Prejudice and Price: Corruption and Distributive Politics

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Abstract

Political corruption is a critical impediment to the success of transitioning democracies. Persistent corruption jeopardizes economic growth and delays democratic developments. Yet, voters are unwilling to vote out corrupt parties consistently, even while rising in protests and expressing indignation at the pervasiveness of political corruption. In this article, I study 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. I present a theory of "corruption compensation": corrupt incumbents strategically target higher 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, I show that high corruption perceptions reduce incumbent support among voters, but resource provisions mitigate this effect. The findings supplement the electorate-based theories of distributive policies and contribute to an emerging literature on the political economy of distributive politics.

Keywords: Corruption Compensation Theory; Accountability; Distributive Policies

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Why do voters vary in their demand for accountability, and under what conditions does corruption carry more electoral significance? Data from Eurobarometer shows that 80 percent of respondents in transitioning democracies consider corruption a major problem in their countries.[1] In theory, emerging representative institutions should reduce corruption when citizens can punish corrupt politicians and their parties. Yet many transitioning democracies in Eastern Europe often show no sign of an electoral backlash in the presence of pervasive corruption. Voters' unwillingness to cast out corrupt incumbents in turn allows them to consolidate 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 rare.[2] For instance, the president and member of the Croatian Democratic Union of Bosnia and Herzegovina (HDZ BiH) Party, Zviko Budimir, remained in office despite his 2013 arrest for corruption and bribery.[3] Budimir's arrest had no impact on the parliamentary vote share obtained by the HDZ BiH party during the 2014 elections. Similarly, Croatian prime minister Ivo Sanader remained in office from 2003 to 2009 despite his involvement in siphoning off funds from state-run companies, which ultimately resulted in his nine-year conviction in 2014. In Albania, former prime minister Ilir Meta was appointed president in July 2017 despite the evidence and public awareness of his continuous engagement in political graft.[4]

To explain this puzzle of incumbent survival in spite of persistent corruption, I propose

[1] In Romania, Czech Republic, Lithuania, Slovenia, and Slovakia, nearly 90 percent of respondents identified corruption as a major problem facing their country. Bulgaria is the only country showing a downward trend in the share of people considering corruption a national challenge since 2009. Despite this decrease, corruption perceptions remain relatively high in the country (Eurobarometer Data).

[2] An analysis of demand for electoral accountability does not imply that backlash is unlikely. 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). Yet these cases are not uniformly replicated Treisman (2000).

[3] Budimir accepted bribes in exchange for granting 162 pardons to, among others, individuals accused of murder.

[4] 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 which in July 2017 had resulted in his ten-year conviction.

the "corruption compensation" hypothesis: governing parties strategically allocate financial resources as a proactive or retroactive reimbursement to mitigate an electoral backlash. While 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 continue to survive, I focus on the interactions between parties and voters. My theory highlights that constituencies differ in their perceptions of incumbent parties' political corruption. Governments then observe and exploit this variation in deciding where to allocate their resources to increase their electoral chance. 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.

To evaluate my claim and estimate the effect of corruption compensation strategies on electoral outcomes, I focus on Albania—currently, one of Europe's most corrupt transitioning democracies. To this end, I have assembled an original dataset on Albania's distributive allocations, electoral indicators, and voter attitudes at sub-national levels. This country-specific case allows me to trace the process through which party-level distributive policies shape electoral outcomes from 2005 to 2010. The empirical findings provide support for my theory, suggesting that corrupt political actors leverage distributive policies to evade electoral consequences of corruption allegations among voters.

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 practices (Acemoglu et al., 2003). Persistent corruption stalls long-term economic development and jeopardizes democratic consolidation by depleting valuable resources, undermining political competition, and reducing citizens' trust in democratic institutions (Hicken, 2011; Mauro, 1997; Lauderdale, 2010; Anderson and Tverdova, 2003).

Thus, this article contributes not only to the important question of what drives voters' electoral sensitivity to corruption but also to 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; Klašnja, 2016). Corruption has negative economic consequences because it discourages foreign direct investments, hinders international trade, and heightens income equality (Habib and Zurawicki, 2001; Wei, 2000; Hines Jr, 1995; Gupta et al., 2004) while channeling scarce resources toward private gains (Hicken, 2011; Mauro, 1997; Méon and Sekkat, 2005). In addition, corruption hinders collective action and reduces citizens' ability to hold their governments accountable. More importantly, it undermines public trust in democratic institutions and jeopardizes democratic consolidation by impeding the development of a democratic political culture (Mishler and Rose, 2001; Morris, 1991; Rose et al., 1998). When voters have institutional means to sanction corrupt or incompetent politicians, this threat of electoral punishment should decrease corruption (Key et al., 1966; Fearon, 1999).

The causes and effects of corruption are of central interest among political scientists.[5] These studies point 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 et al., 2013; Muñoz et al., 2016; Wagner et al., 2014), ethnic identities (Banerjee and Pande, 2007), voters' educational background, viable candidate choices (Anduiza et al., 2013), information asymmetries

[5]See among others, Kneen (2000); Philp (2002); Miller et al. (1997); Mishler and Rose (2005).

(Chang et al., 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 chance, such instances are often rare despite the gravity of the allegations (Bågenholm, 2010; Chang et al., 2010; Welch and Hibbing, 1997). Others find that the effect of corruption on electoral outcomes is not detrimental to political survival, and corrupt politicians are, in fact, often reelected (Chang et al., 2010; Vivyan et al., 2012; Fernández-Vázquez et al., 2016; Reed, 1999; Rundquist et al., 1977).

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. 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 on corruption allegations while still believing that their governments are nonetheless corrupt.

Corruption perceptions intensify when the media informs voters about politicians' misconduct. (Chang et al., 2010; Botero et al., 2015; Ferraz and Finan, 2008; Klašnja et al., 2016). This type of information updates voters' priors on party performance and initiates the process of blame attribution. 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

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

[7]See Klasnja (2011) for a few studies taking voter heterogeneity into account.

[8]See De Vries and Solaz (2017, pp. 397) for noting the importance of government responses in response to corruption allegations as a question that has received "scant empirical attention." For a detailed review of the literature on policy responses to corruption allegations, see Healy and Lenz (2014).

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 includes, broadly, the exploitation of public resources for personal or party gains (Nye, 1967; Rose-Ackerman, 2008; Treisman, 2007). 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 (Olken, 2009; Rose-Ackerman, 2008). This type of political misconduct includes violations of the "universality" norm (Rothstein and Teorell, 2008) and expands 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 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. Therfore, 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; Anduiza et al., 2013; Banerjee and Pande, 2007), 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) (Manzetti and Wilson, 2007; Fernández-Vázquez et al., 2016; Stokes, 2007; Grzymala-Busse, 2008; Hicken, 2011).

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 (Winters and Weitz-Shapiro, 2013; Klašnja et al., 2016; Krause and Méndez, 2009).

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

Incumbents then use this information as an indicator of voter support for their parties in making allocation decisions. 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 political misconduct have increased, greater allocation of resources may serve to assuage voters' electoral wrath by 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 while still remaining aware of the latter'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.

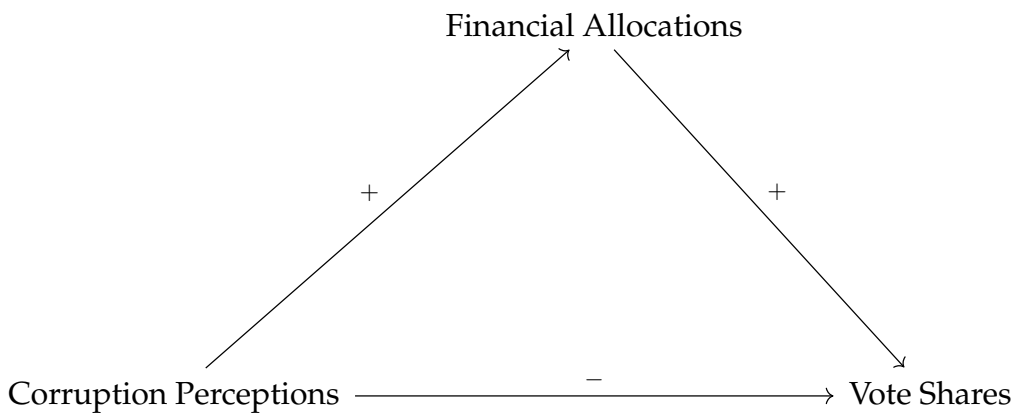


Figure 1: A Relational Illustration of the Corruption Compensation Hypothesis

Albania: A Motivating Case

In this section, I examine these relationships in the case of Albania—one of Europe's struggling transitioning democracies where political actors continue to maintain power despite protests by the electorate against its pervasiveness. 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 the 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, lasting from 1992 to 2005. The electoral system was replaced by proportional representation prior to the country's 2009 parliamentary elections.

The Albanian Parliament 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 of 2008, the capital of Albania, 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 the country's capital, Tirana. Ten thousand people were affected by the powerful blasts, and approximately 4,000 people had to be evacuated from the disaster area (United Nations Disaster Assessment & Coordination, 2008). Twenty-six people lost their lives, including women and children, one person was declared lost, 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 infrastructures: roads, water and power supply networks, public schools, buildings and health centers and destroyed nearly 3,000 local businesses, further exacerbating the crisis for the surviving inhabitants lacking 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. 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 impede 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 scandal.

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 (Kulish, 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. Media reports on 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 and the DP-run coalition proceeded to claim electoral victory in the 2009 parliamentary elections. What was 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 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% and 3.01% decline in vote share. In the counties of Kukes, Diber and Berat, however, electoral punishment for DP did not materialize, yet in fact the party's vote share grew by 6.4%, 2.69% and .43%, respectively, in comparison to the 2005 parliamentary elections.

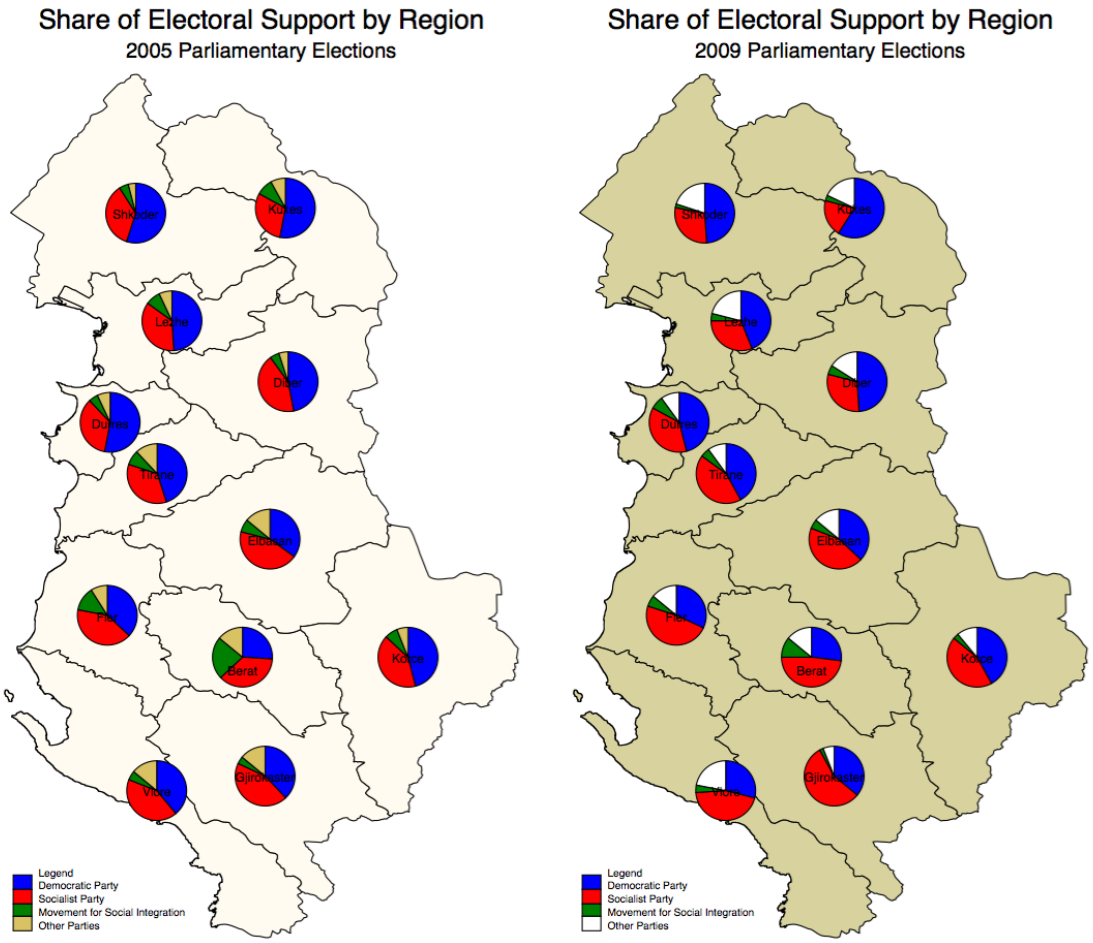


Figure 2: Party Vote Shares by Electoral Counties
Data Source: CEC Albania.
Note: The pie charts represent vote shares by statistical region for the main political parties during the 2005 & 2009 Parliamentary Elections.

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.

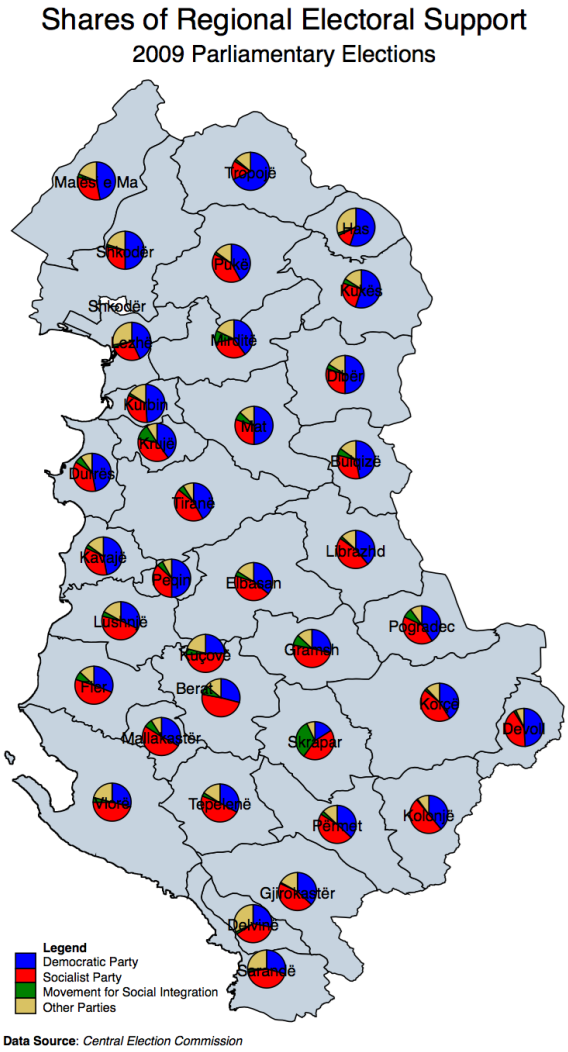


Figure 3: Party Vote Shares by Main Municipalities, 2009

When analyzing DP's 2009 vote shares in accordance with voters' assessment of escalating political corruption between the 2005 and 2009 elections, a particular pattern emerges: in regions where electoral punishment for DP was more likely to emerge, losses in DP vote share were either modest or did not materialize. To illustrate, Figure 4 captures regional public perceptions of mounting political corruption during the period between 2006 and

2010.[9] As shown, in the counties of Fier and Korce, where the proportion of respondents who believed corruption had escalated between the two elections grew by 50% and 46%, respectively, losses in DP's 2009 vote shares were only 5.7% and 3.01% relative to its 2005 vote shares. In the counties of Berat and Diber, on the other hand, a significant increase of 48% 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% respectively.

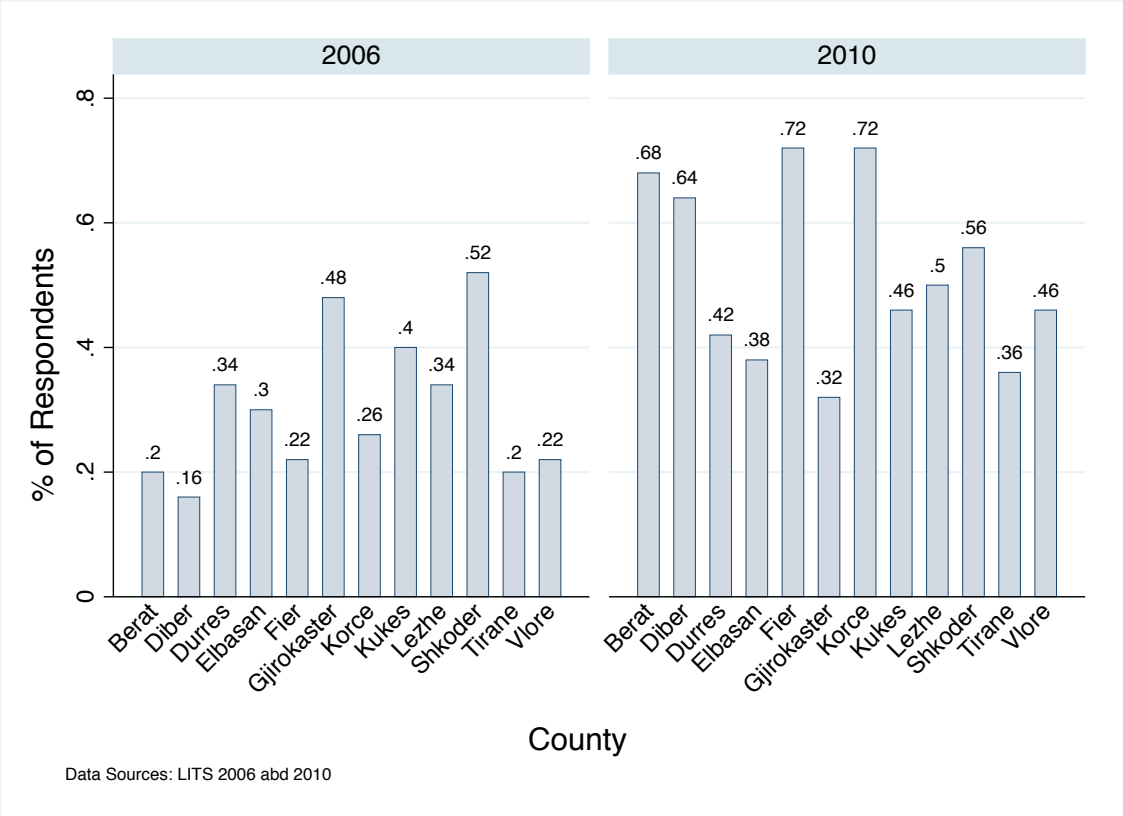


Figure 4: Corruption Perceptions by Electoral County. Albania, 2006 vs. 2010
Survey Question - To what extent do you agree with the following statement: "There is less corruption today than four years ago." Graph depicts the percentage of respondents who "Disagreed" and "Strongly Disagreed" with the statement.

Figure 4 further corroborates that voters' awareness of corruption is an important factor of their ability to increase electoral accountability (Chang et al., 2010; Botero et al.,

[9]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".

2015). Heightened public perceptions of corruption across the country signals the electorate's keen awareness and disapproval of the government's political misconduct and inefficiency.[10] The electorate's rising political distrust also reflects this voter awareness between 2006 and 2010 as shown in Figure 5. Distrust in political parties increased from 45% in 2006 to 53% in 2010, while distrust in government reached a high of 44% in 2010 relative to 31% in 2006 [11].

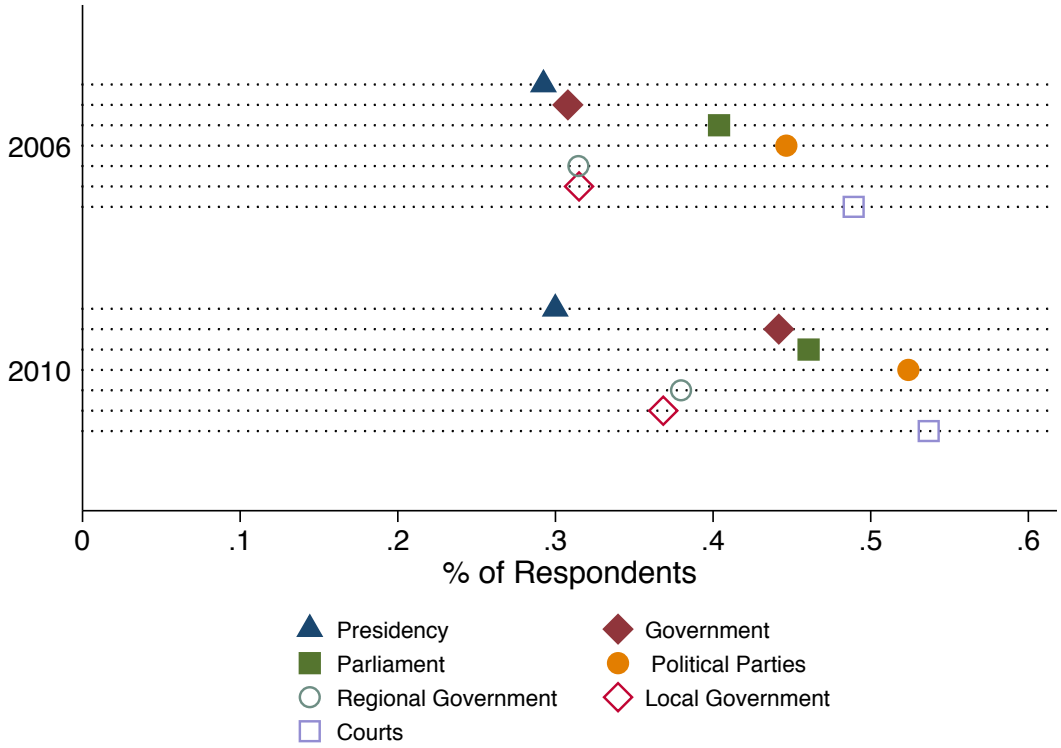


Figure 5: Distrust in Political Institutions, 2006 vs. 2010
Question: "To what extent do you trust the following institutions?" Graph presents the percentage of survey participants who had "Some" and "Complete Distrust" in the listed institutions.
Data Sources: LITS, 2006 and 2010

Given voters' awareness of corruption, why did voters from various regions react

[10]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.

[11]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.

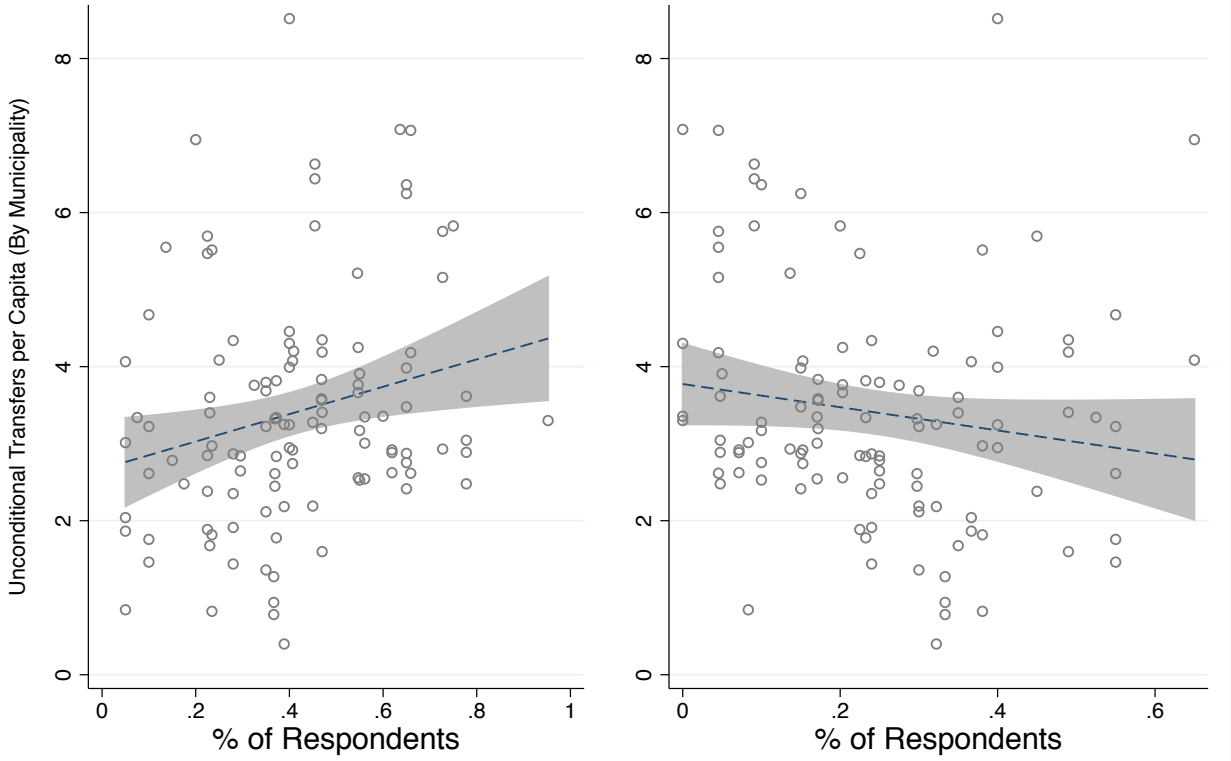
differently to the unfolding allegations of DP? I argue that the governing DP strategically allocated more funds to regions where voters' high corruption perceptions indicated a higher likelihood of an electoral backlash. In response to the question of how parties respond to voters' likelihood of punishment, an Albanian MP emphasized that resource allocation was a viable mediating mechanism.[12]

> *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 parties' long-term 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.*

In Figure 6a, the correlation plots indicate the presence of a positive relationship between unconditional transfers (UT) per capita distributed to regional municipalities by the party in government and the proportion of respondents who consider political misconduct to have increased over time. Alternatively, Figure 6b lends support for this expectation that regions with low levels of corruption perceptions should have received substantially less resources relative to their corruption-aware counterparts. The inverse relationship between UT per capita and proportion of respondents believing that corruption has decreased in recent years suggests that municipalities with lower proportions of corruption-aware voters receive less resources from the party in government.[13]

[12]Question: "How do parties whose reputation has been tainted by corruption grapple, if at all, with

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



(a) High-Corruption Perceptions

(b) Low-Corruption Perceptions

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 ques-

voters' distaste of it?." Interview conducted in July 2018. Tirana, Albania.

[13]Survey Question: "To what extent do you agree with the following statement: 'There is less corruption today than four years ago.'?" The Resources vs. High-Corruption Perceptions figure denotes the percentage of respondents who "Disagreed" and "Strongly Disagreed" with the statement. Alternatively, the Resources vs. Low-Corruption Perceptions figure denotes the percentage of respondents who "Agreed" and 'Strongly Agreed" with the statement.

tions that call for theoretical validation. First, how aware are parties of the electorate's corruption sentiments? And, 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 with Ora News Television 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, in the following manner.

> *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 of this dimension and have issued clear directives to my people to have such contacts with the citizens. Besides, 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 this dimension (Peza, 2009).*

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 central to the puzzle at hand. The most critical of these is the country's excessive political corruption. According to Transparency International's 2017 ranking, Albania—with a Corruption Perceptions Index (CPI) of 38 and a global ranking of 91—trails Russia, Ukraine, Moldova and its bordering neighbors, Macedonia and Bosnia and Herzegovina in transparency, making it one of the most corrupt European democracies.[14]

Albania's high degree of corruption is puzzling considering the country's intention to gain EU membership.[15] Having survived the longest and most isolationist communist regime in the region, Albania entered its democratic phase as Europe's poorest transitioning democracy. 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, faulty privatization practices, misappropriation of state revenue and property—have persisted over time.[16]

In parallel with the country's growing political corruption, the electoral tolerance of

[14]Transparency International, 2017 Report. `https://www.transparency.org/news/feature/corruption_perceptions_index_2017.`

[15]Albania submitted its application for EU membership in 2009 and was granted candidate status in 2014.

[16]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).

Albanian voters, despite established mechanisms of democratic accountability, has also persisted over time. 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.[17] Meta's engagement in political misconduct was nationally broadcasted when a 2011 video recording of his private, corrupt dealings with his collaborator, Dritan Prifti—who at the time served as the 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 by the electorate, Meta, who at the time of the recording 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 year 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.

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).[18] For instance, an analysis of the V-Dem data (Coppedge et al., 2016) indicates a general decline in public corruption, but an increase

[17] LSI aligned with Berisha's Democratic Party during the 2009 parliamentary elections to form the country's governing coalition.

[18] Irregularities are also observed in the Former Russian Republics (Figure A3).

in executive, legislative, and judicial corruption. A cross-country analysis of VDem's Corruption Perception Index of several post-socialist states indicates no clear pattern from which generalizable conclusions can be drawn (Figure 7).[19] 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.

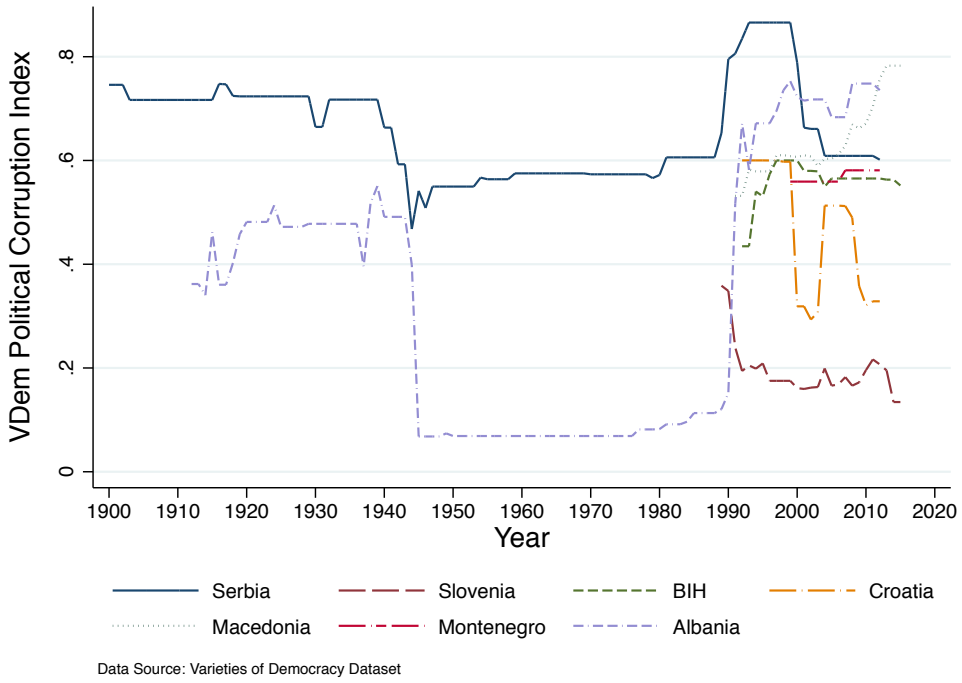


Figure 7: Corruption in Former Yugoslav States and Albania, 1900–2015

Data Sources

I have compiled an original 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 (LITS). The sources of the data are multiple. To assemble district-level electoral data for the main political parties during

[19] 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).

the country's 2005 and 2009 elections, I rely on statistics from Albania's Central Election Commission (KQZ). 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 indicators 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 LIT 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.[20] 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.

Variables of Interest

Democratic Party Vote Shares

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

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

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

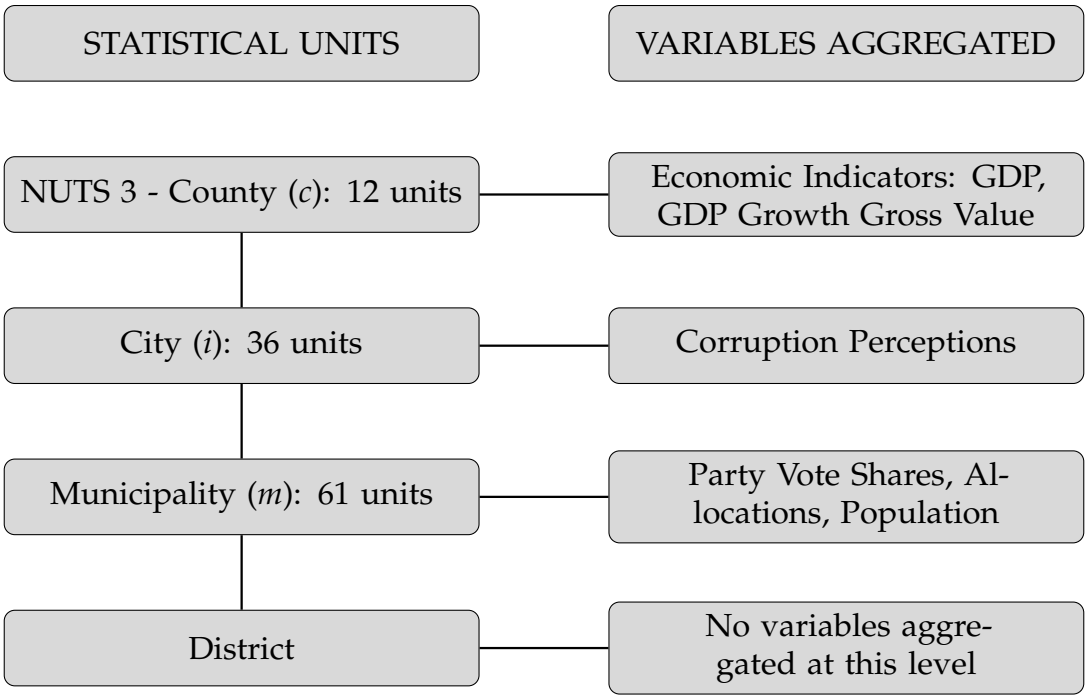


Figure 8: Final Data Structure

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

where Party Votes Share$_{mt}$ is the vote share for each political party at municipality m at time t; Party Votes$^{j}_{mt}$ is the total number of votes for each party in each district j of municipality m at time t; and Valid Votes$^{j}_{t}$ 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. I formally construct the corruption perceptions variable as follows:

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

where 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 Survey Participants$_t^m$ is the total number of survey participants in each municipality m at time t.[21]

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 which have yet to be created. 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 the central authorities and local ones to be used for general and non-targeted support of expenses for public services and 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

[21]Since not every municipality's corruption perceptions data were available, I aggregate the data up to the city level.

amendments to the national government's Annual Budget Law.[22]

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 ratio of 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:[23]

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

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

[22]NALAS. Network of Associations of Local Authorities of South-East Europe.

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

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 et al., 2013; Muñoz et al., 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 about the strength of political opposition in each municipality.[24]

Moreover, voters suspecting 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 therefore choose not to turn out for elections.[25] 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

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

[25]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.

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).

Model Specifications

In accordance with my theoretical expectations, 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 interacted effect of corruption perceptions with election years on resource allocations provided by the governing party to sub-national units. Formally,

$$\begin{aligned}\text{UT Per Capita}_{mt} = \beta_0 + \beta_1 \text{CP}_{it} + \beta_2 \text{Election Year}_t + \beta_3 \text{CP}_{it} \times \text{Election Year}_t \\ + \gamma \mathbf{X}_t + \alpha_c + \mu_i + \epsilon_{mt},\end{aligned} \tag{1}$$

where α_c and μ_i note county and city error terms, respectively; $\mathbf{X}_t$ is a vector of controls; and ϵ_{mt} denotes municipality-year error term.[26]

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 interactive 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

[26] *CP* denotes Corruption Perceptions.

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,

$$\begin{aligned}\text{DP Vote Share}_{mt} &= \beta_0 + \beta_1 \text{UT Per Capita}_{mt} + \beta_2 \text{Share of High CP}_{it} \\ &+ \beta_3 \text{UT Per Capita}_{mt} \times \text{Share of High CP}_{it} + \gamma \mathbf{X}_t + \alpha_{ct} + \mu_{it} + \epsilon_{mt},\end{aligned} \tag{2}$$

where α_c and μ_i note county and city error terms, respectively; $\mathbf{X}_t$ is a vector of controls; and ϵ_{mt} denotes municipality-year error term.[27]

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 summed 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 interactive term is in the predicted positive direction and statistically significant at the 1 percent level *(p = 0.001)*.

[27] *CP* denotes Corruption Perceptions.

This lends support to Hypothesis 1 and confirms the expectation that resource allocations during election years are not merely driven by economic or ideological factors and that voters' corruption perceptions also enter governing parties' allocating calculus.

Table 1: Determinants of Resource Allocations (2005–2010)

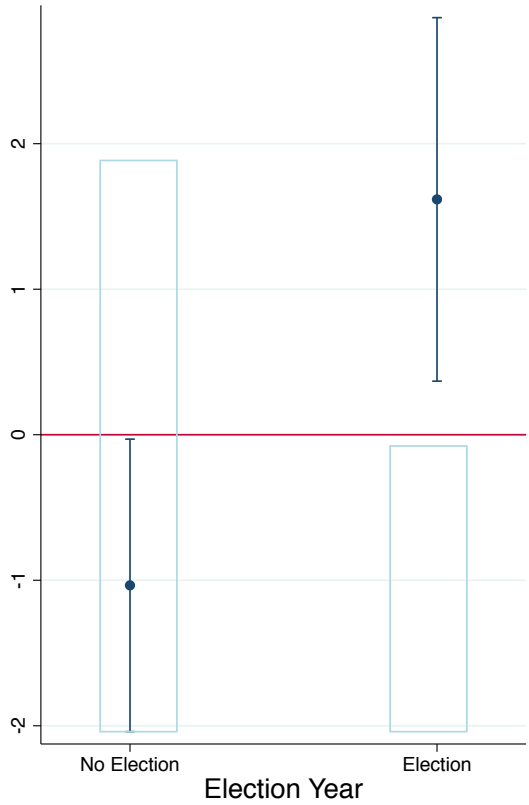
	(1)	(2)	(3)	(4)	(5)
CP_{it}	-1.018*	-1.035*	-0.409	-0.336	-0.379
	(0.512)	(0.513)	(0.517)	(0.478)	(0.479)
Election $Year_t$	-1.847***	-1.717***	-1.628***	-1.653***	-1.677***
	(0.324)	(0.330)	(0.326)	(0.299)	(0.299)
$CP_{mt} \times$ Election $Year_{it}$	2.931***	2.652***	2.507***	2.533***	2.537***
	(0.745)	(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(GDP Per $Capita)_{ct}$				-0.242	-0.264
				(0.251)	(0.251)
ln(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

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



trigger lower party vote shares (Hypothesis 2); and whether this negative effect is attenuated by the 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 interacted 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.

However, since the two main components of the interaction term UT per capita and

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

Model	(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$_{mt}$ $\times$ 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 Random Effects	✓	✓	✓	✓
Municipality-Year Random Effects	✓	✓	✓	✓
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. ***, **, * and $^{+}$ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively.

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 interacted explanatory variables on the outcome variable, I present in Figures 10a and 10b, two symmetric marginal plots (of Model 7) that capture the effects of each of the interaction term variables on the dependent

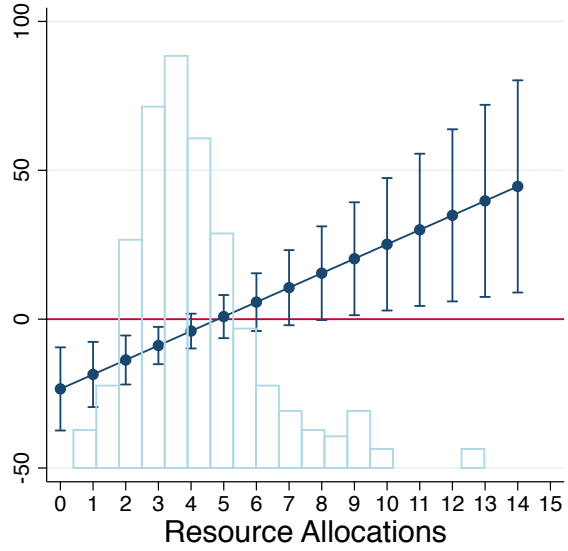
variable (Berry et al., 2012).

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

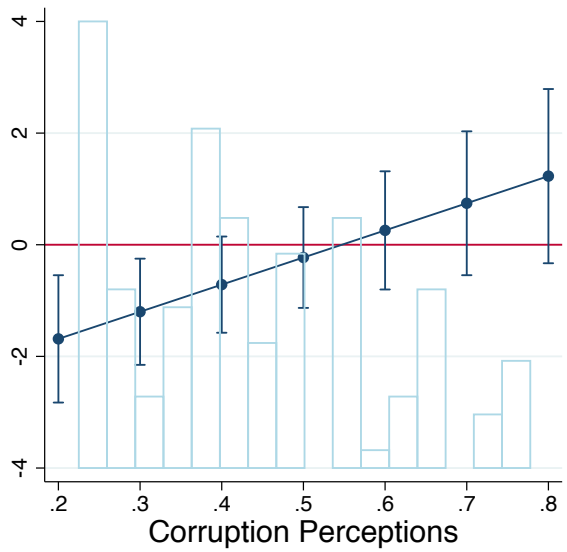
The symmetric marginal plot presented in Figure 10b depicts the marginal effects of resource allocations—conditional on corruption perceptions—on DP's vote shares. This relationship is also positive, suggesting that greater compensating allocations to higher corruption perceptions improve governing parties' 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 appear 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

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



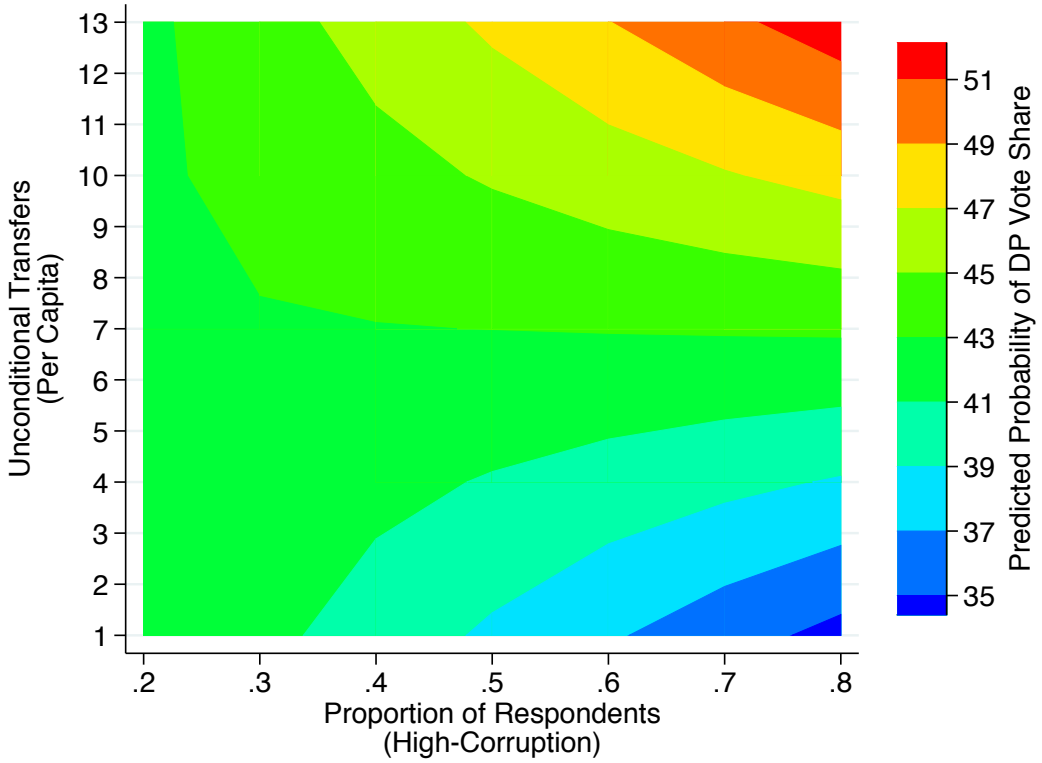
(a) Marginal Effects of CP on DP's Vote Shares Conditional on Allocations



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

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 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 am assuming 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 grounds of the scope and public outrage in

response to the Gerdeci tragedy. Under these conditions, any significant shifts in public perceptions regarding the tendencies toward graft of the Democratic Party had to have been formed in the wake of the Gerdeci explosions and were captured by the 2010 wave of the LIT survey.

Formally,

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

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

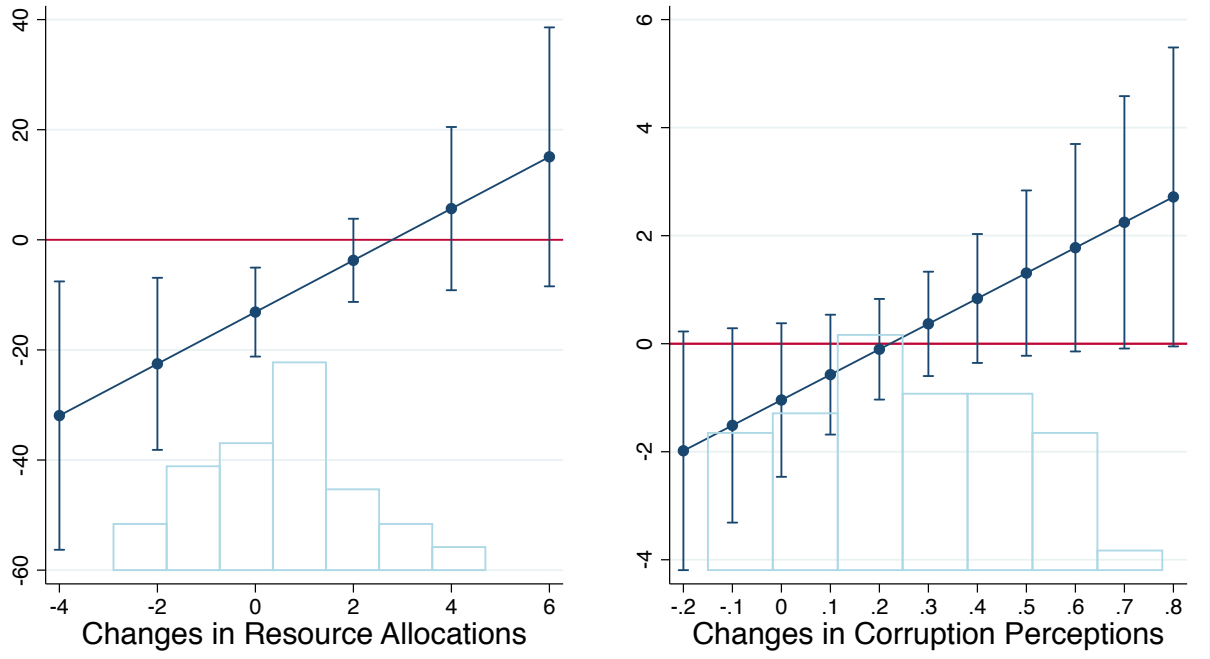
Table 3 provides the results of three OLS models with panel corrected standard errors estimating the determinants of the change in DP's vote share between the 2005 and 2009 elections. These results show that the coefficient of the interaction term is in the expected positive direction and maintains statistical 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 et al., 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 don't 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 aligns with 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, under conditions of an increase in the proportion of people who consider political corruption by the party in government 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.

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)

Model	(10)	(11)	(12)
Δ(UT Per Capita)$_{mt}$	-0.739	-1.043	-0.956
	(0.720)	(0.725)	(0.713)
Δ (CP)$_{it}$	-11.551**	-13.129**	-12.061**
	(4.113)	(4.121)	(4.254)
Δ(UT Per Capita)$_{mt}$ $\times$ Δ (CP)$_{it}$	4.001^{+}	4.700*	4.124^{+}
	(2.378)	(2.357)	(2.376)
mean(Voters)$_{mt}$	-0.459***	-0.412***	-0.334*
	(0.116)	(0.116)	(0.153)
Δ (Strong Opposition Perceptions)$_{it}$	-2.575	-2.147	-1.502
	(3.420)	(3.347)	(3.387)
mean(GDP)$_{it}$	0.160***	0.167***	0.161***
	(0.043)	(0.042)	(0.042)
mean(Party Alignment)$_{mt}$		-1.449^{+}	
		(0.862)	
mean(Turnout)$_{mt}$			3.812
			(3.027)
mean(Growth Rate)$_{it}$			-0.597^{+}
			(0.328)
Constant	3.132^{+}	4.658*	4.568^{+}
	(1.803)	(1.979)	(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 Δ(Vote Share for Democratic Party) in electoral municipality *m* of county *i* between 2005 and 2009. Main explanatory variables are Δ(Increased Corruption Perceptions) and its interaction with Δ (Unconditional Transfers Per Capita). Standard errors are shown in parentheses. ***, **, * and $^{+}$ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively.

Conclusion

In this article, I presented a theory of corruption compensation—strategic allocation of benefits as a proactive and retroactive reimbursement mechanism—to explain why corrupt governments persist despite voters' keen awareness of their corruption. 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.

This article makes several contributions to the literatures on democratization and distributive politics. First, I show that corrupt governments worry about a possible electoral backlash and that this concern shapes their policy responses to their constituencies. Second, 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. Third, it corroborates the corruption compensation hypothesis with new subnational data on Albania, one of Europe's most corrupt and understudied transitioning democracies.

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 discuss the mechanism through which voters can sense the benefits of the projects. More research should also be done 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 more 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 parties are

pressured to concentrate resources in area where they can claim quickly prior to an election. This aspect of the time-inconsistency problem is analogous to the large literature on political business cycles (e.g., Hibbs, 1977; Nordhaus, 1975).

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 foreign aid given to transitioning states (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 indicates that political corruption has a negative effect on the duration of democracies (Figure A4). Given these implications, limiting corrupt parties' both internal and external resources and hence their ability to silence dissent can promote the prospect of democratic developments in the long run.

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Appendix

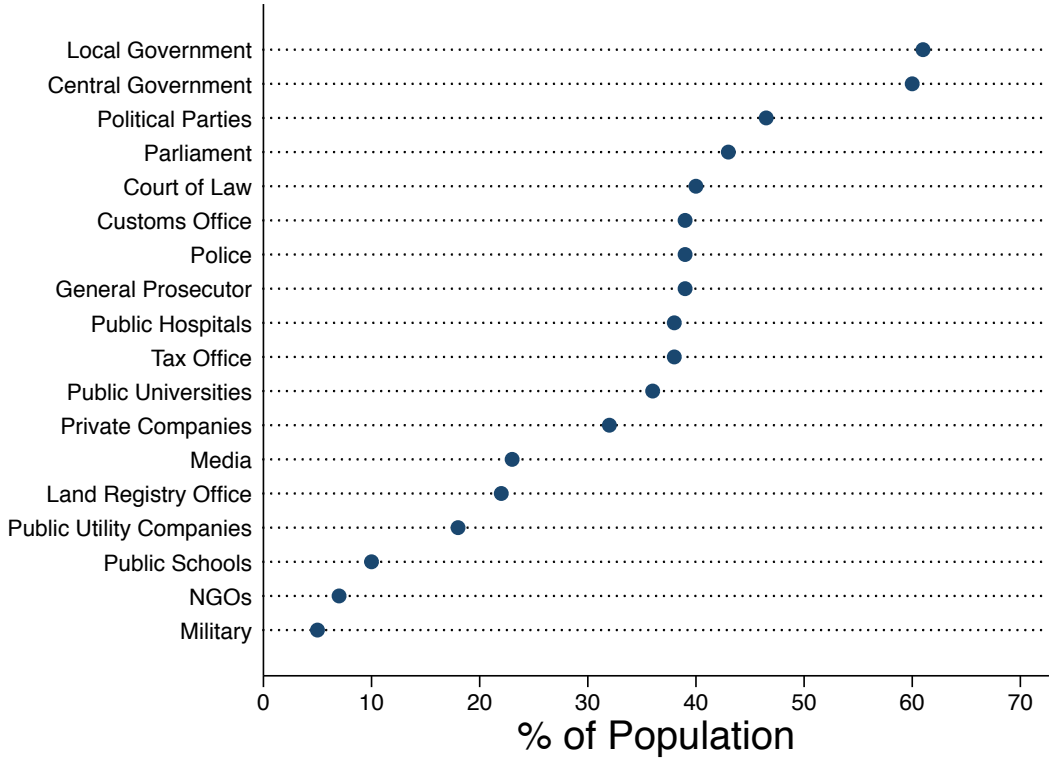

Figure A1: Perceptions of Institutional Corruption, Albania 2010
Percentage of adult population who believe that corrupt practices occur "Often" or "Very Often" in the listed institutions. Data Source: INSTAT

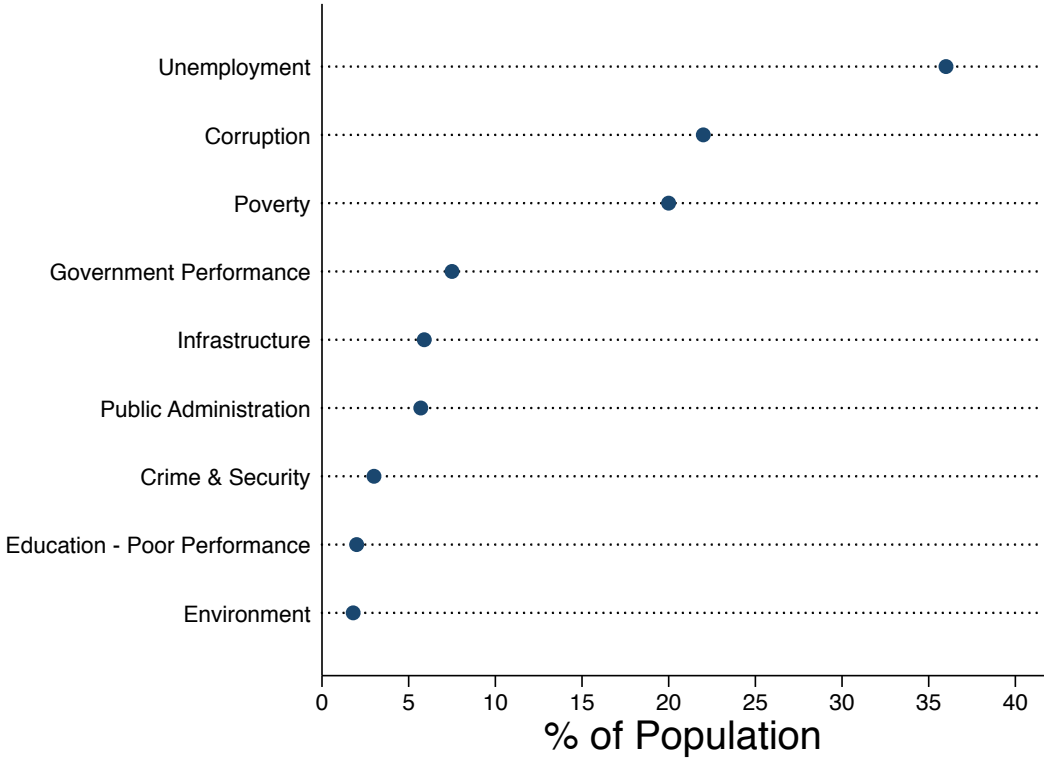

Figure A2: Most Important National Issues, 2010
Percentage of voting population considering selected issues to be most important in Albania.
Data Source: INSTAT

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)

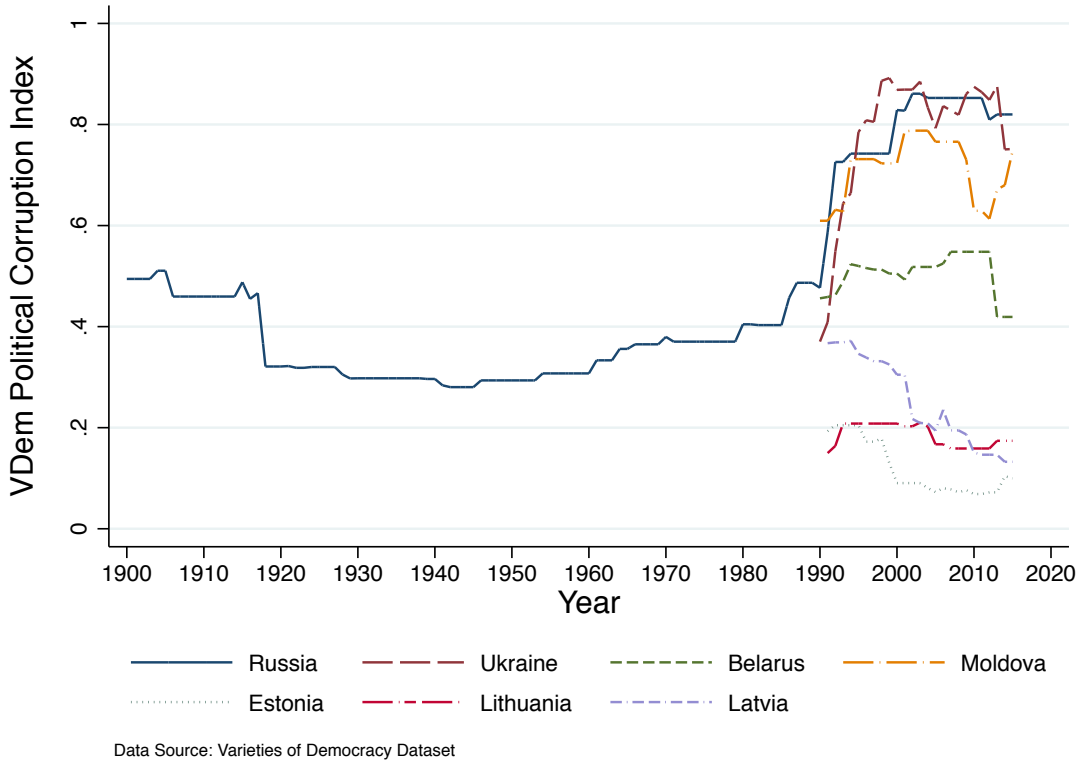

Figure A3: Corruption in Former Soviet States, 1900-2015

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	0.001	0.001	0.001
	(0.008)	(0.008)	(0.009)	(0.009)
ln(GDP Per Capita)		-0.052^{+}	-0.052^{+}	-0.051^{+}
		(0.028)	(0.028)	(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. Main explanatory variable is UT per capita per electoral municipality m of county i at time t. Standard errors are shown in parentheses. ***, **, * and $^{+}$ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Regional and year fixed effects are included in all models.

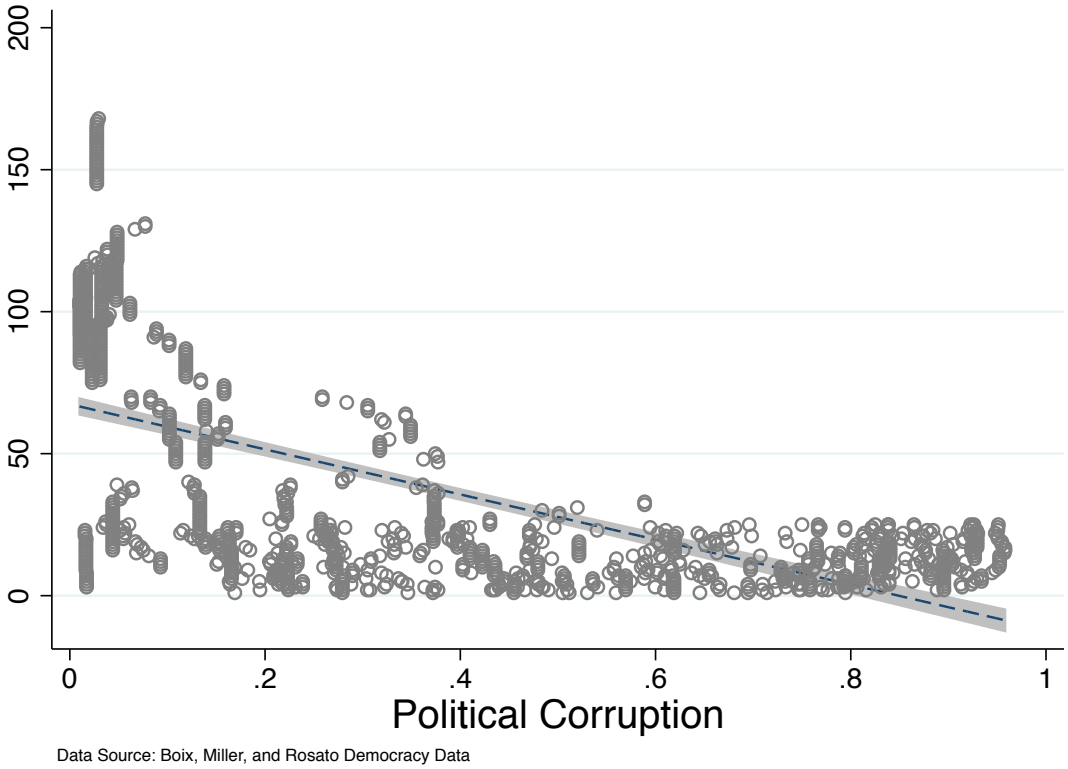

Figure A4: Political Corruption vs. Democracy Duration. All European States, 1991–2007.