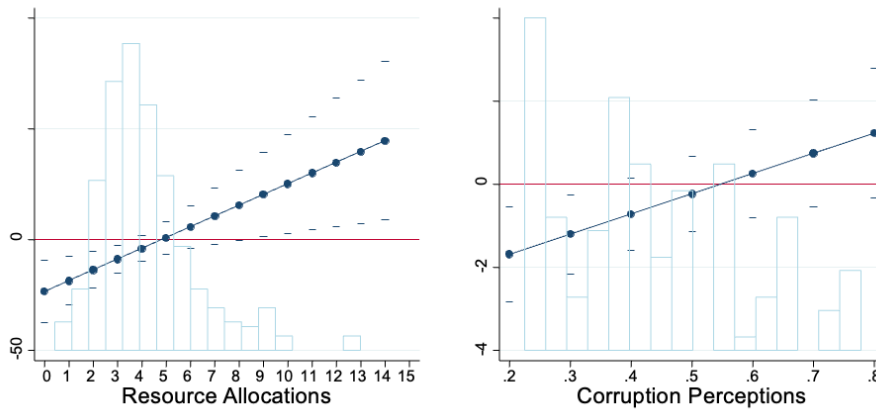
Figure 10a depicts the predicted marginal effect of corruption perceptions on DP's vote shares conditional on resource allocations (with 95% confidence intervals). The pattern observed is an overall positive one, suggesting support for the theoretical expectation that when parties allocate greater resources to regions with higher corruption perceptions, electoral support for corrupt parties increases.

The symmetric marginal plot presented in figure 10b depicts the marginal effects of resource allocations—conditional on corruption perceptions—on DP's vote shares. This relationship is also overall positive, suggesting that greater compensating allocations to higher corruption perceptions improve governing parties' electoral chances. A surprising observation that emerges from the marginal plot in figure 10b is that greater allocation of resources to regions with lower corruption perceptions appears to backfire electorally. While further research is needed in this regard, one possible explanation could concern voters' short- and long-term allocation expectations. It is possible that in low-corruption perception regions, voters choose to punish because they suspect that increases in allocations are a function of the upcoming elections and will cease once the elections conclude (Smith, 2004). Whereas in regions with higher corruption perceptions, voters expect an inflow of future allocations given the parties' tendency to allocate more compensation resources to regions with higher corruption perceptions as proposed by hypothesis 1.

To visualize this relationship beyond a one-unit increase in UT per capita, the marginal plot presented in figure 11 captures the predicted probability of DP's vote shares at various points of UT per capita and corruption perceptions. The graph shows that strategic resource allocation by the incumbent party to regions with higher corruption perceptions has the effect of boosting electoral support for the allocating party (hypothesis 4). Thus, increasing the amounts of UT per capita from 3

to 12 units in a region where the proportion of corruption- alert voters reaches 60 percent has the effect of reducing voters' demand for accountability from the DP, as the predicted probability of the DP's vote share shifts positively from 39 percent to 49 percent. Combined, these findings suggest that parties deploy compensating resources to influence how perceptions of corruption are transformed and how these perceptions ultimately affect the parties' electoral fortunes.

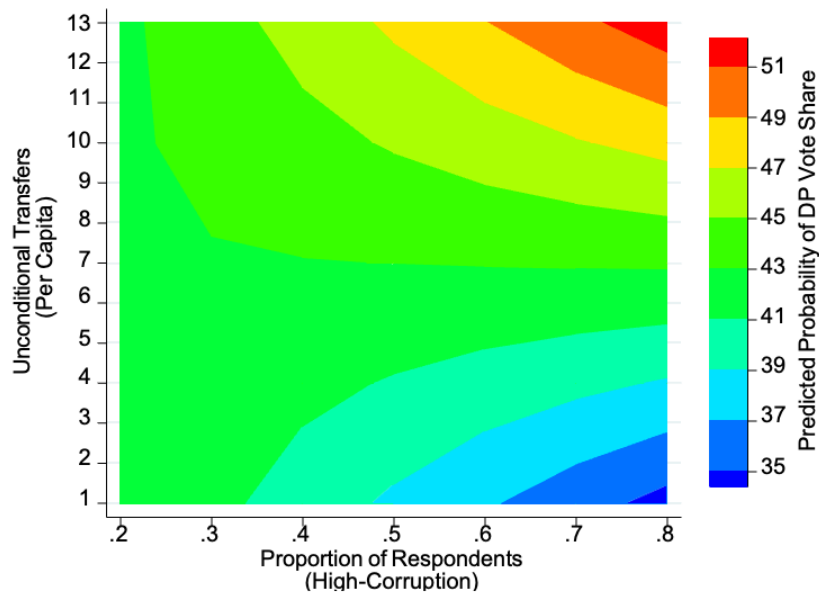
Figure 10: Marginal Effects with 95% Confidence Intervals (Model 7)



(a) Marginal Effects of CP on DP's Vote Shares Conditional on Allocations

(b) Marginal Effects of Allocations on DP's Vote Shares Conditional on C

Figure 11: Marginal Effects of UT per Capita and Corruption Perceptions on DP Vote Shares



Robustness Checks

To further assess the findings' empirical robustness and the effect of corruption compensation policies on DP's electoral returns, I also estimate the effect of changes in corruption compensation on changes in vote share during the 2005 and 2009 elections. To do so, I employ an ordinary least squares (OLS) regression with panel corrected standard errors—a method that produces accurate coefficient standard errors (Beck and Katz, 1995). The dependent variable is changes in DP's vote share (equation 3). To accommodate data structure and availability, here I assume that voters' corruption perceptions in year 2010 reflect those formed in year 2009—the year directly following the Gerdeci scandal. This assumption is theoretically justified on the grounds of the scope of the Gerdeci tragedy and the public outrage evinced in response. Under these conditions, any significant shifts in public perceptions regarding the Democratic Party's tendencies toward graft had to have been formed in the wake of the Gerdeci explosions and were captured by the 2010 wave of the LITS survey.

Formally,

$$\begin{aligned} \Delta \text{Vote Share}_{mt} = & \beta_0 + \beta_1 \Delta \text{UT Per Capita}_{mt} + \beta_2 \Delta \text{CP}_{it} \\ & + \beta_3 \Delta \text{UT per Cap}_{mt} \times \Delta \text{CP}_{it} + \gamma \mathbf{X}_t + \epsilon_{mt}, \end{aligned} \quad (3)$$

where \mathbf{X}_t is a vector of controls; and ϵ_{mt} denotes the error term.

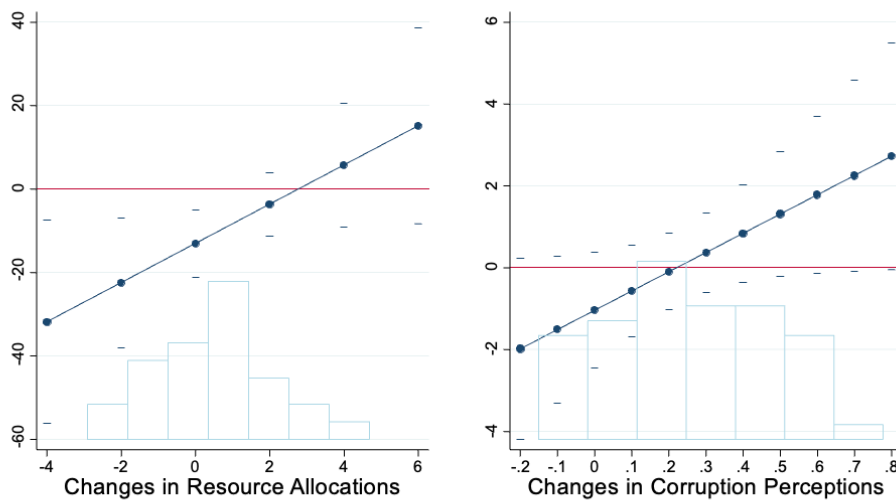
Table 3 provides the results of three OLS models with panel corrected standard errors estimating the determinants of the change in DP's vote share between the 2005 and 2009 elections. These results show that the coefficient of the interaction term is in the expected positive direction and maintains statistical significance at the 5 percent and 10 percent level. While the effect of the explanatory interaction term on changes in DP's vote share is reduced after the reduction in sample size, these effects are consistent with earlier tests of the same relationship in a larger set of observations. They also remain robust when accounting for the additional controls associated with the explanatory and response variables.

I also present two symmetric marginal plots from model 11 (Berry, Golder and Milton, 2012). Specifically, figure 12a captures the marginal effect of changes in corruption perceptions—conditional on changes in resource allocations—on changes in DP's vote shares. The positive relationship observed suggests that the change in vote shares for DP increases from negative to positive when changes in constituents' corruption perceptions conditional on the changes in resource allocations also shift. This suggests that parties use resource allocations to influence vote shares by influencing voters' perceptions of party misconduct. Note that allocations do not have a direct effect on corruption perceptions. In fact, figure A3 shows the null effects of allocations on voters' perceptions of political misconduct. It is rather that voters with high corruption perceptions do not punish incumbent parties when they are compensated by larger allocations of resources.

The second symmetric margins plot in figure 12b tests the marginal effect of changes in resource allocations—conditional on changes in corruption perceptions—on changes in DP's vote

shares. The pattern observed here is also positive and supports the theoretical expectation that changes in UT per Capita have a positive marginal effect on changes in party vote shares when conditional on changes in corruption perceptions. Thus, if there is an increase in the proportion of people who consider political corruption by the incumbent to have escalated, a strategy of higher resource allocation to those regions improves the party’s ability to shield itself from potential electoral punishment. Under these conditions, higher allocations translate to higher electoral support for the party in government.

Figure 12: Marginal Effects with 95% Confidence Intervals (Model 11)



(a) Marginal Effects of Changes in CP on Changes in Vote Share

(b) Marginal Effect of Changes in Allocations on Changes in Vote Share

Table 3: Determinants of Change in Democratic Party Vote Share (2005 and 2009)

	(10)	(11)	(12)
$\Delta(\text{UT Per Capita})_{mt}$	-0.739 (0.720)	-1.043 (0.725)	-0.956 (0.713)
$\Delta(\text{CP})_{it}$	-11.551** (4.113)	-13.129** (4.121)	-12.061** (4.254)
$\Delta(\text{UT Per Capita})_{mt} \times \Delta(\text{CP})_{it}$	4.001+ (2.378)	4.700* (2.357)	4.124+ (2.376)
$\text{mean}(\text{Voters})_{mt}$	-0.459*** (0.116)	-0.412*** (0.116)	-0.334* (0.153)
$\Delta(\text{Strong Opposition Perceptions})_{it}$	-2.575 (3.420)	-2.147 (3.347)	-1.502 (3.387)
$\text{mean}(\text{GDP})_{it}$	0.160*** (0.043)	0.167*** (0.042)	0.161*** (0.042)
$\text{mean}(\text{Party Alignment})_{mt}$		-1.449+ (0.862)	
$\text{mean}(\text{Turnout})_{mt}$			3.812 (3.027)
$\text{mean}(\text{Growth Rate})_{it}$			-0.597+ (0.328)
Constant	3.132+ (1.803)	4.658* (1.979)	4.568+ (2.652)
Observations	56	56	56
Robust Standard Errors	✓	✓	✓
R^2	0.299	0.333	0.339

Note: The above estimates are from ordinary least squares (OLS) regressions with panel corrected standard error terms of the determinants of Changes in Democratic Party's Vote shares between years 2005 and 2009. The dependent variable is $\Delta(\text{Vote Share for Democratic Party})_{it}$ in electoral municipality m of county i between 2005 and 2009. The main explanatory variables are $\Delta(\text{Increased Corruption Perceptions})_{it}$ and its interaction with $\Delta(\text{Unconditional Transfers Per Capita})_{mt}$. Standard errors are shown in parentheses. ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively.

Conclusion

What drives heterogeneity in voters' electoral response to political corruption? In this article, I depart from current explanations of political clientelism and electoral behavior by offering a new mechanism through which clientelist political elites shape voting behavior and electoral outcomes. Whereas existing works highlight the importance of economic factors (Diaz-Cayeros, Estévez and Magaloni, 2016; Klačnja and Tucker, 2013), partisanship (Stokes et al., 2013), and information signaling (Kramon, 2016), among others, my theory of corruption compensation—strategic allocation of benefits as a proactive and retroactive reimbursement mechanism for influencing the electoral choices of critical voters—extends a new theoretical understanding of why corrupt governments persist despite voters' keen awareness of their political misconduct. Allocation of funds to corruption-sensitive regions shield incumbent parties from voters' demand for greater electoral accountability and help them secure electoral longevity. Distributed by the national government and delegated to local politicians, these resources enable corrupt parties to preempt an electoral backlash by prompting voters to recalibrate their electoral choices.

In testing politician's strategic response to looming electoral punishment and the effect of such responses on accountability, my theoretical framework complements current theories of how voters evaluate corrupt or clientelist candidates (Grzymala-Busse, 2008; Mares and Young, 2019). The study illustrates the reciprocal relationship between voters and parties in achieving their respective goals: additional funds for the former and electoral gains for the latter. Last, this study corroborates the corruption compensation hypothesis with new subnational data that make it possible to evaluate politicians' *response* to looming electoral punishment. This inquiry addresses scholars' recent calls for empirical understanding of this phenomenon and expands existing understandings of the origins, spread, and effects of corruption on voter behavior (De Vries and Solaz, 2017; Rupnik and Zielonka, 2013).

Future research should continue to examine how local politicians use allocations from the national government to create tangible benefits for their constituencies. In addition, more studies should explore the mechanism through which voters perceive the benefits of these projects. Further research is also needed to examine why voters who remain most aware of parties' political misconduct are also more responsive to parties' compensating policies. The relationships between corruption perceptions, allocations, and electoral outcomes are intricate and deserve greater attention in the literature. For instance, parties are likely to focus on using allocations to generate short-term benefits without much consideration for their long-term consequences. These short-term electoral interests may not result in long-term economic benefits for recipient regions since local authorities are pressured by national parties to concentrate resources on electorally relevant areas rather than those in financial need. This aspect of the time-inconsistency problem is analogous to the large literature on political business cycles (e.g., Nordhaus, 1975; Hibbs, 1977).

Other factors may also shape how governments respond to corruption allegations and how these responses determine final electoral outcomes. Future research should examine channels through which the media and opposition forces can neutralize the impact of governing parties' corruption compensation strategies on voter behavior. For instance, press independence and credibility can increase corruption perceptions at the national level, making allocation prohibitively expensive. Moreover, when opposition forces have institutional means to question governments' corruption and limit their compensation strategies, voters will have less of an incentive to tolerate corruption. These implications highlight the importance of democratic features that are necessary to ensure institutional consolidation.

Finally, the findings of this article have broader policy implications for international funds flowing into transitioning states (Kelemen, 2020; Shehaj, 2019). Government allocation of financial resources to politically relevant regions—instead of regions in economic need—suggests that

improved monitoring of corrupt governments is necessary. Data indicate that political corruption has a negative effect on the duration of democracies (figure A4). Given these implications, limiting corrupt parties' internal and external resources and hence their ability to silence dissent can promote the prospect of democratic development in the long run.

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Appendix

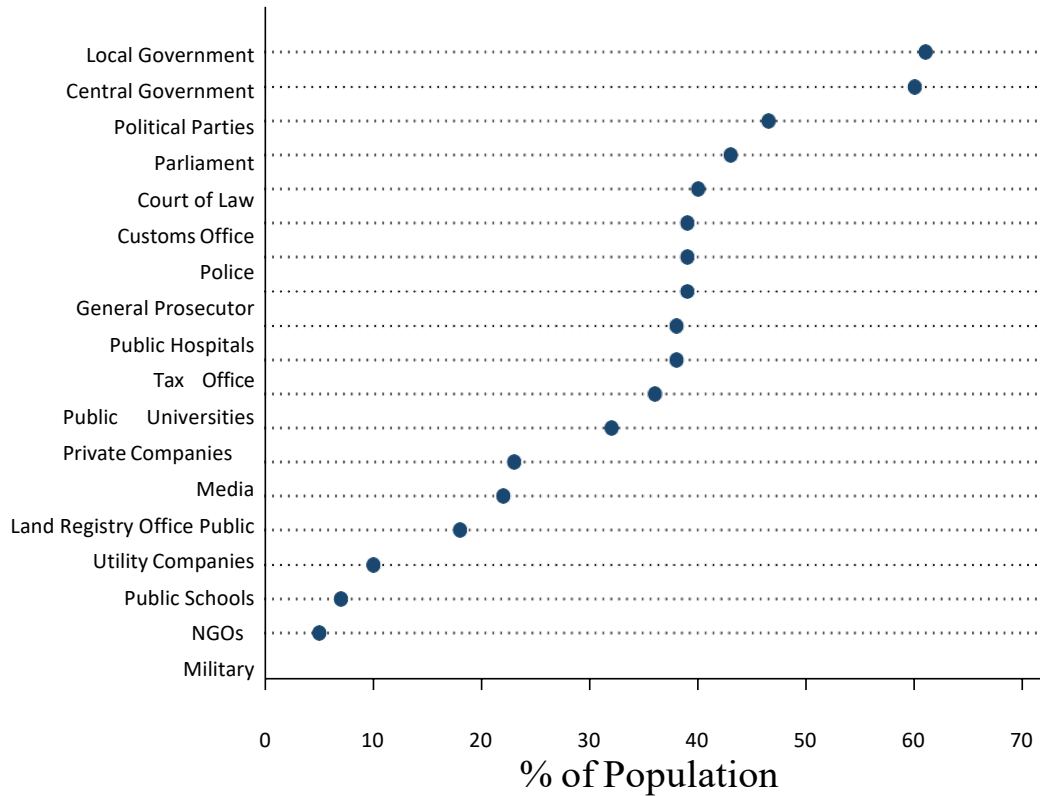


Figure A1: Perceptions of Institutional Corruption, Albania 2010
 Percentage of adult population who believe that corrupt practices occur “Often” or “Very Often” in the listed institutions. Data Source: Albanian Institute of Statistics (INSTAT).
<http://www.instat.gov.al/en/Home.aspx>.

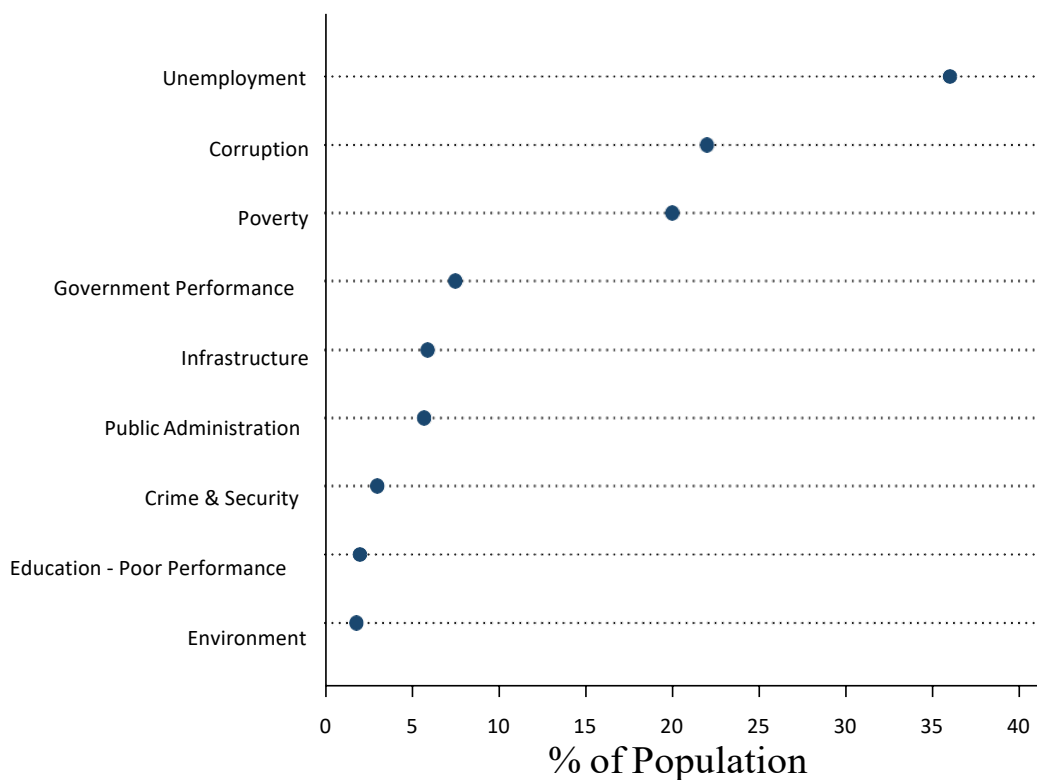
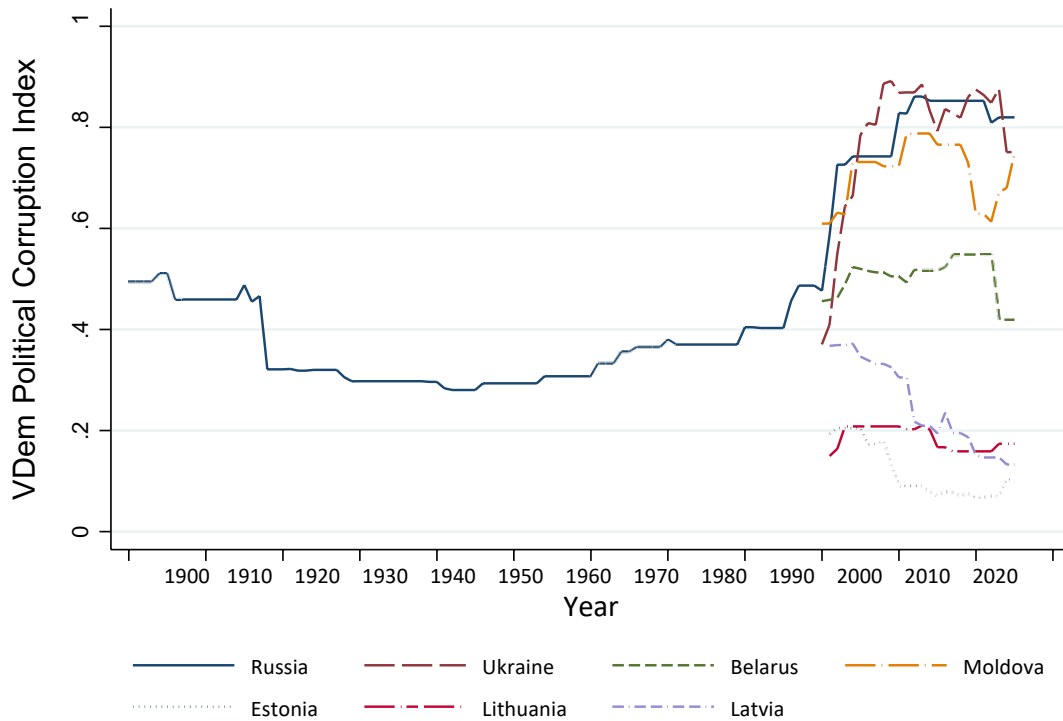


Figure A2: Most Important National Issues, 2010
 Percentage of voting population considering selected issues to be most important in Albania.
 Data Source: Albanian Institute of Statistics (INSTAT). <http://www.instat.gov.al/en/Home.aspx>.

Table A1: Descriptive Statistics

Variable	Mean	Std. Dev.	Min.	Max.	N
Democratic Party Vote Share	41.517	10.224	9.952	67.631	336
Socialist Party Vote Share	39.388	9.536	2.341	62.456	336
Unconditional Transfers Per Capita	4.156	2.009	0.399	12.977	336
Corruption Perceptions	0.372	0.193	0.05	0.952	336
Strong Opposition Perceptions	0.246	0.159	0	0.955	336
Party Alignment	0.544	0.465	0	1	336
Election Year	0.333	0.472	0	1	336
Turnout Per Electoral Unit	0.505	0.102	0.291	1	336
Voters Per Electoral Unit	5.279	5.913	1.289	48.594	336
GDP	9.866	10.417	1.853	44.731	336
Gross Value Added	8.865	9.35	1.678	40.054	336
Growth Rate	5.233	2.269	0.2	10.5	336
ln(GDP Per Capita)	1.957	0.744	0.617	3.801	336
ln(Gross Value Added)	1.851	0.743	0.517	3.69	336
ln(Growth Rate)	1.487	0.729	-1.609	2.351	336

Note: Unconditional Transfers (UT Per Capita)



Data Source: Varieties of Democracy (V-Dem). <https://www.v-dem.net/en/data/data/>.

Figure A3: Corruption in Former Soviet States, 1900-2015

Table A2: Descriptive Statistics - (Delta Regressions Variables)

Variable	Mean	Std. Dev.	Min.	Max.	N
Δ (PD Vote Share)	-2.287	6.851	-17.689	12.353	56
Δ (UT Per Capita)	0.367	1.893	-5.837	4.694	56
Δ (Corruption Perceptions)	0.243	0.239	-0.264	0.777	56
Δ (Strong Opposition Perceptions)	0.084	0.227	-0.455	0.955	56
mean(Party Alignment)	1.412	1.268	0	4.283	56
mean(Voters Per Electoral Unit)	15.466	17.122	2.372	74.72	56
mean(Turnout Per Electoral Unit)	1.219	0.563	0.388	2.369	56
mean(GDP)	28.989	43.137	2.786	186.37	56
mean(Growth Rate)	13.265	7.421	4.95	31.8	56

Table A3: Determinants of Corruption Perceptions (Year 2006 & 2010)

	M16	M17	M18	M19
UT Per Capita	0.005 (0.008)	0.001 (0.008)	0.001 (0.009)	0.001 (0.009)
ln(GDP Per Capita)		-0.052 ⁺ (0.028)	-0.052 ⁺ (0.028)	-0.051 ⁺ (0.028)
Voters Per Municipality			-0.000 (0.000)	-0.000 (0.000)
Party Alignment				-0.013 (0.034)
County-Year RE	✓	✓	✓	✓
Municipality-Year RE	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
Observations	112	112	112	112

Note: This table portrays a mixed, multilevel model analysis of the determinants of corruption perceptions. The dependent variable is Corruption Perceptions per electoral municipality m of county i at time t . The main explanatory variable is UT per capita per electoral municipality m of county i at time t . Standard errors are shown in parentheses. RE and FE indicate random and fixed effects, respectively. ***, **, * and ⁺ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively.

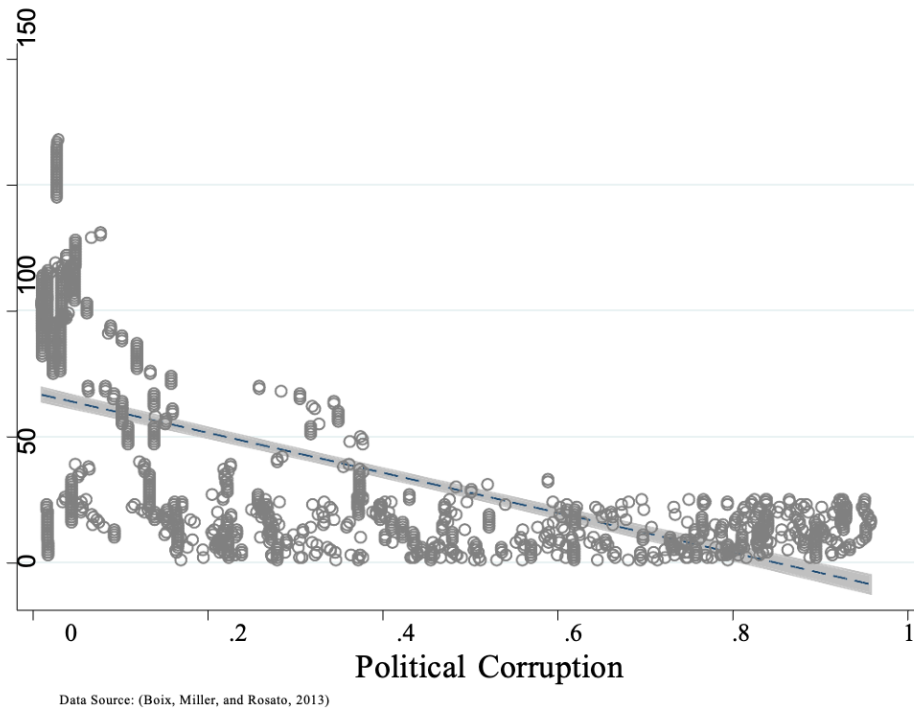


Figure A4: Political Corruption vs. Democracy Duration. All European States, 1991–2007.

Table A4: Determinants of Change in Democratic Party Vote Share (2005 and 2009)

	(20)	(21)	(22)	(23)
$\Delta(\text{UT Per Capita})_{mt}$	-1.054 (0.683)	-1.054 (0.683)	-1.030 (0.680)	-1.048 (0.684)
$\Delta(\text{CP})_{it}$	-13.740** (4.490)	-13.740** (4.490)	-14.988** (4.780)	-14.588** (4.721)
$\Delta(\text{UT Per Capita})_{mt} \times \Delta(\text{CP})_{it}$	4.196+ (2.279)	4.196+ (2.279)	4.567* (2.326)	4.449+ (2.355)
$\text{mean}(\text{Voters})_{mt}$	-0.387*** (0.113)	-0.387*** (0.113)	-0.432*** (0.129)	-0.386* (0.150)
$\text{mean}(\text{Party Alignment})_{mt}$	-1.298 (0.916)	-1.298 (0.916)	-1.559 (0.982)	-1.332 (1.031)
$\Delta(\text{Strong Opposition})_{it}$	-2.267 (3.647)	-2.267 (3.647)	-2.364 (3.638)	-1.999 (3.605)
$\text{mean}(\text{GDP})_{it}$	0.152** (0.049)	0.152** (0.049)	0.159** (0.050)	0.160*** (0.048)
$\text{mean}(\text{Turnout})_{mt}$			1.846 (2.538)	3.212 (3.336)
$\text{mean}(\text{Growth Rate})_{it}$				-0.251 (0.392)
Country-Year RE	✓	✓	✓	✓
City-Year RE	✓	✓	✓	✓
Observations	56	56	56	56

Note: The above estimates are from a mixed, multilevel model analysis of the determinants of Changes in Democratic Party's Vote shares between years 2005 and 2009. The dependent variable is $\Delta(\text{Vote Share for DP})$ in electoral municipality m of county i between 2005 and 2009. The main explanatory variables are $\Delta(\text{Increased Corruption Perceptions})$ and its interaction with $\Delta(\text{UT per Capita})$. Standard errors are shown in parentheses. RE indicates random effects and ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively.