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Money and Democracy: the Dangers of Unregulated Campaign Finance

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Money was no object for Manuel de Jesús "Manolito" Castillo, a former congressman who ran for mayor in Guatemala’s eastern department of Jutiapa in 2007. Manolito wooed voters by raffling cars, houses, purebred horses, and cell phones, donating ambulances to the local health clinic, and throwing lavish parties where alcohol flowed and copious amounts of free food were distributed.

Media speculation surrounding the origins of Manolito’s fortune was rife. The US Drug Enforcement Agency (DEA) had had its eye on him for years as the suspected leader of the Jutiapa drug cartel and his visa to enter the US had been revoked. After his alleged connections to the drug trade had been exposed, he had been expelled from the Unidad Nacional de la Esperanza (UNE), one of the country's biggest parties.

Undeterred, he founded his own "civic committee" (a temporary political organization created to take part in mayoral elections) and won a landslide victory. However, a year later he was arrested for his involvement in the high-profile murder of four Salvadoran congressmen and their driver in 2007 and is currently serving a life sentence (NotiCen, Aug. 2, 2007).

The Manolito case highlighted one of the greatest perils associated with unregulated political finance in Latin America: an increase in campaigns funded by organized crime and a rising tide of violence as mafias use their muscle to secure the victory of their candidates.

The study "Funding of Political Parties in Latin America," published by the Organization of American States (OAS) in 2011, also cites the election campaigns of former Presidents Jaime Paz Zamora in Bolivia, Ernesto Samper in Colombia, and Ernesto Pérez Balladares in Panama in the 1990s as some of the clearest examples of the penetration of drug cartels in election campaigns, a risk that is particularly acute in a context in which most Latin American countries have decentralized the voting process and local politics plays an increasingly important role.

"We’re not just talking about political parties breaking the rules and exceeding the limits on campaign funding imposed by the law; we’re talking about organized crime funding election campaigns, which represents a serious threat to democratic order," says Carlos Navarro Fierro, director of the International Affairs Unit of Mexico’s Instituto Federal Electoral (IFE).

As well as drug cartels, other criminal actors such as Colombia’s paramilitary groups have also been known to finance mayoral and congressional candidates during the past ten years, and, in 2012, Salvatore Mancuso, head of the Autodefensas Unidas de Colombia (AUC), openly admitted that his organization had funded the election campaign of former President Álvaro Uribe (2002-2010) in 2006, claims currently being investigated by the attorney general’s office (NotiSur, Feb. 3, 2006, and May 25, 2012).
**Whoever pays, wins**

Aside from the involvement of criminal organizations in party politics, many risks are associated with unregulated political finance, such as the possibility that contractors might pour money into campaign coffers with the hope of obtaining lucrative deals once the party or candidate they have supported reaches office.

In March 2012, a congressional inquiry in Guatemala revealed that 17 medicines purchased in bulk by the Ministerio de Salud two months earlier had been overvalued by as much as 2,464%. Seventy-five percent of all the purchases had been made from five companies, including J.I. Cohen, a supplier that, for the past 14 years, has repeatedly financed the campaign of whichever party is most likely to win Guatemala’s general elections, regardless of its political leanings.

Construction companies in Brazil and Costa Rica and lottery and football pools licensees in Uruguay, which in the former depend heavily on state contracts and in the latter on government regulations of gambling activities, have also been known to fund election campaigns in those countries.

Ineffective oversight also allows the misuse of public funds to finance the ruling party’s election campaign to go undetected. The Mexican government, for example, was accused for decades of channelling funds from state-owned petroleum company PEMEX to the campaign coffers of the Partido Revolucionario Institucional (PRI).

"Democratic governance depends on transparent campaign funding, otherwise governments are beholden to the interests of those who funded their campaigns, as occurs in many countries in Latin America," says Manfredo Marroquín, director of Acción Ciudadana, the Guatemalan chapter of Transparency International (TI).

**Shedding light on who pays and how much**

Latin America’s transition toward democratic rule has brought about tighter controls on political spending that seek to ensure fairer and more transparent elections. Such regulations on campaign funding vary widely throughout the region and have evolved as a result of each country’s political context.

Colombia and Mexico have taken important steps toward holding publicly funded elections in an effort to minimize donations from individuals or corporations, unlike Venezuela and Peru, where public funding is nonexistent.

As well as reducing the risk of criminal organizations hijacking electoral processes, public funding helps level the playing field and gives new political organizations a fairer chance. In Peru’s 1990 elections, rightist candidate Mario Vargas Llosa’s campaign spending exceeded that of his rival Alberto Fujimori by a ratio of 56 to 1, an example of how huge asymmetries between political parties can cast doubt on the legitimacy of an election.

"Ideally, campaign funding ought to be 100%, but at the moment it’s difficult to achieve that given that political parties enjoy little credibility among the population," says Nicaraguan political scientist José Dávila.
The OAS report also notes that most countries in Latin America have made it compulsory for political parties to provide expenditure reports, 11 of the 18 countries included in the study have public bureaus with effective mechanisms to independently verify these reports, and 13 have implemented effective sanctions for parties that break the law.

Navarro outlines the key factors needed to achieve effective campaign oversight: truly independent electoral authorities that are not beholden to political or corporate ties and have the necessary legal powers to conduct thorough and far-reaching investigations. "Arguments such as bank privacy or commercial or trust secrecy cannot be used to deny the electoral authorities access to information," he says.

Navarro stresses the importance of effective sanctions, which implies much more than fines and ought to include forcing winning candidates to step down if it is proved that they have broken the law or voiding the elections.

"It is also important for civil society, including grassroots citizen organizations and pro-transparency nongovernmental organizations to rise up and demand greater accountability otherwise we will be doomed to endure a situation in which inequality persists and democracy is at a stalemate," warns Dávila

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