

Session 20: One-Party Rule, Democratization, and Corruption in Mexico

Corruption in Mexico...and what to do about it

On June 24, 1995, a private plane carrying Hector Luís "El Güero" Palma, *capo* of Sinaloa drug cartel, crashed in Nayarit state. Palma was subsequently detained in Guadalajara, along with the thirty-one agents of Mexico's Federal Judicial Police then serving as his bodyguards. Independent media, including *Reforma* newspaper, soon revealed that Palma had paid millions of dollars annually for political protection and that the federal Attorney General's office and National Institute for the Combat of Drugs had known the location of his residence for over a year.¹

Example is from Mexico; could use examples from a number of countries in the developing world –Nigeria, Iran, Pakistan, Russia, China, Thailand, or Indonesia. Or England in the 1700s, Chicago in the 1930s, Italy in the 1980s, or Miami today.

- Louisiana in 1990s
- NOLA police
 - Very good at controlling vice, including prostitution
 - Not so good at actually preventing violent crime
 - Whole force basically disintegrates after Katrina
- Edwin Edwards
 - suitcase full of cash
 - "The only thing that will prevent me from winning the election is being caught with a live boy or a dead girl"
- Anecdote about officials in East Asia and Africa

I am picking on Mexico today for three reasons.

1. I actually know something about Mexico
2. I know corruption is a tremendous problem. For an American, it is something very noticeable, and it really takes getting used to
3. (Unlike Italy or Miami) Mexico is actually trying to do something about it

So how much corruption is there?

Mexicans are especially cynical about their government

- Communist Party founder Lombardo Toledano (1952): "We live in muck. The bite, the stickup, the final ploughing, the stuffing, the little sip, a string of names that have been invented to describe this immoral process. Justice has to be bought, first from the policeman, then from the prosecuting attorney, then from the judge, then from the mayor, then from the Congressman, then from the governor, then from the minister..." (Cited in Enrique Krauze, *Mexico: Biography of Power*)

Ruling party famously corrupt

- From 1929 until 2000, PRI rule
- Tuxtla airport example
- On February 23, 1993, Mexican financier Antonio Ortiz-Mena hosted a private dinner party for President Carlos Salinas and some thirty Mexican executives. Businessmen invited to the dinner, many of whom were prominent beneficiaries of the Salinas

¹Roberto Zamarripa, "El Güero Palma Protegido en Sonora desde 1993," *Reforma*, June 30, 1995; Irma Salas, Cayetano Frías, and Gerardo Román, "Detienen por Complices a Funcionarios de la PGR," *Reforma*, June 25, 1995.

administration's privatization program, were each asked to donate \$25 million dollars to the Institutional Revolutionary Party's 1994 electoral campaign.

- Corruption related to oil boom

Inside the government, corruption was a sort of open secret

- "To live outside the budget is to live in error"
- Carlos Hank González: "The politician who is poor is a poor politician"
- "Honest graft": Don't give it to me, but put me where it is"

Let's start with the police

- Jacobo Zaidewebber's traffic ticket
- My car (with foreign plates)

How about other parts of society, such as the media?

- Journalists get three kinds of payments
- *Gacetillas*
- Routine instructions to fix parking tickets
- Some outsiders argue that institutionalized corruption began to unravel when President Carlos Salinas ended cash payments to journalists from the President's office in December 1992.² *Chayos* did decline, principally as a result of general cutbacks in government spending. But corrupt practices hardly disappeared. Payments continued at other levels of government, and bribery took on more sophisticated forms. In many cases, government functionaries simply found less transparent ways to funnel cash. For instance, officials at the Interior Ministry and Presidency often hired prominent media figures as "political consultants," lending the ensuing payments an aura of propriety.³ At other times, government officials purchased advertising in low-circulation magazines owned by prominent columnists and created by them at least partly as a receptacle for official funds.⁴

Reporters who considered themselves above simple bribery, therefore, could still be won over through favors, blandishments, access to information or similar offers. As one official at the Interior Ministry put it, "the trick to controlling the media is knowing whom rather than knowing how."⁵ In other words, direct cash payments were only the most blatant form of official compensation. Gifts and favors – lavish Christmas baskets, plane tickets, electronic appliances allegedly related to journalistic work, etc. – often complemented *chayos*. So did the provision of scarce government services: medical procedures for family members, scholarships, public housing, etc. In March 1996, for instance, the independent daily *Reforma* published a list of reporters and columnists who enjoyed personal police protection, a prized commodity given Mexico City's crime rate. Few of those on the list had received the sort of threats that might merit such special police attention.⁶

In addition to gifts and favors, the government also used its control over awards and appointments to bless favored editors and ostracize critics. Reliable journalists won fame and prizes at the annual banquet held to celebrate "Freedom of the Press Day" (June 7) – an event that developed into a sort of Academy Awards for the pro-government media.⁷ Sometimes, government favors, awards, gifts, and

²See Rafael Rodríguez-Castañeda, *Prensa Vendida* (Mexico City: Editorial Grijalbo, 1993), p. 367-8. President Ernesto Zedillo later revived the practice of paying journalists on presidential trips.

³Author's interviews with Interior Ministry officials, Mexico City, April 3, 1996.

⁴Author's interviews with Interior Ministry officials, Mexico City, April 3, 1996.

⁵Author's interview with Interior Ministry official, Mexico City, March 20, 1996.

⁶Miguel Ángel Granados Chapa, "Personajes Protegidos," *Reforma*, March 7, 1996, p. 7.

⁷The evolution of this event is described in all its sordid details by Rafael Rodríguez-Castañeda in *Prensa Vendida*

monies became so extensive that they were difficult to distinguish from the type of collusion that characterized the relationships between the regime and media owners. In its more profligate moments, the regime sprinkled cars, homes, publishing contracts, import licenses, and business concessions (such as the duty-free stores in Mexico's airports) among prominent members of the media establishment.

Certain cases of venality are legendary among reporters. One telling inventory comes from Riva-Palacio:⁸

1. The news chief of an important Mexico City daily also manages the public relations of various state governors.
2. A well-known journalist frequently mentions a particular politician in his reports

because that politician has helped him finance a movie. The journalist used to do the same for a union boss that kept him on his payroll.

3. Some respected journalists do not accept cash, but they do receive honoraria for "meeting" with other famous journalists. They may also ask for favors, such as government positions for their friends and relatives.

4. A reporter assigned to cover the Commerce Department sometimes receives export-import licenses.

Personal and cultural sphere

- Private sector (several executives steal from own companies)
- The Church (Cardinal Juan Jesus Posadas O'Campo in April 1993); traffickers leave scene under police protection; Papal Nuncio; What did Church call for that night?
- Soccer leagues
- Shops in Polanco (a different kind of corruption)

Finally population itself

- The World Values Survey: Trust in other people
- Latinobarometer asks a different question: All told, how honest would you consider ____ – very honest, somewhat honest, not very honest, or not at all honest? Less than half say that they consider their compatriots to be very honest or somewhat honest.

How to measure corruption

1. Hard to get data
 - Dropped wallet experiment
 - TI ratings (subjective)
 - Other data
2. Draw a distinction between "high" and "low" corruption
 - Japan, lots of high but little low
 - Yakuza, small claims courts
 - U.S. Customs service (now renamed) or New York City government (e.g., food inspection): some low, little high
 - Mexico, Iraq: lots of both

What causes corruption?

Cultural explanations

- Most familiar explanation

(Mexico City: Editorial Grijalbo, 1993).

⁸Raymundo Riva-Palacio, *Más allá de los límites: Ensayos para un nuevo periodismo* (Mexico City: Fundación Manuel Buendía and State Government of Colima, 1995), p. 114-5.

- Anecdote: Holocaust-era German Jewish family who goes to Romania
- Mexico: behavior of people who live along the border
- Certainly, corruption has long tradition
 - Bernal Diaz de Castillo: A Lt. of Hernan Cortes, who said that he came to the New World "to serve God and King, and also to get rich"
 - Fees and bribes in colonial administration
 - *Obedezco pero no cumpro*
 - But this sort of corruption is no longer so true in Spain
 - Also, England was horribly corrupt in 1500s and 1600s
 - U.S. at turn of the century was also famous corrupt
 - Democratic Party boss in NYC, George Washington Plunkitt, (Tammany Hall) who invented the term "honest graft"
 - Already talked about Louisiana
- Social structure explanations
 - Inequality
 - Laws are supposed to apply equally
 - But reality says otherwise; rich are really super rich
 - Rich income so dwarfs income of average petty official that official will inevitably accept
 - Rich have better options outside the formal legal system (e.g., private armies and bodyguards, etc.)
 - Poor are so desperate, they're better off using the law to extract some payoffs than they are to win property disputes
- Institutional explanations
 - The political system
 - How was it created?
 - Revolution, warlordism; one strongman (Alvaro Obregón) emerges; assassinated in 1928; Plutarco Elías Calles sees an opportunity
 - Create a syndicate to share spoils; one big party; doesn't really have a mass base; gets one later
 - Big state apparatus, petroleum revenues, patronage, pork
 - No real electoral competition
 - Overregulation
 - Hernando de Soto: 217 steps to get a permit to open a small business.
- People at the top
 - Doesn't necessarily mean that things will change much when you replace them

Solutions

If you believe the problem is cultural, then education might help

- Mexican government launched an advertising campaign, with civic groups also launching a parallel campaign in early Fox administration
- Theme is morality; refers to the family
- Also can be tried within a closed organization
 - Example: *Reforma* in Mexico City
 - Socialization, organizational culture: strong internal rules and elitism, efficiency, career paths

If you believe it's the people...

- Fox, Zedillo
- Zedillo: fired tens of thousands of police officers

Perhaps country is stuck in a bad dynamic; then only the leader can really effect change

If you believe this has to do with the political system, then electoral competition should help fix it

- Some evidence: Nava in San Luis Potosí in the 1960s
- But appears to have only a marginal effect. Example: State of Baja California (Tijuana) has been under opposition control the longest.

Other institutional solutions

- Draconian penalties
- Higher salaries
- Civil service reform
- Making *Procurador* separate from executive branch; same with Supreme Court appointees (can't be removed by president; must be confirmed; etc.); e.g., Guanajuato state in Mexico
- Build in more transparency; public hearings; sunshine laws
- Illicit enrichment laws; recent Inter-American Anti-Corruption Convention

Economists' solution to corruption

- Get rid of bureaucracy, decentralize
- Allow rival agencies to bid for bribes; can't really do this with the police, and if you do, you might have more problems where they shoot at each other (Viborilla)