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# Money, Elections, and Democracy in Brazil

David Samuels

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## ABSTRACT

Brazil's 1993 law requiring candidates to report their campaign contributions has generated a new source of data to explore the supposition that Brazilian elections are extraordinarily expensive. An examination of these data from Brazil's 1994 and 1998 general elections reveals that most money for Brazilian electoral campaigns comes from business sources and that leftist candidates have extremely limited access to such financing. The effect on democracy is that Brazil's largely unregulated campaign finance system tends to decrease the scope of interest representation.

Money influences elections, and thus shapes how interests gain representation in democratic systems. While political scientists have extensively researched campaign finance in the United States, comparativists have scarcely begun to explore this critical issue (but see, for example, Alexander 1989; Alexander and Shiratori 1994; Cox and Thies 1998, 2000; Palda and Palda 1998). Despite the spread of democracy around the globe over the last 25 years, to this writer's knowledge no candidate-level empirical research on campaign finance exists for any transitional democracy. What institutional rules in new democracies govern the use of campaign finance, and with what consequences? Does money "talk" as loudly as it appears to in longstanding democracies? Because campaign finance has such potentially enormous policy and normative implications everywhere, scholars must begin to assess its impact in comparative perspective.

This paper begins to address these questions by exploring the impact of money on Brazilian elections. Scholars have claimed that Brazilian elections are among the most expensive in the world (see, for example, Aguiar 1994; Ames 1995; Mainwaring 1999), but only anecdotal evidence currently supports this claim. In 1993, Brazil's Congress passed a law requiring candidates for all offices to report all campaign contributions for subsequent elections. The Brazilian *Tribunal Superior Eleitoral* (TSE) has compiled candidates' information for the 1994 and 1998 elections, providing the basis for reliable analysis of the variation in campaign funding across candidates, parties, and offices. Because the data identify the donors, moreover, candidates can also be connected to the sources of their campaign funds. This paper is the first to explore these new data. Doing so not only provides empirical support for the

claim that Brazilian elections are expensive, but also allows investigation into a wide range of issues relating campaign finance to the practice and quality of Brazilian democracy.

Following a description of Brazil's electoral system, its campaign finance laws, and the data, this study explains why we have good reason to expect campaigns to be costly in Brazil, and then verifies this prediction. It goes on to explore the sources of campaign finance in Brazil, separating individual from corporate contributions for each level of election, disaggregating corporate contributions by type of firm, and comparing average receipts across candidates from different parties. This reveals the preponderance of corporate over individual contributions and the relative incapacity of leftist candidates to raise money. Regression analyses will then show that money strongly affects vote outcomes for Brazil's federal deputy elections. These findings have particular implications for Brazilian democracy.

## BRAZIL'S CAMPAIGN FINANCE DATA

Before 1994, campaign contributions to candidates were ostensibly prohibited in Brazil. Since that year, candidates for all offices have been required to submit a *prestação de contas*, a register of campaign contributions (but not expenditures), after each election. (For purposes of this study, we assume that candidates spend as much as they receive; candidates must report how much of their own money they "contribute" to their campaign.) Congress mandated this following two campaign finance scandals in 1992–93. One resulted in the impeachment of the country's first democratically elected president in nearly 30 years, Fernando Collor de Mello; and the second emerged when Congress turned its investigative skills on itself and eventually expelled six sitting members (several others resigned).

The law permits direct contributions to candidates for all offices and places a very generous limit on the amounts contributed: an individual can donate 10 percent of gross yearly income, and a corporation can donate two percent of its gross yearly income. Candidates can spend as much of their own money as they please. Each candidate—and not the party—must prepare a *prestação de contas* within two months following the election (except for presidential candidacies, where the national party must present the accounts). Candidates send the information to their state's electoral court (*tribunal regional eleitoral*), which sends all records from the state to the national electoral court. Violations of the law can result in fines, candidacy revocation, or even loss of position after the election (Congresso Nacional 1993, 1995). Several state electoral courts have imposed penalties on candidates (Veja 1998), and Brazil's current president, Fernando Henrique Cardoso,

has refused to invalidate hefty fines imposed on several sitting members of Congress (*New York Times* 2000).

In contrast to Federal Election Commission (FEC) regulations in the United States, there is no minimum reporting requirement in Brazil; even the smallest contributions are reported. Each database entry includes the candidate's party and electoral code number, the contributor's name, and the amount contributed. The two databases contain more than two hundred thousand records of contributions to presidential, gubernatorial, senatorial, and federal and state deputy candidates.

Can we trust these data? Skeptics might argue no, given Brazil's reputation for corruption. This is a crucial question, for if the data lack validity, then we cannot learn much about campaign finance in Brazil from them. As this study will show, the data conform to common-sense expectations regarding cross-candidate, cross-office, and cross-partisan differences, and the patterns in the data also hold up over time. Of course, if the declared contributions were wholly false, we would expect no patterns to emerge.<sup>1</sup>

All amounts are reported here in 1998 U.S. dollars. The 1994 dataset provides both the date and the amount of each contribution, in Brazilian currency. In July 1994, Brazil switched currencies and adopted an economic stabilization plan that halted runaway inflation. To eliminate the almost daily deflation in Brazil's currency in the first semester of 1994 and the difficulty of comparing its currencies in the first and second semesters of that year, all contributions were converted to U.S. dollars using a daily conversion rate (NetDolar n.d.). The contributions were summed, and then the 1994 dollar values were converted to 1998 values.<sup>2</sup>

## THE COST OF BRAZILIAN CAMPAIGNS

Several factors provide a good basis to believe that Brazilian campaigns will be costly. The most important are that elections are highly competitive, and parties are organizationally weak. Since redemocratization in Brazil, electoral competition has become increasingly fierce. The effective number of electoral parties competing in legislative elections increased from 2.4 to 8.1 from 1982 to 1998 (Nicolau 1997; TSE 1999). Likewise, over the same period, the number of candidates per seat running in legislative elections more than doubled, from 3.2 to 6.6 (Santos 1994, 60; TSE 1999). When competition intensifies, candidates must spend more to differentiate themselves from other candidates.

The comparative organizational weakness and programmatic incoherence of Brazil's (non-leftist) parties means that candidates cannot rely on strong party organizations to drum up votes, and cannot cheaply provide voters with clear partisan cues. Candidates in Brazil typically rely on personal machines that thrive on access to and distribution of

clientelistic goods (Ames 1995; Bezerra 1999; Mainwaring 1999). This kind of electoral activity is typically very capital-intensive. If Brazil's parties advocated coherent programmatic positions or possessed strong national electoral organizations, candidates would not have to raise and spend money. Instead, they could rely on their party organization and label to attract voters.

For legislative elections, the institutional rules also increase the cost of elections. Brazil uses a version of open-list proportional representation in at-large constituencies that conform to state boundaries (26 states and a federal district). The number of seats per state or district ranges from 8 to 70 (the total number of seats is 513). National-level party organizations do not control nomination for legislative office; state-level party organizations compose federal deputy candidate lists. Parties can nominate up to 1.5 candidates per seat in each district, and multiparty alliances can nominate up to 2 candidates per seat in each district. In the largest district in 1994, São Paulo, 532 candidates competed for 70 seats, while 33 candidates competed for 8 spots in the Federal District of Brasília, the smallest venue.

Scholars agree that open-list proportional representation, especially in combination with such large district magnitudes, generates strong incentives for individualistic campaign tactics (Carey and Shugart 1995; Ames 1995). Under the open-list system, parties do not rank-order their candidates; voters choose their preferred candidate, and the candidates with the most votes win. Candidates must therefore compete against their listmates—as well as opposing parties' candidates—and cannot appeal to voters solely on a collective, partisan basis. To win votes, they must differentiate themselves individually from their copartisans. One way to do so is to raise and spend money, building up a “personal vote” base by providing favors, gifts, or other particularistic goods. In general, these kinds of “candidate-centric” electoral systems ought to promote relatively high individual campaign spending (Cox and Thies 1998).

Brazil's campaign finance laws tend to exacerbate the weakness of its parties and the incentives of its electoral system. Because the law encourages individuals to raise and spend money, and because individuals and not parties are held accountable for keeping records, candidates have even less reason to obey party dictates. This adds to the personalistic incentives already inherent in the electoral and party systems. If parties controlled the distribution of campaign funds, by contrast, candidates would have very strong reasons to toe the line.

## **WHAT CANDIDATES SPEND**

We therefore have good reason to suspect that individual candidates in Brazil will strive to outspend their rivals, and that as a result, elections

Table 1. Declared Contributions, Presidential Races  
(in constant 1998 US\$)

	Candidate	Contributions	Percent of Vote
1994	Fernando Henrique Cardoso (PSDB)	\$41,366,843	54.3
	Luis Inácio "Lula" da Silva (PT)	\$1,741,401	27.0
	Orestes Quêrcia (PMDB)	\$12,140,888	4.4
	Esperidião Amin (PPR)	\$245,957	2.7
1998	Fernando Henrique Cardoso (PSDB)	\$37,088,337	53.1
	Luis Inácio "Lula" da Silva (PT)	\$1,933,129	31.7
	Ciro Gomes (PPS)	\$878,096	11.0

will be expensive. The campaign finance data empirically confirm this supposition. Let us first examine the presidential races. Table 1 presents information on declared contributions.<sup>3</sup>

Cardoso, who won both elections, ran the most expensive campaigns by far. He began his 1994 campaign while serving as finance minister, and although he did not start off as the front-runner, his ability to claim credit for implementation of the inflation-beating Real Plan quickly boosted his popularity. He subsequently benefited from a substantial infusion of corporate cash. A similarly large flow of money helped his 1998 reelection campaign.

Although many presidential candidates spent a great deal, the correlation between money and votes at the presidential level is not very high. For example, in 1994 Quêrcia ran a disastrous campaign despite access to a significant amount of money. On the other hand, Luis Inácio "Lula" da Silva garnered relatively many votes in both 1994 and 1998 despite access to relatively little cash, because his *Partido dos Trabalhadores* (PT, Workers' Party), in contrast to Brazil's other major parties, possesses a cohesive national reputation and organization. His and his party's efforts to get out the vote relied relatively more on programmatic than personalistic or clientelistic appeals.

Races for other offices are also quite costly. Table 2 provides the average declared contributions for candidates for state governor and federal congress. The costs follow the expected pattern: gubernatorial elections are most expensive, followed by Senate and then Chamber of Deputies elections. The 1998 gubernatorial campaigns were less expensive than those of 1994 because a new law permitted gubernatorial reelection in 1998. That year, incumbents' dominance in some states scared off potentially strong candidates, which resulted in decreased competition and thus lower average costs. On the other hand, Senate campaigns averaged about the same in both years (even though the stan-

Table 2. Average Declared Contributions, by Office  
(in constant 1998 US\$)

	Position	Winners	Losers	All
1994	Governor (N=80)	\$3,148,127	\$802,610	\$1,418,308
		(3,503,200) <sup>a</sup>	(1,483,618)	(2,369,541)
	Senator (N=128)	\$412,349	\$184,316	\$259,139
		(518,227)	(335,203)	(424,485)
	Federal Deputy (N=1,548)	\$133,530	\$34,421	\$60,671
		(116,815)	(57,848)	(87,457)
1998	Governor (N=87)	\$1,785,555	578,557	\$828,283
		(1,680,418)	(1,295,365)	(1,358,354)
	Senator (N=90)	\$740,145	\$51,853	\$258,341
		1,030,280)	(83,434)	(644,630)
	Federal Deputy (N=1,813)	\$132,276	\$28,890	\$56,205
		(139,675)	(61,069)	(99,845)

<sup>a</sup>Standard deviation

dard deviation is substantially larger in 1998), and candidates for federal deputy also declared nearly identical average amounts in 1994 and 1998. While these patterns deserve additional investigation, they do provide precise empirical verification of the relative cost of Brazilian campaigns.<sup>4</sup>

While there is no simple way to declare that Brazilian campaigns are “more” or “less” expensive than elsewhere, a comparison with U.S. House of Representatives races provides some perspective. Winning candidates for federal deputy spent at least US\$132,000 on average in 1994, and winning candidates to the U.S. House spent an average of \$530,000 that year (FEC 1997). U.S. House elections ought to be relatively more expensive because Brazilian candidates, in their proportional elections, need to target only a relatively small percentage of the state’s population to win—as opposed to winning the most votes of all candidates in the congressional district, as in the U.S. single-member district system. In the Federal District, with 8 seats at stake, the most popular candidate received the votes of only 7.9 percent of the voters (7,453 votes). In São Paulo, with 70 seats at stake, the average winning candidate received only about 70,000 votes, an average of 0.4 percent of the eligible voters. Thus, despite the small number of voters they must target, Brazilian candidates for federal deputy still spend lavishly (not counting the possibility that they spend more than they declare to the TSE). Expenditures per voter in Brazil probably far exceed what candidates spend in the United States.

The relative cost of all campaigns in Brazil becomes even more pronounced comparing the presidential candidates. Cardoso spent



US\$41 million in 1994. In the 1996 U.S. presidential race, by comparison, Bill Clinton raised approximately \$43 million and Bob Dole about \$45 million (FEC 1997). The U.S. total, moreover, is for both the primaries and the general election, while Cardoso avoided a runoff by winning in the first round.

In the United States, candidates for all offices spend a large portion of their funds on TV and radio ads, whereas Brazilian candidates are prohibited by law from purchasing television or radio advertising. They receive free television and radio time, however, according to their party's representation in the lower house of Congress. Political ads are broadcast for an hour a day during prime time for several weeks before election day. Thus Brazilian candidates do not have to purchase air time, although Cardoso's campaign finance coordinator stated that television advertisement production costs (along with transportation for the candidate) ate up most of the campaign's funds (*Jornal do Brasil* 1998). The same probably holds true for gubernatorial and senatorial candidates (*Veja* 1996).

Candidates for the Chamber of Deputies receive so little air time that their media production costs are likely to be nil. They instead spend considerable sums on "lower-tech" efforts to develop a personal support base, such as huge quantities of flyers, pamphlets, posters, buttons, banners, and people to disseminate this information. To drum up support they also distribute food, clothing, or shoes, or throw large parties, barbecues, or rodeos. Candidates for deputy (and other offices) also often simply distribute cash to *cabos eleitorais* (loosely translated as ward heelers or precinct captains), who are supposed to hit the streets and drum up support. To mobilize the support of other politicians and their supporters, some federal deputy candidates even provide money to state-deputy candidates' campaigns (known as *dobradinhas*).

Given these high expenditures, it is no surprise that since redemocratization in the 1980s, political campaigns have become a growth industry in Brazil. Estimated total expenditures for all elections in 1994 were between US\$3.5 billion and US\$4.5 billion (about 0.5 percent of Brazil's gross domestic product) (*Estado de São Paulo* 1997; *Estado de Minas* 1997). *The Economist* reported, in contrast, that candidates spent an estimated US\$3 billion in all elections in the United States in 1996 (*Economist* 1997). In Brazil, newspapers report in complete seriousness that elections serve as a strong boost to local economies, principally in Brazil's poorer regions (*Estado de São Paulo* 1997).

## SOURCES OF CAMPAIGN FUNDS

Exploring the sources of campaign funds in Brazil provides empirical bite to the claim that corporate interests influence elections and the policy process.



Table 3. Sources of Campaign Contributions (percent)

	Contributor Type	President	Governor	Senate	Federal Deputy
1994	Corporate	96.9	85.3	81.7	61.8
	Individual	3.1	13.4	16.5	37.5
	Party	0.0	0.7	0.2	0.2
	Unknown	0.0	0.6	1.7	0.5
	Total	100.0	100.0	100.0	100.0
1998	Corporate	93.7	68.7	42.6	56.8
	Individual	3.0	14.5	26.5	40.9
	Party	3.1	0.3	19.2	0.5
	Unknown	0.2	16.5	11.7	1.8
	Total	100.0	100.0	100.0	100.0

In the United States, candidates can legally receive financial support from parties, individuals, and political action committees (PACs), and through PACS, candidates can indirectly obtain funds from unions and corporations. In Brazil, politicians can legally receive money from parties, individuals, or corporations. Campaign PACs or similar organizations do not exist, and the law explicitly prohibits contributions from peak associations. Table 3 breaks down the total receipts for 1994 and 1998.

For all races, parties provide very little to candidates. Contributions to presidential candidates in the database are coded as contributions to the national party. Thus, for the presidential race, contributions to candidates are equivalent to contributions to parties. The exception is the 1998 senatorial campaign. That year, 98 percent of all senatorial "party" contributions came from one state-based party and went to one candidate (Luiz Pontes of Ceará). The general absence of national party influence over the distribution of campaign funds in Brazil contrasts starkly with the situation in most other countries (Alexander and Shiratori 1994), but conforms to our expectations given the comparative weakness of Brazil's parties and the incentives of its electoral system.<sup>5</sup>

Candidates at all levels receive most of their funds from corporate sources. (The presence of many large but unfortunately unidentifiable contributions in the 1998 dataset probably reduces the relative weight of corporate contributions for that year). Corporate financial support is most pronounced in the presidential race. For example, there were 261 contributions of over US\$50,000 (including 58 of \$200,000 or more) in 1994.<sup>6</sup> Even the federal deputy races drew 133 corporate donations of \$50,000 or more in 1994. Business contributions are limited by law to 2 percent of gross corporate income, but in reality this means that no

effective limit exists. Corporations can and do simply open their checkbooks and contribute directly—and massively.

Corporate dominance of campaign funding in Brazil exceeds what we find in the United States, where limits on PAC contributions to US\$5,000 per candidate place an effective cap on direct corporate funding of campaigns. In 1996, according to the Federal Election Commission, House candidates received 31 percent of their contributions from PACs, and Senate candidates received only 16 percent (FEC 1997). The rest came from individuals. Of course, not all PAC money in the United States is corporate money (and not all “individual” money is provided independently of a business interest), but a PAC is the only channel for business to contribute to candidates in the United States. (Individuals can contribute up to \$1,000 per candidate and up to \$25,000 total; “soft money” contributions cannot go directly to candidates.) In Brazil, because corporations can contribute directly and because no clear limit on contributions exists, business interests can play a much more direct and larger role in providing campaign funds.

### **Variation in Corporate Support**

The businesses that provide funds tend to come from industrial sectors that are particularly prone to government intervention or influence. Table 4 breaks down the corporate sources by type of business for each type of campaign. (For how business sectors were coded, see the appendix.)

Three business sectors provide the lion’s share of corporate funds: finance, construction, and heavy industry (for example, steel and petrochemicals). Candidates for different offices, however, receive relatively different amounts from different business sectors. Presidential candidates garner relatively more from the finance and heavy industry sectors than candidates for other offices. This is because the president is most directly responsible for macroeconomic policy issues, such as interest, tariff, and exchange rates, which directly affect bankers, financiers, and businesses with links to the international economy (*Folha de São Paulo* 1998a). The executive branch also has extensive influence over the provision of subsidies and business regulation.

Although the influence of money on policy output is difficult to prove, several examples of apparent “quid pro quos” regarding exchanges of campaign funds for policy influence exist at the presidential level. For example, Cardoso received substantial support from telecommunications firms, which wanted him to follow through on his 1994 campaign promise to privatize the sector. Allegations surfaced in 1998 that the companies that eventually won the large telecommunications concessions were those that had contributed most to Cardoso’s victories (*Folha de São Paulo* 1995; *O Globo* 1998). Corporations in various sectors also provided campaign

Table 4. Corporate Contributors by Sector (percent)

	President		Governor		Senate		Federal Deputy	
	1994	1998	1994	1998	1994	1998	1994	1998
Finance	31.1	32.7	10.9	8.6	25.6	19.7	15.9	10.6
Construction	22.1	15.2	49.2	42.3	25.3	31.6	28.7	26.0
Heavy industry	17.2	27.6	9.6	12.4	10.7	19.0	13.1	13.9
Light industry	9.2	6.0	6.0	7.9	10.0	4.4	4.3	8.7
Administration	3.8	2.6	2.9	4.9	3.8	1.5	3.4	4.6
Education	3.7	0.3	0.7	0.0	0.1	0.0	0.3	0.5
Agro-industry	3.6	4.8	6.0	4.1	2.2	5.8	9.0	11.1
Media	3.2	0.9	2.7	4.1	3.7	2.8	5.9	5.0
Processed foods	2.4	0.9	3.5	2.1	4.3	6.3	4.0	3.3
Vehicles	1.8	1.1	2.5	3.9	6.0	2.8	4.8	5.3
Transport	0.7	2.5	1.1	1.2	0.9	1.1	3.3	2.5
Leisure	0.6	1.0	0.6	0.6	1.2	0.1	2.0	1.4
Health care	0.4	0.0	0.4	0.6	0.5	1.0	2.6	1.2
Commerce	0.1	4.1	4.1	7.3	5.8	3.8	3.0	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Excludes firms whose sector was unknown. See appendix.

contributions allegedly to persuade Cardoso to quit their debts with the federal government (*Folha de São Paulo* 1998a).

The financial sector also extended significant support to Senate candidates, especially relative to candidates for governor and federal deputy. This may be because the Senate oversees the central bank and also has authority to approve or deny loans from one public sector entity to another. Banks contributed to federal deputy candidates as well, probably because the Chamber's powers also extend to the financial sector. Article 192 of Brazil's 1988 Constitution allows Congress (that is, both the Chamber and the Senate) extensively to regulate the banking industry. Congress has never passed a permanent supplementary law regulating Article 192, but the Chamber of Deputies currently (as of February 2001) has a special committee exploring the issue. Deputies who received the most contributions from banks are important members of this committee (*Folha de São Paulo* 1995). Banks also provided funds to deputies and senators who supported their goal of preventing foreign banks from opening branches in Brazil (*Folha de São Paulo* 1995). The variation in support from various business sectors across candidates in the Chamber and Senate merits further investigation.

Turning to the distribution of contributions to gubernatorial candidates, the most impressive statistic is the amount of money that comes from construction firms. Brazil's *empreiteiras* funded candidates for all

offices, but gubernatorial candidates received almost half of their contributions from firms in this sector. The contributions, moreover, are generally much larger than those going to Senate or Chamber candidates. This is because the payoff for an *empreiteira* from having a friendly governor is much greater than from having a friendly deputy or senator. Although members of Congress have some input into the distribution of pork-barrel projects, state governors determine final allocation of most of the pork-barrel funds available in Brazil for construction projects. They are the agents who actually sign the contracts with private sector firms for most large-ticket public works projects (Abrucio 1998). Democratization also saw substantial fiscal decentralization in Brazil, which increased the funds available to governors for investment in public works. Construction firms therefore concentrate their resources on gubernatorial elections in an effort to ensure continued access to government contracts for paving roads and building bridges, dams, schools, hospitals, and other public works projects (Bezerra 1999).

This is not to say that senatorial and deputy candidates do not receive contributions from construction firms. Senators and deputies submit pork-barrel amendments to the yearly budget that favor certain *empreiteiras*, either in return for campaign contributions or in the hope of someday receiving them. In turn, the construction firms that provided the most campaign funds received the most contracts and payments from the federal government (*Folha de São Paulo* 1995).

The data on corporate contributions reveal which firms do give money but cannot tell why certain kinds of firms do not. Several types of firms are conspicuously absent from the list; for example, media organizations, such as the major television networks. (Rede Globo, a global conglomerate, provided almost no donations, despite rumors that it had contributed extensive resources to candidates in the past, particularly to Collor de Mello's 1989 presidential race.) Brazil's allegedly powerful trucking and other transportation industries also gave relatively little money, as did its powerful agro-industry lobby.

## The Role of Organized Labor

Scholars with knowledge of campaign finance in the United States or other longstanding democracies will by now have noted the absence here of any attention to contributions from labor unions. Brazil does have three powerful labor peak associations, but direct contributions from unions are prohibited. This explains the absence of institutionalized financial support from labor but raises a series of other questions. Have labor-friendly candidates devised labor- and time-saving methods to raise cash to skirt the law? Do unions provide an organizational tool for fundraising, even if they do not provide the money directly? Anecdotal

Table 5. Cross-Party Variation in Campaign Contributions,  
Candidates for Federal Deputy (in US\$)

Party	1994				1998			
	Winners	Losers	Average	N	Winners	Losers	Average	N
PDT	\$79,828	\$17,605	\$27,275	148	\$51,940	\$13,099	\$17,830	156
PT	\$35,977	\$8,984	\$14,108	216	\$53,869	\$11,719	\$23,160	210
Other left	\$75,651	\$16,054	\$29,488	93	\$95,611	\$12,373	\$23,182	231
Left average	\$58,324	\$13,209	\$21,502	457	\$65,337	\$12,372	\$21,776	597
PP	\$169,733	\$46,356	\$77,200	88	—	—	—	—
PTB	\$152,480	\$46,829	\$70,092	109	\$140,573	\$31,290	\$54,297	114
PPB	\$116,519	\$50,701	\$73,043	109	\$145,701	\$45,780	\$79,671	171
PSDB	\$126,457	\$45,361	\$69,548	171	\$166,024	\$47,808	\$103,239	210
PFL	\$131,042	\$40,480	\$82,895	158	\$163,401	\$80,815	\$121,298	204
PMDB	\$146,919	\$47,430	\$83,675	269	\$136,772	\$44,282	\$76,925	221
Other	\$131,085	\$18,194	\$30,268	187	\$110,836	\$12,116	\$19,119	296
Non-left average	\$137,641	\$40,108	\$69,252	1,091	\$151,299	\$38,510	\$73,107	1,216

evidence offers an affirmative answer. For example, the PT-allied Central Unica de Trabalhadores (CUT) organized several attempts to raise funds for Lula's candidacy at the doors of factories, offices, hospitals, and universities (*Gazeta Mercantil* 1998). Apparently, these efforts were only moderately successful, as evidenced by Lula's relative lack of money.

### Cross-Party Differences

The data also reveal differences across parties in the level of campaign contributions and in the relative balance between corporate and individual contributions. To illustrate, we may focus again on contributions to candidates for federal deputy. A common-sense hypothesis might hold that candidates in leftist parties would receive less money overall and that they would receive most of their money from individuals rather than corporations. The data bear this out.

Table 5 relates the average amount that candidates from different parties received. In both elections, the group of leftist parties won about 20 percent of the seats in the Chamber (for classification and description of Brazilian parties, see Mainwaring 1999). The table provides clear evidence of wide disparities in candidates' ability to raise funds. Winning candidates in leftist parties managed to raise about one-third of what winning candidates in parties from other parties raised. Overall, although leftists comprised 31 percent of the candidates in the data from these two elections, they captured only 12 percent of the money.

Table 6. Corporate vs. Individual Contributions per Candidate  
(in US\$)

Party	1994		1998	
	Corporate	Individual	Corporate	Individual
PDT	\$14,283	\$12,984	\$4,307	\$13,424
PT	\$3,804	\$10,121	\$6,464	\$16,639
Other left	\$16,323	\$12,473	\$6,923	\$15,115
Left average	\$9,746	\$11,527	\$6,078	\$15,029
PP	\$45,462	\$31,739	—	—
PTB	\$41,644	\$28,187	\$24,708	\$29,568
PPB	\$54,593	\$18,449	\$44,556	\$33,713
PSDB	\$45,742	\$23,713	\$61,782	\$41,977
PFL	\$58,232	\$24,662	\$78,638	\$40,788
PMDB	\$52,927	\$30,697	\$48,080	\$30,416
Other	\$17,361	\$12,884	\$8,786	\$10,319
Non-left average	\$44,910	\$24,285	\$43,321	\$29,645

Note: All figures are averages.

Not surprisingly, the data also confirm that leftists obtain far less from businesses than candidates from other parties. Table 6 shows the differences between corporate and individual support for candidates from different parties. Candidates from the PT each raised about 10 percent of the amount from business that candidates from non-leftist parties did in 1994, although they managed to do slightly better in 1998. On average, leftist candidates each raised only about 15 percent of the amount from business that candidates from non-leftist parties did in both elections. Overall, leftist candidates accrued only about 7 percent of all corporate contributions. Leftists did slightly better in terms of contributions from individuals, obtaining about 45 percent of what non-leftists did from individuals.

The information in tables 5 and 6 empirically confirms the anecdotal conventional wisdom that leftist candidates have significant problems raising funds, and that they have even greater difficulty tapping corporations for contributions. In contrast, candidates from parties that have tended to support the central government since redemocratization possess significantly greater access to both individual and corporate donors.

## THE IMPACT OF MONEY ON VOTES

To the degree that money affects election outcomes, access to money tilts the playing field in favor of those who can obtain relatively more.

Table 7. OLS Results: The Effect of Money on Votes  
for Federal Deputy in Brazil

Variable	1994	1998
	Coefficient (std. error)	Coefficient (std. error)
Constant	.557 (.044)	.934 (.07)
% Cash	.314 (.028)	.454 (.04)
% Cash <sup>2</sup>	-.007 (.001)	-.007 (.001)
Candidate quality	.254 (.027)	.399 (.030)
Magnitude	-.012 (.001)	-.019 (.001)
R-Sq.	.60	.64
N	1548	1813

Note: All coefficients are significant at the .001 level.

Results of a very simple ordinary least squares regression analysis confirm money's strong impact. On average, the federal deputy candidates in the sample received about 1 percent of the votes and 1.5 percent of the money in their states. The small vote percentages result from the large districts in which the candidates compete. Winning candidates needed to obtain only 1.8 percent of the vote in their states, on average (sometimes much less). (For discussion of methodological issues in the study of Brazilian campaign finance, see Samuels forthcoming.)

In the OLS regression results, the dependent variable is the percentage of all individual votes for federal deputy that the candidate received in the district. The independent variables used were the following:

- Cash percent. This is the percentage of all campaign funds the candidate obtained in the district (TSE 1997, 2000). It is the relative amount of money that candidates raise compared to all other candidates. Brazil's states vary widely in size and population, so using the absolute amounts would provide less information. This variable would be expected to return a positive coefficient.
- Cash percent<sup>2</sup>. The percentage of all campaign funds squared accounts for the potential limitation that spending is subject to diminishing returns; it should return a negative coefficient.
- District magnitude. This variable controls for the direct, mechanical effect on votes of the number of seats at stake in the candidate's district; as magnitude increases, the number of candidates running also increases, and candidates' average vote shares will necessarily decline (TSE 1995). This variable should therefore return a negative coefficient.
- Candidate quality. This variable controls for candidates' other attributes. The ranking is based on an independent organization's



Table 8. Probability of Victory, Brazilian Federal Deputy Elections

Percent cash in state	Percent who won, 1994	Percent who won, 1998
0.01–0.5	7.7	8.1
0.51–1.0	28.7	34.6
1.01– 2.0	45.7	43.8
2.01–3.0	52.8	58.7
3.01–5.0	65.6	70.9
> 5.0	70.6	72.0

assessment of candidates' previous experience. It takes a value of 0, 1, 2, or 3 (INESC 1994, 1998). We would expect higher-quality candidates to obtain more of the vote, independently of how much money they spend.<sup>7</sup>

Table 7 presents the OLS results, with robust standard errors corrected for heteroskedasticity. The results are quite strong for each variable. All coefficients are in the expected direction and significant at the .001 level. Money does indeed have a tremendous effect on the outcome of legislative elections.

The results on the "percent cash" variable can be interpreted this way: for each additional percentage of the funds in the state that a candidate managed to obtain, the candidate stood to gain about 0.31 percent of the vote (in 1994) or 0.45 percent of the vote (in 1998).<sup>8</sup> (We do not yet know why money appears to have had a stronger impact in 1998.) In races in which minute differences in candidates' vote totals make the difference between winning and losing, this clearly implies that access to campaign funds can affect a candidate's success or failure. This is clearly shown in table 8, which matches how much of all the money a candidate obtains in his or her state with his or her probability of victory, all else equal (for logit analysis, see Samuels forthcoming).

Most candidates obtain very little money and have a low probability of victory. As candidates obtain more funds, their probability of victory increases. While the relationship between money and votes in Brazil merits further exploration, these results provide strong support for the notion that money is essential for candidates' electoral success.

## CONCLUSIONS

What implications can we draw from this data about the impact of money on democracy in Brazil? On the one hand, Brazil's extraordinarily expensive campaigns might bode well for democracy, because high costs imply that politicians must fight tooth and nail to win office. In

other words, expensive campaigns might signal that democratic competition is alive and well.

The importance of money, however, has far more negative implications for Brazilian democracy. Brazilian elections are expensive primarily because politicians lack other tools to get their message out to voters. Scholars have long decried the absence of strong national parties in Brazil, and the obvious importance of campaign finance adds another dimension to our understanding of Brazilian party weakness. In the absence of coherent national party labels to rely on for electoral support, individual candidates must turn to other methods to build and maintain a support base. Brazil's campaign finance law exacerbates the individualistic, personalistic, and antiparty tendencies in its electoral system by providing candidates with strong incentives to raise and spend money independently of their party's dictates and by restricting parties' ability to influence the sources and flow of funds. If campaign spending could be capped somehow, or national parties given more influence over the flow of funds, candidates would have significantly more incentive to adopt programmatic electoral appeals.

The importance of money to candidates' success also saps the vitality of what is formally a very competitive democratic system because it tilts the playing field in favor of politicians with wealthy supporters. Money enhances candidates' viability in Brazil, and a lack of money severely limits many candidates' competitiveness. Most prominently, a lack of money has seriously hampered all three of Lula's presidential campaigns. Lula had no private jet, as did Cardoso in 1998; he had to fly coach class on regularly scheduled flights, which forced him repeatedly to alter his campaign agenda because of many late and cancelled flights. The PT's promotional material was also late in reaching voters because the party could neither pay its bills on time nor obtain credit (*Folha de São Paulo* 1998b). Similar stories abound for leftist candidates for other offices.

The converse of leftist candidates' poverty is other candidates' relative wealth. The data examined here provide a new and empirically precise view of how Brazil's highly concentrated and politically savvy business class attempts to shape government output by funding campaigns. In contrast to the United States, where a substantial amount of campaign finance is policy-induced (for example, from pro-life conservative individuals; Sorauf 1988, 1992), the bulk of campaign finance in Brazil is service-induced, with money exchanged for expected particularized government services. Most funds for non-leftist candidates come from businesses that desire to influence government policy, because many of them stand to obtain a fairly direct payoff.

While power in Brazil has historically been highly concentrated in the hands of a few, democratic competition offers the possibility of pop-

ular influence in government policy. But Brazil's system of (for all intents and purposes) unregulated campaign finance tends to perpetuate the status quo by tightening the links between conservative political elites and business interests and limiting the ability of new interests to gain a voice in Brazil's representative institutions.

This paper has barely scratched the surface of the dynamics of campaign finance in Brazil. These campaign-finance data provide an empirical way to test hypotheses developed for U.S. campaigns that until now have not been tested elsewhere. They will allow scholars to develop truly comparative theories of campaign finance. Taking into account the particulars of Brazil's institutions, we ought to ask questions such as "Does money help incumbents more than challengers, and by how much?" "Do incumbents attract more money?" "Do incumbents seek to shape campaign finance laws to their benefit?" "How and with what effect do businesses target politicians in order to shape the policy agenda and process?" "Are businesses strategic, or do they simply spread the money as far and wide as possible?" Future research should explore the role of organized labor and business groups in campaign finance in Brazil. It should also focus on why certain business sectors provide more or less campaign funding to candidates for different offices, and on the relationship between campaign contributions and business interests at both the national and state levels.

It was not so long ago that the United States lacked strong campaign finance reporting requirements. Federal Election Commission data have been available only since 1974, but they have served as the basis for a wide-ranging and fruitful research program. Brazil's experiment with campaign finance reporting and oversight has just begun, but the availability of such highly detailed data offers scholars a golden opportunity to research the crucial relationship between money and votes in Brazil's relatively young democracy.

## **APPENDIX: CODING CORPORATE FUNDING SOURCES**

The coding system used in this study was based on words in each firm's name. The firm's industrial sector was determined for between 89 and 99 percent of the value of all donations, depending on the level of the campaign. The unknown values for each level of election are shown in table 9.

The accuracy of the coding increases with the importance of the position because larger firms were more likely to contribute to the more important races. Larger firms were more likely to have names like Silva Construction Ltd. instead of Silva & Silva, Ltd.; this facilitated coding. The following keywords found in firm names were employed to classify firms by sector.

Table 9. Missing Corporate Values (percent)

	1994	1998
Presidential	3	1
Gubernatorial	5	5
Senatorial	8	2
Deputy	11	6

- Media. Editing, graphics, printing, radio, TV, communications, publicity, advertising, marketing, cinema, newspapers, magazines.
- Finance. Banking, investments, finance, insurance, stock trading, credit, housing (*imobiliário*).
- Construction. Construction, engineering, cement, wood, stone, floors, sawmills, earth shaping, paving, drilling, geo-engineering.
- Leisure. Tourism, tourist agencies, hotels, entertainment, sports products, restaurants, bars.
- Transport. Transportation, bus, ship cargo, trucking.
- Vehicles. Automobiles, mechanics, gas stations, tire sales, car rentals, car and truck parts, wheels.
- Processed foods. Drinks, supermarkets, meatpackers, fruits, vegetables, bottlers, bakeries, canneries, beer distilleries.
- Agroindustry. Agroindustry, sugarcane-alcohol distillers, fertilizers, chickens, seeds, grain storage, cattle.
- Heavy industry. Metallurgy, paper manufacturing, petrochemicals, mining, coal, other durable goods.
- Light industry. Textiles, ceramics, pharmaceuticals, paints, electronics assembly, other nondurable goods.
- Administration. Administrative services, accounting, lawyers, consultants, architects, computer systems, human resources administrators.
- Healthcare. Health, medical services.
- Education. Schools, colleges.
- Commerce. Sales, stores, wholesale, retail, import-export.

## ACRONYMS

CUT .....	Central Unica de Trabalhadores, Central Workers' Union
PDT .....	Partido Democrático Trabalhista, Democratic Labor Party
PFL .....	Partido da Frente Liberal, Party of the Liberal Front
PMDB .....	Partido do Movimento Democrático Brasileiro, Party of the Brazilian Democratic Movement
PP .....	Partido Popular, Popular Party
PPB .....	Partido Progressista Brasileiro, Brazilian Progressive Party

PPR .....	Partido Progressista Reformador, Progressive Reform Party
PPS .....	Partido Popular Socialista, Popular Socialist Party
PSDB .....	Partido da Social-Democracia Brasileiro, Party of Brazilian Social Democracy
PT .....	Partido dos Trabalhadores, Workers' Party
PTB .....	Partido Trabalhista Brasileiro, Brazilian Labor Party

## NOTES

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1. Arguing for the validity and reliability of similar data from Japan, Cox and Thies (2000, 45) put it this way: "If these data have been fabricated, they have been fabricated so as to preserve a number of expected correlations and even to fit the theories of political scientists, which does not seem too likely."

2. The 1998 database does not provide the dates of the contributions, so an average was used of the dollar conversion rate for the months of May through October 1998, the official campaign season. The real was fairly stable at this time, varying between US\$1=R\$1.15 and R\$1.18.

3. Other candidates did not present detailed information to the TSE, and are therefore not included.

4. Candidates no doubt spend much more than they declare. These figures cannot be claimed to represent candidates' precise expenditures, and there is no way to discover how far these figures diverge from the "true" totals. Nevertheless, it is highly likely that the cross-office, cross-party, and cross-candidate patterns in the data represent real patterns. For example, an average deputy campaign probably costs far less than an average senatorial campaign, which in turn costs far less than an average gubernatorial campaign.

5. Table 3 does not include R\$8.4 million that individuals and corporations contributed to state party branches in 1994. Because the database covers only contributions and not expenditures, there is no way to discern how party leaders distributed this money and with what effect. They could have directed it to gubernatorial, senatorial, federal deputy, or even state deputy campaigns. This sum accounts for less than 3 percent of all declared contributions in 1994, however, and therefore would not dramatically alter the relative distribution of funds in table 3 if included. Field research involving interviews with state-level party leaders could uncover how and why state party branches distribute funds, how much this increases the power of state party leaders relative to national party leaders, and why national party leaders apparently are not involved in campaign finance for gubernatorial, senatorial, or congressional campaigns. Also not addressed here is the Party Fund (*Fundo Partidário*), public money that funds national party organizations. It is not clear whether this fund's resources go to salaries and upkeep of national party offices or to funding candidacies, as matching funds do in the United States. This, too, merits further investigation.

6. Thrown out as an outlier was one contribution to Orestes Quércia for over R\$26 million. This contribution was not reported in any media descriptions of the sources of his campaign funds.

7. This variable is correlated with “incumbency” but is broader. Some incumbents receive a low ranking, and some nonincumbents receive a high ranking, because of their previous experience. It is unlikely that INESC’s rating subsequently influenced either contributors’ willingness to provide funds to candidates or voters’ propensity to vote for a candidate. Although INESC released its assessment in April of the election year, before the campaign officially began (the election is held in October), its readership consists mostly of small-budget nongovernmental organizations that wish to keep abreast of congressional politics in Brasília. Because so many candidates compete and margins of victory are so slim in federal deputy races, moreover, neither Brazil’s major television news programs nor its major newspapers take public opinion polls regarding the federal deputy election, so INESC’s rating would not have filtered into public consciousness that way. Thus, because INESC is not a major polling organization, neither candidates’ campaign funds nor their final vote tally is likely to be endogenously related to the INESC quality ranking. For further discussion of the absence of an endogeneity problem in Brazilian campaign finance, see Samuels forthcoming.

8. In terms of diminishing returns, a plot of spending against votes (not shown) indicates that diminishing returns kick in when a candidate accrues about 15 percent of the money in a state. Because candidates do not know how much money other candidates will raise, however, they do not know what amount 15 percent will be in real currency. Given the dramatic disparities in district size, moreover, this study cannot provide a meaningful figure either. Only about 1 percent of candidates manage to raise over 15 percent of the money in their state.

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