Public Funding Regulation has been a debated issue since very long. Already in the 40´s when analysing the limitations to contributions and expenditures of candidates and parties over electoral campaigns in the US, specialist could not reach an agreement on how to address the topic. (Overakcer: 1941)

In order to tackle the problem of the "power of the purse", for the presidential campaign in 1940, the US Congress decided to increase the party finance regulations. There had already existed some limitations upon the amount of contributions and total expenditures of candidates and parties since 1911. Nevertheless, through the "Hatch Act II", the Congress of the US also limited the amount of money that an individual could contribute to a national committee and the level of expenditures permitted to these agencies. (Overakcer: 1941)

The results of the new legal framework were not good. Its actual effect was a deliberated strategy to circumvent the goal of the law without violating its letter. Both parties decentralized the collection and distribution of funds. Indeed, Overacker concluded that the endeavour to regulate camping funds was "ambiguous, unworkable, and conducive[d] to unhealthy political practices". Based on the evidence, Overarcker disputed the advices from other specialists who were in favour of more party finance regulation. Conversely, he supported the idea of increasing publicity of party funding instead of passing new legal prohibitions. (Overakcer: 1941)

At the beginning of the 60´, in a publication which was mentioned to be "the starting point of the new subject [party finance]" (Blondel: 1970), Heidenheimer tried to go a step forward in comparing political finance processes. After recognizing that a high quality comparative study of the topic would require greater amounts of data and more unified concepts, he looked to develop an initial comparative evaluation of data and information. At that time, Heidenheimer observed in the literature on parties, two main polar models in terms of party finance processes. The first built around mass parties and based on memberships’´ dues-paying. The second concerning cadre party, whose financiation relied upon the "whim of a few hidden large-scale contributors and ´interests´". (Heidenheimer:1963)

Yet, he stated that in the 60´, most Western parties were turning themselves into mass parties, and at the same time they had started to diversify their sources of financial support, reducing hence, the former financing patterns differences. Indeed, throughout his work, Heidenheimer permanently compared the diverse party finance processes in order to analyse the existence of a historical evolution in this phenomenon. He touched upon the issue of regulation within this realm, but only accessorily. He observed that only a small amount of countries tried to prohibit corporate political donations like the US had done. Indeed, Heidenheimer concluded that there were tax laws over the different countries, those which had considerable influence. He mentioned donations limits stick to profits and tax-deduction mechanisms as the ruling ways of party finance. However, he admitted that the application of these regulations deserved much more detailed studies on a comparative level. (Heidenheimer:1963)

Over the 60´ some scholars observed a growing tendency among Western countries regarding party finance. Indeed, they saw that in a number of countries, political parties were abandoning their traditional sources of income from the 19th and 20th centuries and started to move into public subsidized system. (Blondel: 1970, preface)

Concerned about this phenomenon, they started to analyse the importance and effectiveness of party finance over electoral results, mainly, focused on the relationship between economic and political powers. Consequently, they went into the realm of party finance regulation. (Heidenheimer: 1970[[1]](#footnote-1))

Taking into account Max Weber´s statement, which highlights the central importance of party finance in defining how influence spreads itself over the political system, Heidenheimer studied the different practices and experiences related to the rising, spending and controlling of political funds. Regarding the latter, the scholar pointed out different regulations related to campaign expenditures, like spending limits and expenditures reporting requirements. (Heidenheimer: 1970)

Moreover, he underlined a political discussion about a Parties Law in Germany, when the suggestion of turning corporate donations to parties and candidates into illegal was counter argued based on the American experienced, which had proved that such rules could be easily circumvented. Nevertheless, Heidenheimer observed a high correlation between the enforcement level of expenditures disclosure and the degree of public access to that information. (Heidenheimer: 1970)

Weber: “regarded party finance as the “centrally important” factor in determining how influence is distributed in the political system” (p. 3) Weber: “of course there are limits to the power of political finance. It can only exercise an influence insofar as a “market” exists, but, as in the case of capitalistic enterprise, the power of the seller as compared with the consumer has been tremendously increased by the suggestive appeal of advertising”. (Heidenheimer: 1970, p. 4, cita de weber)

In the 21th century, still interested in the appearance of modern mass parties, Heidenheimer turned his focus over the relationship between party finance processes and political corruption. He remarks that despite the creation of the Party Finance and Political Corruption of the Internantional Political Sccience Association during the 1960s, for many decades there was a lack of studies which analyse “linkages between party finance processes and explicitly recognized patterns of political corruption”. The main reason for that were the differences in prevailing national ideas of political corruption. (Heidenheimer, 2007, p. 764)

After crossing a party and campaign expenditure index from the early 1960s and the corruption perception index from 1995-1997, Heidenheimer found a pretty consistent relationship between both rankings. His study covered nine different countries and, considering the 30 years gap between both indexes, he concluded that, at a minimum, higher campaign expenditure drove to higher corruption incidence. However, he admitted that the way in which it had happened varied significantly. (Heidenheimer, 2007, p. 772)

According to Mauro, government regulations are a key element for corruption. Based on theoretical researched done by diverse economists, he states that corruption has place there, where rents exist, and since public regulations usually provide discretion to public officials, government restrictions tends to result in rent-seeking behaviour, like in the case of import quotas. (Mauro: 1998)

He mentions different situations where government restrictions generate excessive profits increasing corruption likability. For instance, trade constraints, favouritist industrial policies, price controls, multiple exchange rate policies, foreign exchange allocation schemes and provision of credit under governmental control. Also, Mauro underlines rent-seeking contexts in the absence of governmental intervention, like the case of natural resources which generates extraordinary profits and therefore, increasing the incentives to bribe those allocates extraction rights. (Mauro: 1998)

It is interesting to highlight that, despite the depth of his analysis Mauro does not mention party finance regulation as a cause of corruption. The fact that this kind of rules seek to restrict politicians instead of empower them, may be a central difference with regulations that enable rent-seeking scenarios. However, party finance regulation is not mention as a tool to fight corruption either, at least, in a direct way. Indeed, among the different options analysed by the author to reduce corruption, the need of transparency is recurrent; budget transparency, as well as, government expenditures transparency are hopeful alternatives. (Mauro:1998) So, depending on how we define party finance regulation, as a rent-seeking generator or a transparency tool, our object of study can be considered as a corruption promoter or a corruption fighter.

In 1999, Rose-Ackerman said, “Democratic political systems must find a way to finance political campaigns without encouraging the sale of politicians to contributors”[[2]](#footnote-2) (Wilcox:2001)

According to Wilcox, there seems to be a general agreement around the positive effects of disclosure within the campaign finance system in the US. Indeed, the obligation that candidates, political parties and interest groups reveal their funding sources and how they expend that money, tend to be accepted as a way to reduce corruption among the campaign systems. (Wilcox, 2001, p.2)

Disclosure regulation has advantages and disadvantages. Among the first group, the improvement of corruption control and civic accountability stand out. On the other hand, overexposure of private donors, small parties’ under-funding and rent-seeking, are mentioned as possible costs. (Wilcox, 2001, p. 38)

Based on the US experience, Wilconx concludes that a good disclosure system would need to define "campaign activity" broadly in order to avoid circumventions of the rules. It also has to provide the policymaking authority with the ability to adapt to different practices. However, it is important to balance the costs and benefits of the disclosure system, considering the social and political context. (Wilcox, 2001, p. 38)

Based on different study cases, Blechinger concludes that party finance regulation, mainly aimed at campaign finance, as well as intra- and external party anti-corruption laws are important. Nevertheless, to be effective they need to be part of a broader strategy which includes party competition -internally and externally-, more transparency, monitoring activities in charge of free media, active civil society and up-to-dated citizens. (Blechinger: 2002, p. 2)

Political corruption centred at political parties is a very relevant issue for democracies due to the following. On the one hand, parties distorted by corruption can seriously damage democracy by undermining public trust, increasing voters’ disillusionment and even, leading to authoritarian regimes. On the other hand, honest parties are essential play a vital role within democracies, since they are the bridge between people and governments. (Blechinger, 2002, p. 4)

According to Scarrow, political finance is one of the most problematic regulatory areas of democracies. On the one hand, because it is connected to the aim of guaranteeing a certain minimum level of political equality in a context where wealth is unequally distributed. On the other hand, because it highlights the old issue of "who guards the guardians?" (Scarrow: 2004)

After analysing different party finance reforms contexts in Germany and England, Scarrow notes that scandals regarding the topic has a weak consequences in regulatory results, unless one party boosts the same cause. Also, she states that parties endorsing the reform, doesn´t mean that in the end those parties will adopt it. Conversely, the deepest effects in party finance reforms where reached thanks to the intervention of non-party regulatory bodies, such as independent commissions appointed by the government, as well as courts of justice, between others. Indeed, even in those cases of parties willing to compete over party regulation issues, the adoption of self-denying rules may be more successful if there are external forces suggesting and/or imposing those reforms. (Scarrow: 2004, p. 669)

Scarrow affirms based on the evidence gathered during the las 20 years, that campaign spending matters. Indeed, even in scenarios governed by party loyalty and spending centralized in national parties, individual candidates’ spending can improve the electoral chances, also in a politically significant way. Moreover, those spending done by the challenger, tend to be more effective than the officeholder spending. Therefore, the attempts to limit the impact of money over politics, trough regulations, can work as a protection to the ruler party or candidate and, at the same time, as a limitation to the challengers. (Scarrow:2007,p. 201)

Rules aimed at increasing transparency within the relation between donors and recipients, like for example more disclosure or specific donations prohibitions; tend to have a dual effect. On the one hand, they help to reduce people´s distrust on candidates and parties, since they appear as less responsive to donors ‘preferences. However, on the other hand, those rules can also have the counter effect of scandalize former accepted behaviours. So far, there are no answers to the question of which effect prevails over the other. (Scarrow: 2007)

According to the existing research done in the US, introducing public funding does not guarantee more citizens´ trust in their parties. However, Scarrow notes a lack of investigations tackling this issue. (Scarrow:2007)

Scarrow concludes that the comparative studies which address the assumption that politician in need of funding may pay disproportionate attention to their funders´ wills, are unlikely to provide a universal solution to that problem. (Scarrow:2007)

Casal Bértoa (and others) focuses on a central issue within the realm of party finance: the correlation between political finance and corruption. Indeed, they analysed if public funding and political finance regulations are related in some way to the perception of party corruption. Like most of the scholars who tackle this topic, Casal Bértoa (and others) notes a lack of research concerning the influence party political finance regulation on party corruption. (Casal Bértoa and others:2012)

Using a dataset developed at Leiden University, which gathers information of many important political finance aspects in Europe and Latin America, these scholars employ a quantitative approach to check the assumption that political finance regulation has a positive effect on party corruption trough a comparison of 28 European and 9 Latina American countries. (Casal Bértoa and others:2014)

Based on their data, the scholars come out with the certainty that more political finance regulation does not mean a lower perception of party corruption. (Casal Bértoa and others:2014)

The results of this study contradict most of the literature certainties and/or assumptions concerning our object of study. Conversely to what is generally believed, the scholars note that political finance regulation does not help to drop the levels of perceived corruption among political parties. Actually, neither restrictive legal frameworks where the state is the main financial contributor to parties, nor more independent controls, nor higher penalties over illegal funding activities, are correlated to lower levels of party corruption perceptions. (Casal Bértoa and others:2012)

Despite the limitations of the study mentioned by its author, they conclude that under any circumstances the state can be the only contributor of funding to political parties. (Casal Bértoa and others:2012)

1. (Heidenheimer, Arnold J. “The Major Modes of Raising, Spending and Controlling Political Funds During and Between Election Campaigns”. In: Comparative Political Finance. The financing of Party Organizations and Election Campaigns. Ed. Arnold J. Heidenheimer. United States of America: D.C. Heath and Company. 1970.) [↑](#footnote-ref-1)
2. (Rose-Ackerman, Susan. 1999. Corruption and Government: Causes, Consequences, and Reform. New York: Cambridge University Press. p133) [↑](#footnote-ref-2)