

# Donald Marron

Musings on Economics, Finance, and Life

## The Cost of Sunshine: Hugo Chavez Edition

July 5, 2011 by Donald

Campaign systems often rely on disclosure (e.g., of campaign contributions and petition signing) to limit corruption and inform the voting public. Such sunshine provides important benefits, but, as I've noted before ([here \(http://dmarron.com/2011/04/11/the-cost-of-sunshine-the-downside-of-disclosing-campaign-donors/\)](http://dmarron.com/2011/04/11/the-cost-of-sunshine-the-downside-of-disclosing-campaign-donors/) and [here \(http://dmarron.com/2010/03/20/should-campaign-contributions-be-anonymous/\)](http://dmarron.com/2010/03/20/should-campaign-contributions-be-anonymous/)), it can also have costs. For example, disclosure makes it easier for politicians to identify their supporters and opponents and, if they are so inclined, to mete out rewards and punishments accordingly.

A recent paper in the *American Economic Journal: Applied Economics* reports a striking example of this in Venezuela. Chang-Tai Hsieh, Edward Miguel, Daniel Ortega, and Francisco Rodriguez document ([here \(http://www.aeaweb.org/articles.php?doi=10.1257/app.3.2.196\)](http://www.aeaweb.org/articles.php?doi=10.1257/app.3.2.196); ungated version [here \(http://frrodriguez.web.wesleyan.edu/docs/working\\_papers/maisanta\\_april2009\\_final.pdf\)](http://frrodriguez.web.wesleyan.edu/docs/working_papers/maisanta_april2009_final.pdf)) what happened to Venezuelans who signed at least one of three petitions in 2002-03 calling for a recall vote against President Hugo Chavez. The third petition was successful, but Chavez survived the vote.

He then got his hands on the list of Venezuelans who signed the third petition. Using household survey data, the authors were able to track what happened to those signers, Here's their abstract:

In 2004, the Hugo Chávez regime in Venezuela distributed the list of several million voters who had attempted to remove him from office throughout the government bureaucracy, allegedly to identify and punish these voters. We match the list of petition signers distributed by the government to household survey respondents to measure the economic effects of being identified as a Chávez political opponent. We find that voters who were identified as Chávez opponents experienced a 5 percent drop in earnings and a 1.3 percentage point drop in employment rates after the voter list was released.

In short, a notable fraction of the opponents lost their jobs, were unable to get new jobs, or had their pay cut.

Individuals who signed the first or second petition, but not the third, did not experience any decline in earnings or employment.

Why the difference? Because only information about the third petition appeared in the computerized data sets that Chavez distributed.

So it wasn't disclosure alone that allowed the punishment, but disclosure coupled with easy-to-access dissemination.

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## 3 Responses

**The Costs of Mandated Disclosure | Cato @ Liberty** on *July 7, 2011 at 6:49 am* | [Reply](#)  
[...] Marron reports on a study that shows how severe the costs of disclosing political activity can [...]

**Walt French** on *July 11, 2011 at 3:02 am* | [Reply](#)  
Donald, I hope you're not saying that US politics is headed towards a one-party totalitarianism.



And if it's not, why worry about sunshine laws?

In our forefathers' world, there seem to have been plenty of false rumors, etc., and we bungled to where we are today. But if YOU were to design the best possible democracy, would you allow monied interests to dominate discussions? Why should corporations, "persons" only by

legal fiction of Congress and the various states, be granted powers that compete with Constitutional guarantees of free and fair elections?

NL\_

on *July 12, 2011 at 6:01 pm* | [Reply](#)

If corporations didn't have rights, then individuals wouldn't have the ability to exercise their rights collectively. It would mean that the Fourth Amendment right against searches and seizures didn't apply to corporate-owned businesses, that the right to free press didn't apply to corporate-owned media (all major newspapers, all major networks). People could only act individually, not collectively. But in reality corporations have the right to speech, just as they have the right to sue for breach of contract and the right to own property and hire employees.



The real question is: if there's no reason to keep donors private or petition-signers private, why even have secret ballots? If there's good reason for private ballots, couldn't there be good reason to keep other political activities private?

And are people so weakminded that they blindly go out and vote for whoever buys more ads? Did Obama win 2008 because he outraised and outspent McCain? Is Obama nothing more than the latest puppet of monied interests? I'd say no, it just reflects vast exasperation with Republicans and his refreshing charisma that he won both lots of donations and lots of votes.