Comparative Party Finance: What is to be done?

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The study of party finance is underdeveloped. Unlike many areas of parties and elections, the financial aspects have tended to escape extensive academic analysis. This omission is odd since party finance matters for all sorts of reasons. The study of political finance is fundamental to the study of the workings of representative democracy. For Alexander (1989:10-12) money is an element of political power, because it buys what is not or cannot be volunteered. Moreover, money is the most important constituent because finance also dominates the organizational and electoral aspects of political life. The importance of money in politics then is fundamental, for it affects political spending (Johnston, 1985:256-77) and contributes to debates concerning political equality (Oliver, 1992; Fisher, 1999). A consensus exists in the U.S.-based scholarship, and perhaps elsewhere, that while there may be a threshold beyond which the importance of fundraising diminishes, incumbent politicians cannot even hope to get elected if they do not meet minimum fundraising requirements.

Some claim that money distorts political equality and work from the premise that greater financial means will lead to greater political influence (Adamany & Agree, 1975:2-3; Ewing, 1992). It is argued that since all citizens have an equal right to political participation, so all interests should receive financial support in proportion to their adherents. The reality is, however, that often wealthy groups are represented beyond the proportion of their number. And, as a result, inequalities in money are greater than any other inequalities of the resources that go into political life, because money can buy virtually any of the resources that are given directly by citizens (Paltiel, 1981; Adamany & Agree, 1975).

This increasing concentration of wealth in fewer parties' and candidates' hands may be accompanied by government deregulation, in established and new democracies alike. The normative implications of this tendency in themselves would justify a special issue of *Party Politics* comparing systems and actors in party finance. However, even beyond just addressing this normative issue, considered prominently by Jonathan Hopkin's article, this issue seeks to start formulating more systematic and deductive approaches to the subject, as well as building on a tradition of work on the established democracies of Western Europe, by adding new democracies in Eastern Europe and Latin America to the mix.

After Hopkin orients readers to the normative need for more rigorous studies of party finance, Ben Clift and Justin Fisher apply different strands of institutionalism to explain the great differences in party finance regulation in Great Britain and France. Susan Scarrow uses the German case to ask whether parties motivated by fundraising as en end unto itself would behave any differently from parties motivated by fundraising only as a means to electoral victory. And in a piece comparing several new Eastern European democracies, Ingrid van Biezen notes that while public funding has been viewed as a solution to some of the questions raised by Hopkin, it may possess its own pitfalls, creating a clientelist relationship between governments and parties. Finally, considering the increasing autonomy of Mexico's institutions for investigating party finance irregularities, Todd Eisenstadt inquires about whether Mexico's success has been due to the constituted powers of institutions themselves, or to changes in actor incentives brought by the democratic transition there.

In order to press the party finance research agenda forward, we must briefly review where it stands, especially in relation to three key areas: party income, party spending, and the regulation of party finance. Brief discussions of each of these areas follow.

Party Income

The principles of funding political parties have fostered debate for many years. Competitive political parties require funds for three purposes: to run election campaigns, to maintain viable inter-election organizations and to provide research and other assistance to the leadership and representatives of the party (Paltiel, 1981:139). This leads us to the question of how the necessary funds for such operations are provided. As Hopkin shows, different ways of funding parties present different theoretical and practical problems.

In the absence of genuine mass parties, the most obvious sources of funds for political parties are groups and individuals. Yet, many have been concerned that such a relationship invites a conflict of interests for political organizations. Concerns have ranged from a perception of an undesirable dependence upon interest groups through to a view that the notion of privately funded political parties will inevitably favour those who fund them. At the very least, private contributions can generate suspicions of trading influence (Adamany & Agree, 1975:15-6; Lösche, 1993), though some have claimed that frequently such fears are exaggerated (Fisher, 2002; Lösche, 1993). In Finland, for example, it was considered at one time that private donations from companies and individuals presented the *least* potential risk to the independence of political parties (Wiberg, 1991: 55).

One potential safeguard against the risk of illegitimate activity arising from donations is transparency. Disclosure can help maintain public confidence in the democratic political process: secrecy can breed suspicion and confidence is more likely if unnecessary secrecy is removed. Transparency, however, is not a ‘cost free’ exercise. Both parties and public agencies may incur significant costs in providing the data required for such openness (Nassmacher, 2003:6). And transparency can also have negative effects – the creation of more suspicion on account of newly available information and as a result, an increased reluctance of donors to contribute, regardless of whether suspicions are well-grounded (Fisher, 2002). The problem, however, is that all of this has the potential to erode public confidence. Of course, however, transparency alone may not prevent scandals from occurring. As Scarrow points out in this volume, despite transparency regulations, political finance scandals have occurred recently in Italy, Spain, Germany and Japan.

Many states have introduced state funding formulas. This has been in part due to corruption and the fear of corruption through the practice of voluntary donations (Nassmacher, 1993; Pierre & Svåsand, 1992; Gidlund, 1991b). State funding here is designed to limit or eliminate the potential for such practices. The introduction of state subsidies has also partly been a reflection of concerns that political parties are facing decline in terms of strength and resources. This in turn will make them less able to perform the role of intermediary between the citizenry and the state (Nassmacher, 1993:234; Pierre & Svåsand, 1992). Overall, public subsidies have replaced private sponsorship as the norm in political finance (Nassmacher, 1993:234).

The effects of state funding have varied. Certainly, it has not succeeded in wholly eliminating corruption and loophole seeking. Nevertheless, there have been some common trends. Parties have obtained more resources, though costs have increased to a corresponding degree. Dependence by parties on public money has been high and a general bureaucratization and professionalization in party organizations has taken place. State funding has contributed to the general trend of centralization amongst parties and the importance of party memberships has declined as has the dependence upon voluntary donations. That said, the introduction of state funding has had no discernible effect on party membership levels (Pierre et al, 2000). Moreover, there has been an increase in party activities and a greater ability to maintain activities between elections (Gidlund, 1991a; Nassmacher, 1989).

Party Spending

Many debates concerning party spending have tended to suggest that disparities in the financial endowment of parties distort electoral competition in favour of the wealthiest party. Consequently, it is argued that unregulated political finance fails to guarantee a level playing field in the competition for power, thus undermining the right to equal political participation. Notwithstanding the argument that money may not be used with equal degrees of skill (Fisher, 1999), there is some evidence to suggest that party spending does have an impact upon electoral outcomes. Both Jacobson (1980,1990 and Johnston & Pattie (1995) for example, show that increased spending – in particular challenger spending – leads to electoral payoffs. That said, as Fisher (1999) shows in the British case at least, the assumption that increased spending leads to electoral success is something of an over-simplification. Party spending, of course, consists of more than just campaign spending. It also includes the maintenance of party infrastructures and the funding of party research – especially important for opposition parties. Nevertheless, the focus of much regulation in respect of party spending has focussed largely upon campaigns.

In contrast to strategies for winning votes 'wholesale' through platform-based campaigning, a caveat is in order about the prevalence of 'retail' party spending on vote-buying in impoverished countries, where 'the politics of the belly' dictates that votes in rural areas may turn on immediate delivery of a sack of beans, a sheet of aluminum roof laminate, or even a pair of shoes or a T-shirt, rather than on promises of remote policy reforms. Samuels (2002) provocatively suggests that in the Brazilian case, policymaking is dictated by legislators' efforts to placate campaign donors with 'pork' projects so that these donors will reciprocate with contributions. In other words - and as scholars of institutionalized campaign corruption in new democracies including Desposato (2003), Fox (1994), and Rigger (1994) - have shown, vote-buying can grossly undermine platform-driven, ideological campaigns, turning them into populist giveaways. In such cases, a small concentration of private donors may acquire even more control over policymaking, if their money can buy votes so cheaply. While the relationship between clientelism and party finance is not explored further in this collection, it is an important area for future research.

Regulation

Such problems have in many countries led not only to regulations requiring the disclosure of political contributors, but also limitations being placed on both the methods and size of donations. Mechanisms include disclosure of financial dealings to allow public accountability; the employment of the tax system to broaden the base of party funds; state subsidy of political expenditure; regulation of political broadcasting and the imposition of spending limits on both candidates and parties (Ewing, 1992:92).

Regulation has, however often proved to be difficult to implement. Key obstacles have included the inability or unwillingness of parties and donors to comply with the spirit of legislation and the difficulties of constructing legislation itself. One of the key pitfalls in the creation of political finance law is that its drafting and enacting must be undertaken by representatives of the very organisations which will be affected by such regulation, the political parties. Moreover, many party finance regulations are drafted only in response to a scandal (Nassmacher, 2003:2). As a consequence, regulations may simply be symbolic gestures designed to give the impression of a response when in fact there is not support for such changes amongst those who are affected by it. Despite the good intentions of many politicians, political finance often remains shrouded in mystery, and subject to continual resistance for reform by the political parties themselves. In short, where disrespect for law and institutions are the prevailing attitudes, enforcing a party finance regime is almost impossible (Nassmacher, 2003:3).

In recent years, there has been a spate of new party finance regulations. In the USA, for example an effort was passed by Congress in 2001 seeking to close loopholes which essentially allowed candidates unlimited funds if these were channeled through political action committees (PACs) rather than being donated directly by individuals, and issue-related ads (which presumably addressed platform issues only, and not appeals by individual candidates). The so-called McCain-Feingold legislation of 2001 placed new reporting requirements on individual donations, limited state party contributions to federal elections, and did place new restrictions on funding for federal candidate-related ads. However, it did not entirely close the PAC and issue-ad loopholes, and placed no broad ceiling on the rapidly escalating costs of federal campaigns, estimated by the non-partisan Congressional Research Service (2002) to have increased nearly eight-fold over the last 25 years. The question for the US, and other democracies surveyed by Pinto-Duschinsky (2001), which have been plagued by ‘runaway’ election costs, is whether to impose stricter campaign spending limits, as exist in some 60 percent of Pinto-Duschinsky's five dozen cases (including many of the world's long-standing democracies) or offer free political broadcasts like 88 percent of the Pinto-Duschinsky sample.

As a result of recent regulatory changes, more comparative models are required to help us understand the paths taken by a variety of democracies. In this special issue, we seek therefore to extend the gaze of constitutional engineering to the area of party finance and analyze new theoretical and comparative discussions which can help illuminate our understanding of party finance and comparative politics more generally. We hope this issue can assist in the ongoing effort to illuminate one crucial aspect of the growing ‘disaffection’ (Pharr and Putnam's term) with political participation in the long-established democracies, and disenchantment being reported in more recent experiments with democracy. Clearly, party finance is but one of several critical areas of perfectability in transparent and representative government. But taken together, the articles that follow make a case - through empirical claims and their normative implications - that party finance is a good starting point for reconsidering such issues.

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