

FINANCING POLITICS: A GLOBAL VIEW

Michael Pinto-Duschinsky

Michael Pinto-Duschinsky, senior research fellow in politics at Brunel University in West London, chairs the International Political Science Association's Research Committee on Political Finance and Political Corruption. He serves on the steering committee of the World Movement for Democracy and on the board of the International Foundation for Election Systems (IFES), and he advises the Electoral Commission in London, the European Union, and the U.S. Agency for International Development on issues surrounding campaign and party finance.

Democratic elections and democratic governance involve a mixture of high ideals and, all too often, dubious or even sordid practices. Election campaigns, political party organizations, pressure groups, and advertising all cost money. This must be found from somewhere. The financing of political life is a necessity—and a problem.

The frequency with which new laws concerning campaign and party finance are enacted is testimony to the failure of many existing systems of regulations and subsidies. Hardly a month goes by without a new scandal involving political money breaking out in some part of the globe. In Belgium in 1995, Willi Claes was obliged to resign as secretary-general of NATO amid a lurid affair which had begun four years earlier when a fellow leader of the Belgian Socialists, André Cools, was shot to death outside his home because of his involvement in a scheme in which French and Italian arms manufacturers made political contributions to the Belgian Socialists in return for military contracts. In Ukraine in the fall of 2000, online journalist Georgi Gongadze lost his life in part because he had been looking into allegations that business oligarchs were involved in corrupt dealings related to political financing.

Despite a stream of stories like these from around the world, and despite an increasing flow of academic studies, political financing and the abuses thereof remain shrouded in mystery. Many commonly heard notions surrounding them are unproven or wrong. This is partly because

“political finance” takes so many forms and is difficult to define, and partly because there remain large gaps in research (especially about political money in emerging democracies). I cannot hope to offer an exhaustive treatment here, but I will attempt to sketch a survey and summary of the current state of knowledge about the subject.

We may first want to ask: “What is ‘political finance’?” The narrowest definition is “money for electioneering.” Since political parties play a crucial part in election campaigns in many parts of the world, and since it is hard to draw a distinct line between the campaign costs of party organizations and their routine expenses, party funds may reasonably be considered “political finance,” too. Party funding includes not only campaign expenses but also the costs of maintaining permanent offices, carrying out policy research, and engaging in political education, voter registration, and the other regular functions of parties.

Beyond campaigns and parties, money is spent on direct political purposes in many other ways. A full account would require us to study a) political “foundations” and other organizations which, though legally distinct from parties, are allied to them and advance their interests; b) the costs of political lobbying; c) expenses associated with newspapers and media that are created and paid to promote a partisan line; and d) the costs of litigation in politically relevant cases. Clearly, the number of channels through which money may be poured into politics not only leads to problems of definition and research, but makes political financing difficult to control as a practical matter as well. As soon as one channel of political money is blocked, other channels will be used to take its place.

The Problem of Corruption

In addition to being a source of scandal and corruption, the ways in which political activity is financed may lead to severe inequalities. If the costs of campaigning are prohibitive, citizens without private wealth may be prevented from running for public office. Moreover, election campaigns arguably are unfair when rich candidates or parties with wealthy supporters are able to spend far more than their opponents. Thus regulations and subsidies aimed at reforming the use of political money may have varying objectives. A system that aims to control corruption in the funding of parties and election campaigns is likely to be different from a system that seeks mainly to promote “fairness.”

Let us begin with the problem of corruption. It is beyond doubt that scandals involving political money have been a major stimulus of reform efforts in many countries. Yet as with the term “political financing” itself, the meaning of “corrupt” political financing is often unclear. Conventional definitions of political corruption (such as “the use of public office for unauthorized private gain”) often do not apply to corrupt po-

litical financing. First, the definition of political corruption as “the use of public office” does not apply to all forms of political fundraising. Challengers, for instance, are by definition outside of public office but may still accept money in exchange for promises to misuse public office should they win at the polls. A second difference between ordinary political corruption and corruption in the field of political financing is that, in the latter case, money is not necessarily used for private gain but rather for the gain of a political party or of a candidate.

References in common parlance to “corrupt” political financing usually refer to one of the following:

Political contributions that contravene existing laws on political financing. Illegal donations are often regarded as scandalous, even if there is no suggestion that the donors obtained any improper benefit in return for their contributions. Prominent examples include the Filesa case (1991 onwards), which contributed to the electoral defeat of Spain’s Prime Minister Felipe Gonzales; the “Kohlgate” scandal in Germany in 2000; and the One Israel Affair in Israel in the same year.

The use for campaign or party objectives of money that a political officeholder has received from a corrupt transaction. In such a case, all that differentiates corrupt political funding from other forms of political corruption is the use to which the bribe is put by the bribe-taker. In the 1990s, examples included the Costea Affair in Romania and the Goldenberg Affair in Kenya. In both these cases, the profits of corruption involving hundreds of millions of dollars are reported to have ended partly in private pockets but also partly in campaign coffers.

Unauthorized use of state resources for partisan political purposes. This is a commonly noted feature of ruling parties’ campaigns in established and developing democracies alike. Invitations to White House coffee receptions and sleepovers in the Lincoln bedroom were among the more innocent ways in which U.S. president Bill Clinton used a public resource to raise funds for his 1996 reelection campaign. More important is the common practice of using public funds to pay staffers who carry out partisan activities. President Jacques Chirac of France is said to have used hundreds of patronage posts available to him as the mayor of Paris to save his party from the need to raise private funds for its headquarters. In parts of Africa and the former Soviet Union, the resources available to officeholders, national and local, are blatantly used for electioneering.

Acceptance of money in return for an unauthorized favor or the promise of a favor in the event of election to an office. A representative sampling from this category could fill an encyclopedia. In my research for the present essay I learned of significant cases from 28 countries ranging from Antigua and Barbuda to the United Kingdom and the United States, from Belgium and Brazil to Italy and India, and from Papua New Guinea to Cameroon. It should be stressed that all the examples are of

allegations. It is not suggested that any particular persons cited in this essay as the subjects of such allegations were guilty, for this is a field in which false as well as accurate charges abound.

Some countries where there were serious allegations are noted in the box on the facing page. It is apparent that politicians in all parts of the world have been caught up in major scandals. Purity in political financing is not a topic on which the West is entitled to preach virtue to developing democracies. It is also worth noting that allegations frequently have concerned politicians at the highest level. Apart from those already mentioned, others have included Vice-President Spiro Agnew (United States), members of the Bird dynasty (Antigua and Barbuda), President Desi Bouterse (Suriname), Prime Minister Benazir Bhutto (Pakistan), Vice-President Alfonso Guerra (Spain), Prime Minister Václav Klaus (Czech Republic), Economics Minister Otto Graf Lambsdorff (Germany), President Carlos Andres Pérez (Venezuela), Prime Minister Lyndon Pindling (Bahamas), President Carlos Salinas de Gortari (Mexico), and Prime Minister Noboru Takeshita (Japan).

Contributions from disreputable sources. Even though there may be no evidence of an exchange of favors or of promises of future favors, the presumption is that tainted sources are likely to have tainted motives. According to a scholarly estimate in 1960, perhaps 15 percent of the money for state and local campaigns in the United States was derived at that time from underworld sources anxious to protect their criminal enterprises. There are widespread rumors that crime bosses are involved in electioneering and campaign financing in Russia. Some of the most dramatic and most fully established examples of criminal sources concern the financing of politics in Central and South America and in the Caribbean by drug dealers. In 1994, the director and other senior officials of Ernesto Samper's successful campaign to become president of Colombia went to jail when the so-called narco-tapes, which suggested that drug money had financed Samper's run, became public.

Spending of money on banned purposes such as vote-buying. This costly set of campaigning methods has a long history. Vivid depictions may be found in the novels of nineteenth-century British prime minister Benjamin Disraeli. Today it seems to occur most frequently in relatively poor countries, although it is found residually in some large U.S. cities as well. Candidates are expected to treat ordinary voters to gifts of various kinds, often including food and especially free drinks (in colonial British North America, this was known as "swilling the planters with bumbo"¹). My own latter-day research has uncovered significant vote-buying in countries ranging from Cambodia, Malaysia, and Taiwan in Asia, to Cameroon, Kenya, Uganda, and Zimbabwe in Africa, to Antigua and Barbuda, Costa Rica, Mexico, and Suriname in the Americas, and even in Samoa in the Pacific.

A SAMPLING OF CAMPAIGN FINANCE SCANDALS

Brazil: With impeachment hanging over his head, President Fernando Collor de Mello resigned in late December 1992 as charges circulated concerning kick-backs and illegal campaign contributions from companies doing business with the government. The Supreme Court later acquitted him. His campaign fundraiser, Paulo Farias, was sentenced to house arrest and was found shot to death in 1996.

Croatia: After the Croatian Democratic Union fell from power in 2001, it came out that the party had raised most of its funding through “racketeering” schemes in which government contractors would be paid only in return for substantial contributions to party coffers.²

Ecuador: A scandal erupted when it emerged that the Christian Democratic Party’s successful 1998 candidate for president, Jamil Mahuad, had accepted an undisclosed donation of US\$3.1 million from the owner of the Banco del Progreso. The Christian Democrats faced a fine of US\$6.2 million.

Germany: In the spring of 2002, Norbert Reuther, the former leader of Cologne’s ruling Social Democrats, was arrested for accepting illegal political donations. The payments were allegedly connected with contracts awarded to a waste management company for the construction and operation of a \$353 million garbage incinerator in the city.

India: The Bofors Affair of 1987 onwards and the Tehelka.com Affair of March 2001 both involved allegations of political donations for arms contracts. The former scandal involved politicians close to Prime Minister Rajiv Gandhi and a contract for Bofors, the Swedish arms manufacturer, for FH-778 guns.

Italy: The long-ruling Christian Democrats were engulfed and destroyed after the end of the Cold War by a torrent of allegations that triggered an investigation called “Operation Clean Hands.” By 1994, no fewer than seven high-ranking party officials had committed suicide while under investigation. In 2000, former Socialist premier Bettino Craxi, who had fled to avoid prosecution and then received a jail term in absentia, died in Tunis.

Japan: The 1990s saw several alleged cases of “donations for contracts” including the conviction in 1998 of Osaka oil dealer Tzui Jun’ichi and a 2000 scandal involving the alleged relationship between former construction minister Nakao Eiichi and a building company.

Papua New Guinea: Reported instances of “grand corruption” include payments by foreign corporations of election expenses in return for licenses, as well as personal bribes to politicians. The payments frequently came from overseas logging companies.

South Korea: In 1996, former presidents Roh Tae Woo and Chun Doo Hwan were sentenced to long prison terms and fines totalling US\$600 million. Among their offenses was the collection of a slush fund, two-thirds of which went to their political party. The Hanbo Affair of 1997 involved allegations that the bankrupt conglomerate had received special treatment in return for massive political contributions to then-President Kim Young Sam’s 1992 campaign.

Spain: According to the scholar of political financing and Spanish cabinet minister Pilar del Castillo, sources close to the building trade acknowledged in 1991 that the payment into party coffers of commissions ranging from 2 to 4 percent was considered “a common method to obtain work contracts.”³

United Kingdom: The “Formula One Affair” of 1997 involved accusations that the newly elected Labour government of Prime Minister Tony Blair had changed its policy and begun allowing televised tobacco advertising during Grand Prix auto-racing events in order to forward the commercial interests of a donor who had contributed \$1.55 million. Whether the donation had affected the Labour government’s change of policy remained unclear, but the donation was returned.

“Treating” is common in Uganda, where it involves “the provision of . . . soap, sugar, salt and alcohol.”⁴ In Bangladesh, the “bribes start with tea, pan (betel-leaf) . . . cigarettes, lunch . . . a sheet of iron roofing . . . giving cash to poor voters, etc.”⁵ In the 1996 elections in Suriname, a former Dutch possession in the Caribbean, the New Front “was still handing out the traditional salt fish and rum.”⁶ In Bulgaria, a slogan of the party representing the Roma is “Eat their meatballs but vote with your heart!” Anatoliy Romaniuk reports that in a constituency near Lviv, Ukraine, one parliamentary candidate took “the politics of electoral pork” to a literal extreme by spending the equivalent of US\$100,000 handing out piglets to attract the votes of local farmers!

In Thailand, it is cash that changes hands. In this country, as one authority reports,

There are at least two rounds of vote buying. The first round is called “carpeting,” which means giving a small amount of money . . . to each voter as the candidate’s self-introduction. For the last round, voters can obtain a higher sum depending on the degree of competitiveness among candidates in the constituency. It usually takes place on the night before the election, which is known as “dog-barking night” because villagers are visited by so many vote buyers that their dogs bark the whole night.⁷

All the forms of corrupt political funding described above, from illegal contributions to vote-buying, have to do with parties and election campaigns in the immediate sense. There are, of course, other kinds of suspect ways in which money can play a role in politics. To give just one recent example, the scandal that helped to drive Peru’s President Alberto Fujimori from office in 2001 involved a videotape of members of Congress taking money being offered to them on behalf of President Fujimori in exchange for their votes.

Regulations and Subsidies

There is no shortage of regulations and subsidies concerning political money—many of them introduced as a response to scandals. The global prevalence of various kinds of public measures concerning political financing is summarized in Table 1. The statistics are based on the author’s research into countries in every region of the world. For the purposes of this essay, the analysis has been limited to countries rated by Freedom House in 2001 as “Free” or “Partly Free.” Table 2 on pages 76–77 provides information on 104 countries indicating whether they have three important kinds of regulations and subsidies: Disclosure regulations, direct public subsidies, and the provision of free political broadcasts.

For American readers, the most striking feature of Tables 1 and 2 is that the United States stands out among the economically advanced democracies by its lack of any provision of free political broadcasts for

TABLE 1—REGULATIONS AND SUBSIDIES IN 104 COUNTRIES

REGULATIONS	PERCENTAGE
Disclosure rules (any)	62%
Ban on foreign donations (partial and/or complete)	49%
Campaign spending limits (any)	41%
Disclosure of individual donors (partial and/or complete)	32%
Contribution limits (any)	28%
Ban on paid election advertising on TV	22%
Ban on corporate donations (partial and/or complete)	16%
Ban on corporate donations (complete)	8%
SUBSIDIES	
Free political broadcasts	79%
Direct public subsidies	59%
Subsidies in kind (apart from political broadcasts)	49%
Tax relief for political donations	18%

Notes: Table 1 excludes laws restricting the purchase of votes and rules about the declaration of assets by candidates, even though these are both significant. Statistics are based on information from the 104 countries listed in Table 2 on pages 76–77, except for spending limits (N=103), tax relief (N=103), disclosure rules (N=114), and direct public funding (N=143). Table 2 includes only countries that Freedom House rated as “Free” or “Partly Free” in its report produced at the end of 2001, the most recent one available at the time of this writing. The total of these countries was 143. For the Freedom House chart, see Adrian Karatnycky, “The 2001 Freedom House Survey: Muslim Countries and the Democracy Gap,” *Journal of Democracy* 13 (January 2002): 108–9. The statistics refer to laws in force at various times in 2000–2002 and do not fully take account of changes during this time. Data on disclosure rules come from *Money and Politics Handbook: A Guide to Increasing Transparency in Emerging Democracies* (Washington, D.C.: Office of Democracy and Governance, Technical Publication Series, 2002). Other sources are Michael Pinto-Duschinsky, *Handbook on Funding of Parties and Election Campaigns: Overview* (Stockholm: International IDEA, 2001, 145–65 [http://www.nimd.org/2001/11_25_conference_report_2_english.pdf]); Janis Ikstens, Daniel Smilov, and Marcin Walecki, *Campaign Finance in Central and Eastern Europe* (Washington, D.C.: International Foundation for Election Systems, 2002—a revised version of a report of 2001 available at http://www.ifes.org/reg_activities/pdf/ACEEO-campaign-finance-01-31.pdf); Michael Pinto-Duschinsky, *Political Financing in the Commonwealth* (London: Commonwealth Secretariat, 2001); and information collected by the author. See also note 8.

political parties or for candidates. Most countries do provide such free broadcasts, and those that do not generally are either very small or very poor. A second point is that countries with English-speaking backgrounds tend to have both political financing systems and electoral systems that differ from those in Continental Europe and in countries (such as most Latin American states) that have been influenced by Continental traditions. Accordingly, countries that belong to the Commonwealth—the club of former British territories—are characterized by having less public funding and less regulation of political financing. They also are more likely to use majoritarian electoral systems, while public funding is strongly associated with proportional electoral systems. Third, when it comes to political finance rules, countries that have emerged from the former Soviet bloc have rules which are close to those of Continental Western Europe.

TABLE 2—THREE TYPES OF CAMPAIGN FINANCE MEASURES

COUNTRY (<i>Italics denote countries that are not categorized by Freedom House as electoral democracies</i>)	ANY DIRECT PUBLIC FUNDING?	ANY DISCLOSURE LAWS? (<i>Asterisks denote that individual donations must be disclosed by parties</i>)	FREE TV TIME TO CANDIDATES AND/OR PARTIES? (<i>Asterisks denote ban on paid political advertising on TV</i>)
Albania	yes	no	yes
<i>Antigua & Barbuda</i>	no	no	no
Argentina	yes	yes*	yes
Armenia	yes	yes*	yes
Australia	yes	yes*	yes
Austria	yes	yes	yes
<i>Azerbaijan</i>	yes	yes	yes
Bahamas	no	no	yes
Bangladesh	no	yes	no
Barbados	no	yes	yes
Belgium	yes	yes	yes*
Belize	no	no	yes
Bolivia	yes	yes	yes
<i>Bosnia-Herzegovina</i>	yes	yes*	yes*
Botswana	no	yes	yes
Brazil	yes	yes*	yes*
Bulgaria	yes	yes	yes
Canada	yes	yes*	yes
Chile	no	yes	yes
Colombia	yes	yes	yes
Costa Rica	yes	yes*	yes
Croatia	yes	no	yes
Czech Republic	yes	yes*	yes*
Denmark	yes	yes*	yes
Dominica	no	no	no
Dominican Republic	yes	no	yes
Ecuador	yes	yes	no
El Salvador	yes	no	yes
Estonia	yes	yes*	yes
Fiji Islands	no	no	yes
Finland	yes	no	yes
France	yes	yes	yes*
The Gambia	no	yes	yes
Germany	yes	yes*	yes
Ghana	no	yes	yes
Greece	yes	yes*	yes
Grenada	no	no	no
Guatemala	yes	no	yes
Guyana	no	no	no
Honduras	yes	no	no
Hungary	yes	yes*	yes
India	no	yes	yes
Indonesia	yes	yes	no
Ireland	yes	yes*	yes*
Israel	yes	yes	yes*
Italy	yes	yes*	yes*
Jamaica	no	yes	no
Japan	yes	yes*	yes*
Kiribati	no	no	no
Korea, South	yes	yes	yes
Latvia	no	yes*	yes

COUNTRY (<i>Italics denote countries that are not categorized by Freedom House as electoral democracies</i>)	ANY DIRECT PUBLIC FUNDING?	ANY DISCLOSURE LAWS? (<i>Asterisks denote that individual donations must be disclosed by parties</i>)	FREE TV TIME TO CANDIDATES AND/OR PARTIES? (<i>Asterisks denote ban on paid political advertising on TV</i>)
<i>Lesotho</i>	yes	yes*	yes
Lithuania	yes	yes*	yes
Macedonia	yes	yes	yes
Malawi	yes	no	yes
<i>Malaysia</i>	no	no	no*
Malta	no	yes	yes
Mauritius	no	yes	yes
Mexico	yes	yes	yes
Moldova	no	yes*	yes
Mozambique	yes	no	yes
Namibia	yes	yes	yes
Netherlands	yes	yes*	yes*
New Zealand	no	yes*	yes
Nicaragua	yes	yes*	yes
Nigeria	no	yes	no
Norway	yes	yes	yes*
Panama	yes	no	yes
Papua New Guinea	yes	yes*	no
Paraguay	yes	no	yes
Peru	no	yes	yes
Philippines	no	yes*	yes
Poland	yes	yes*	yes
Portugal	yes	yes*	yes*
Romania	yes	yes*	yes
Russia	yes	yes*	yes
St. Kitts & Nevis	no	no	no
St. Lucia	no	no	yes
St. Vincent & Grenadines	no	no	no
Samoa	no	no	yes
Senegal	no	no	yes*
Seychelles	yes	no	yes*
<i>Singapore</i>	no	yes*	yes*
Slovakia	yes	yes*	yes*
South Africa	yes	no	yes
Spain	yes	yes	yes
Sri Lanka	yes	no	yes*
Sweden	yes	no	yes*
Switzerland	no	no	yes*
Taiwan (Republic of China)	yes	yes	no
<i>Tanzania</i>	yes	yes*	no
Thailand	yes	yes*	yes
<i>Tonga</i>	no	yes	no
Trinidad & Tobago	no	yes	no
Turkey	yes	no	yes*
Tuvalu	no	no	no
<i>Uganda</i>	yes	no	yes
Ukraine	no	yes*	yes
United Kingdom	yes	yes*	yes*
United States	yes	yes*	no
Uruguay	yes	no	yes
Vanuatu	no	no	yes
Venezuela	no	no	no
<i>Zambia</i>	no	no	no

Since public funding is one of the most frequently discussed measures, it merits special attention. The period since the late 1950s has seen the introduction of public subsidies to the extra-parliamentary organs of political parties and to individual candidates in a large number of countries. While there have been a few efforts (for example, in Italy and Venezuela in the 1990s) to limit or abolish existing subsidies, the overall trend clearly has been toward state subsidy. My own research into the 143 countries rated as “Free” or “Partly Free” by the latest Freedom House rankings (a wider sample of countries than those included in Table 2) has established that 84 (or 59 percent) of them have laws providing for some direct public funding of parties or candidates.⁸ Other findings which emerge are that state aid (as well as other categories of regulations and subsidies) hardly exists in sovereign states with very small populations,⁹ and that in most countries state aid has been popular with the political class and highly unpopular with the electors. State aid is especially common in Western Europe and in the countries that emerged from the Soviet bloc. It is less common in Asia, the Caribbean, and the Pacific.¹⁰

The amount of state aid and the proportion of political financing derived from this source vary greatly. In certain African countries, cash-strapped governments have eliminated public funding despite provision for it in the law. Comprehensive information about the share of total spending on parties and elections that comes from state aid is available only for selected countries. Karl-Heinz Nassmacher estimates that the percentage of total expenditure derived from public subsidies in 13 relatively prosperous nations varies widely, running from a low of 2 to 3 percent in the United Kingdom and the United States, respectively, to a high of 68 percent in Austria. The figures for countries in between these extremes are: Italy 4 percent; Canada 6 percent; Australia 12 percent; the Netherlands 16 percent; Spain 43 percent; Japan 47 percent; Germany 54 percent; France 56 percent; Israel 56 percent; and Sweden 65 percent.¹¹ Across all 13 countries, public funding supplied on average just under a third of total expenditure on parties and campaigns. The situation is roughly similar in the formerly communist lands of Eastern and Central Europe that have direct public subsidies to parties or to candidates for public office, with Bulgaria, Lithuania, and Russia among the countries that make available only token amounts of state aid.¹²

Public subsidies for electoral politics appear to have produced neither the benefits promised by supporters nor the drawbacks feared by critics. On the one hand, public subsidies have clearly failed to cure the problem of corrupt political funding. Some of the most serious scandals have occurred in countries with generous public subsidies, such as France, Germany, and Spain. A party or candidate who obtains public monies, knowing full well that such monies are equally available to competitors, will not therefore stop looking for more money with which to outspend and outmaneuver political opponents.

On the other hand, the fear of some critics that public funding would cause parties to decline by reducing their incentives to recruit new members and raise money from existing ones does not seem to have been justified.¹³

It is easy to misinterpret the modern phenomenon of public funding laws. Such laws are neither a necessary nor a sufficient condition of the flow of public resources into election campaigns and into party coffers. These laws are not sufficient because, as mentioned earlier, the amounts provided may be insignificant or nonexistent. These laws are not necessary because there are many other ways in which public funds traditionally have been and still are directed into politics.

First, in a number of countries, the president or the prime minister has had the use of secret slush funds which could be used for any purpose whatever. In the nineteenth century, British prime ministers had at their disposal a Secret Service fund that was used, by convention, to subsidize the political campaigns of their supporters. In Imperial Germany, Chancellor Otto von Bismarck's "Reptile Fund" had similar uses, the main difference between Britain and Germany being that Britain abolished its special Secret Service fund in the 1880s while German chancellors continued to deploy such funds until after the Second World War. In Zambia, and in France until this year, funds similar to these have played a crucial role in politics. The Zambian case is of particular interest since the country has no direct public funding of parties or candidates but uses discretionary presidential funds as an alternative means to finance the party in office.

Second, in countries such as India, public funds are allocated to members of the national legislature for the formal purpose of carrying out development projects in their constituencies. In practice, the money may all too easily be used as a campaign resource.

Third, holders of paid public offices are required by many political parties and in a considerable number of countries to donate set shares of their salaries to the party. Contributions of such "party taxes" may be recorded in party accounts as membership fees or as donations; in essence, these contributions are a form of indirect public financing.

Fourth, the use of state resources for electioneering functions constitutes a form of indirect public subsidy. A typical practice in a number of African countries including Zimbabwe is the use of state-owned vehicles to ferry electors to governing-party rallies, and to the polls on election day. A time-honored method of seizing the spoils of political office is to employ party supporters on public payrolls. Nominally civil servants, these patronage employees are in fact expected to devote much of their time to political campaigning. A third and equally widespread opportunity for diverting public funds into party service comes from the resources that are being provided with increasing generosity to members of the legislature in most democracies. Parliamentarians commonly

receive public money to employ research assistants and secretaries; often the legislators have free offices and travel privileges. It is hardly surprising that incumbent legislators use at least a portion of these allowances for campaign purposes.

A full consideration of public funding also requires an account of subsidies-in-kind. In some countries, the most important form of in-kind subsidy is the provision of free radio and television air time to parties and their candidates.

The overall conclusions that emerge are, first, that the principle of providing direct financial payments from the public treasury to parties and to candidates has become normal. Second, the public funding thus provided varies greatly in extent between different countries and is sometimes insignificant. Third, since there are several other sources of public funding than that which is supplied in direct public subsidies, it is unclear whether the extent and proportion of *de facto* public funding have been increasing, holding steady, or decreasing. Fourth, the impact of public funding seems to be smaller than either proponents or critics expected.

Too Much Law, Too Little Enforcement

Laws are one thing; whether they are followed is quite a different matter. In country after country, those investigating political financing receive the warning that laws are a dead letter or are honored in the breach. The difficulty of ensuring that regulations are effective is illustrated by the most basic type of rules: those concerning disclosure. As shown in Table 1, 62 percent of the 114 countries for which information has been obtained for a major study by the United States Agency for International Development have regulations requiring the public disclosure of at least some of the financial accounts of parties or candidates. Yet scholars of political funding have almost exhausted the vocabulary of contempt in describing the ineffectiveness of these rules. According to an expert employed by the French National Assembly, “the published statistics of party finances contained in official accounts—in France as elsewhere—are works of fiction.” In Italy, honest disclosure “hardly ever happens.” In Japan, published accounts “are just the tip of the iceberg.” In South Korea, too, the parties’ reports on their expenses for routine operations and electoral campaigning “expose only the tip of the iceberg.” In Taiwan, “it is difficult to monitor the situation when many contributions may be in cash.” In Britain, regarding reported expenditures on campaigns by parliamentary candidates, “the abuse in some cases is on a quite breathtaking scale.” In the United States, the disclosure rules surrounding political contributions are “a joke.”¹⁴

Besides disclosure laws being ignored because of lack of political will to enforce them, such laws are frequently evaded because they ap-

ply only to a limited range of political payments. To be fully effective, financial disclosure requires a very broad application. This includes financial disclosure for 1) primary elections and other significant forms of internal party campaigns for candidate selection; 2) election campaigns by individual candidates for public office; 3) the routine (noncampaign) budgets of national and local party organizations; 4) personal political funds of individual politicians; 5) interest groups participating in political campaigns (often referred to by the technical name of “third parties”); and 6) referendum campaigns. It is possible to take the case for widening the scope of regulation even further to cover partisan newspapers, political activities by religious organizations, and even the funding of politically relevant lawsuits. It is questionable whether it is practical to include all these activities within the scope of rules governing the disclosure of political payments.

The dilemma for the reformer is that, if only a few direct channels of political money are subject to the disclosure rules, those wishing to exert influence through secret funds will naturally use those channels that remain unregulated. There are additional problems arising from donations to parties being dressed as loans, voluntary services, business transactions, or in other forms of disguise. Karl-Heinz Nassmacher summarizes the broader difficulties experienced by reformers of political financing in Western nations:

Political practice of almost two decades . . . has re-emphasized the general paradox of constitutional reform measures. Implementation of reform legislation breeds the need for more (and more complex) reform legislation. . . . The elaborate restrictions designed to control the flow of money into the political process have encouraged the professional politicians to engage in a creative search for potential loopholes either in the application of the existing law or when drafting necessary amendments.¹⁵

Evidence for this is the series of unending “reforms of reforms” that have taken place in a number of countries including France, the United States, Italy, and Germany. The desirable scope of political finance regulations and subsidies is bound to remain a subject of debate. There is little doubt, however, that all too often laws express objectives (such as transparency of political donations) without considering in sufficient detail how to implement those objectives. There is, in short, too much law and too little enforcement.

Trends Real and Perceived

The search for legal remedies not only has been a response to scandals, it has also followed from a set of widely held but unproven assumptions about general trends in the funding of political life. Many commentators, for instance, regard it as self-evident that the costs of

politics have been rising in most parts of the world and that the cause of this upward trend has been the development of television and of other mass media as the main forms of modern electioneering. The presumed “arms race” in political spending has been seen as a main cause of corruption in political financing. Yet there appears to have been little systematic research to establish whether costs have actually been rising.¹⁶ Some preliminary cautionary reflections are in order.

First of all, there is the question of the cost of advertising in the mass media. Television and other media play crucial roles in modern political life in many parts of the world. Yet even in those countries, such as the United States, in which the ownership of television sets is most widespread, the importance of televised political advertising easily lends itself to overstatement. Admittedly, TV is vital in campaigns for the U.S. presidency and for other major elective offices. But there also are elections for hundreds of thousands of lesser posts in which television plays little or no part. The standard study of U.S. elections in the presidential election year of 1988 found that television accounted for less than a tenth of the total sum spent on all electoral campaigns for public office:

According to . . . the U.S. Census Bureau in 1987 there were 504,404 popularly elected offices in the United States. . . . But most of the candidates for these offices never buy any television advertising time nor even get near a television camera. Usually, only serious candidates for major offices—presidential, senatorial and gubernatorial—make substantial use of television advertisements. Probably only about one-half of the House candidates purchase television time, and its cost often represents just a small portion of their campaign spending.¹⁷

In other economically advanced countries, the proportion of political spending accounted for by TV is probably less than in the United States. This is partly because parties and candidates can get free advertising time, partly because some countries (such as the United Kingdom) ban paid political advertisements on TV, and partly because a large share of political spending goes to pay for the national and local offices and staffs of political parties.

Second, television does not yet rule the world. In many parts of Africa and Asia, television sets and even radios can be quite hard to find outside cities. In countries such as Ghana, Kenya, and Bangladesh, rallies are still the best way for candidates to reach voters. Hence the purchase of vehicles and electronic public-address equipment is a major expense.

Third, it is not at all obvious that the cost of the new politics, with its emphasis on mass media, professional image-making, and opinion polling, is greater than the cost of the old politics. The old-fashioned electioneering revolves around vote-buying, gift-giving, and labor-intensive techniques of reaching individual electors, all of which tend to be very expensive. Indeed, evidence from a number of countries

indicates that the venerable techniques of the old politics actually cost more than the thoroughly modern methods of media-oriented electioneering.

While the evidence that is currently available is impressionistic, it does seem to point to the surprising conclusion that old-fashioned, face-

The evidence seems to point to the surprising conclusion that old-fashioned, face-to-face politicking costs more than the new mass-marketing, media-heavy approach.

to-face politicking costs more than the new mass-marketing, media-heavy approach. This becomes apparent if account is taken of the differences in per capita incomes in different countries. Arnold J. Heidenheimer discovered that in 1960–61 the amount spent on each vote in the Philippines was (relative to the average industrial wage) 14 times greater than the comparable amount spent in the United States. In 1996, the per capita costs of the elections in Thailand, where vote-

buying was prevalent, were reportedly 4 to 5 times higher (relative to average incomes) than in the United States. Studies of Uganda and of Antigua and Barbuda, as well as my own informal interviews with legislators in Kenya, all indicate that traditional patronage politics imposes far greater financial burdens than television-based campaigning. The “mass distribution of imported hams, turkeys and other giveaways” in the 1999 elections in Antigua and Barbuda meant that the cost-per-vote amounted to at least US\$60 (the estimate offered by the ruling Antigua Labour Party) and may have been as high as US\$300 (the opposition’s preferred figure). Taking differences in income levels into account, these elections cost between 9 and 44 times more per capita than all the elections—state, local, and federal—that took place in the United States in 1996.¹⁸

If old-style patronage politics is more costly than the new media politics, one might expect the levels of spending to remain constant in countries where the old politics remains standard and to fall in countries where the new politics has developed. Yet, according to many studies of particular countries, costs have risen in recent decades, even when account is taken of inflation. How are these apparently contradictory findings to be reconciled?

There are several possible explanations, though it must be stressed that they are at this stage no more than suppositions. First, the franchise has been extended to women and to young people, and populations have grown. Thus electorates have been larger. Therefore it is necessary to calculate costs-per-electoral rather than total costs.

Second, there is a tendency for studies to focus rather narrowly on how much national election campaigns cost in economically advanced

countries. But it is wrong to consider these national campaigns in isolation. Where there has been a movement from the traditional methods of door-to-door canvassing toward campaigning based on national advertising and modern mass-marketing techniques, one might expect a shift in expenditures from local to national party organizations. This probably has occurred in the United Kingdom. A study of trends in political spending must therefore take into account the total cost of campaigning at all levels and not just the national one.

Third, there is the technical but crucial matter of which measure of inflation should be used when looking at long-term trends in political spending. A common error is to use an index of retail prices or some other cost-of-living index. These indices ignore the fact that in most countries average incomes have increased faster than the cost of living. Since party organization and election campaigning are labor-intensive activities, the relevant inflationary index for political finance arguably is per capita income rather than the cost-of-living index.

When these adjustments are made, the case that political costs have generally been rising becomes less clear. According to a recent academic study of the United States, “contrary to the claims of reformers and the media, campaign spending has not exploded in recent years . . . campaign spending has not grown faster than the nation’s income. Total campaign spending in presidential years hovers around one-hundredth of one percent of [GDP]. This relationship . . . has held relatively steady since 1912.”¹⁹

In summary, there is too little evidence to establish the common view that there has been a notable rise in the costs of campaigning and that this has been a major cause of corruption linked with political financing.

Drawing Some Lessons

Several conclusions emerge from this review. First, there is a lesson for bodies such as the World Bank and the International Monetary Fund, which have been prominent in the campaign against corruption but which have been reluctant to enter the thicket of political financing. The links between political financing and political corruption are so common and so important that these organizations cannot reasonably expect to tackle corruption if they turn a blind eye to the issue of political funding.

Second, there is a lesson for reformers: It is dangerous to assume that the problems of political financing are amenable to simple legislative remedies. There should be more stress on the enforcement of a few key laws such as those on disclosure, and less on the creation of an ever-expanding universe of dead-letter rules.

Third, though considerations of space prevent me from developing this point, the value of so-called “public-interest” lobbies and “civil society” organizations in the area of political finance reform frequently

has been overestimated. With honorable exceptions, they have too often constituted small elites, more effective in blowing their own horns, in making unjustified claims about representing the citizenry, and in filling their coffers with grants than in acting as effective agents of change. They have tended to advocate simplistic international codes and remedies.

Fourth, there is an urgent need for investigation into the facts of political financing by scholars, journalists, and—last but not least—politicians themselves. This applies especially to developing democracies, in many of which the study of political financing is in its infancy. Such investigation is not merely a matter of academic curiosity (important though this is). Detailed and persistent scrutiny often provides a crucial foundation for efforts to contain the abuses that are always liable to occur wherever competitive elections are held and organized political parties exist.

NOTES

1. “Planters” meant farmers; “bumbo” was a rum punch. I am grateful to Phil Costopoulos for reminding me that George Washington was a leading practitioner of this kind of “treating.” His papers in the Library of Congress reveal receipts for rum to be used in campaigning in July 1758 in his first-ever political contest, for the Virginia House of Burgesses: 160 gallons to treat 391 voters.

2. The system of so-called CDU racketeering is described in “Constitution Watch: Croatia,” *East European Constitutional Review* 10 (Spring–Summer 2001): 12–13.

3. Pilar del Castillo, “Problems in Spanish Party Financing,” in Herbert E. Alexander and Rei Shiratori, eds., *Political Finance among the Democracies* (Boulder, Colo.: Westview, 1994), 100.

4. Flora Nkurukenda, “Administration of Local Elections,” in Report of the Inaugural Meeting of the General Assembly of the Association of African Election Authorities (Accra, Ghana: Association of African Election Authorities, 1998), 55–56.

5. Muhammed Y. Akhter, *Electoral Corruption in Bangladesh* (Aldershot, England: Ashgate, 2001), 22–23.

6. Douglas W. Payne, “The 1996 Suriname Elections: Post-Election Report,” Center for Strategic and International Studies, Washington, D.C., *Western Hemisphere Election Study Series* 14, Study 4, September 1996.

7. Limmanu Anosorn, “Thailand,” in Wolfgang Sachsenröder and Ulrike E. Frings, eds., *Political Party Systems and Democratic Development in South and South-East Asia, Volume 1: South-East Asia* (Aldershot, England: Ashgate, 1998), 437.

8. Information has been collected about the existence of direct public funding in all 143 countries rated by Freedom House in 2001 as “Free” or “Partly Free.” In addition to those countries included in Table 2, other countries with direct public funding are Andorra*, Benin, Burkina Faso, Cape Verde*, Cyprus (G), Djibouti, Ethiopia, Gabon, Georgia, Liechtenstein, Luxembourg, Mali, Monaco*, Mongolia, Morocco, Niger, San Marino, Serbia, and Slovenia. Countries without public funding are Central African Republic, Comoros, Congo-Brazzaville*, Côte d’Ivoire, East Timor, Guinea-Bissau, Iceland, Jordan, Kuwait, Madagascar, Marshall Islands, Micronesia, Nauru, Nepal, Palau,

São Tome & Príncipe*, Sierra Leone, Solomon Islands, Suriname*, and Togo. In this note, asterisks indicate information collected by Lotta Lann, International Institute for Democracy and Electoral Assistance (IDEA).

9. Among 143 “Free” and “Partly Free” countries, there is direct public funding in 26 percent of those with populations of fewer than 1 million persons and in 69 percent of those with populations exceeding 1 million.

10. Among 143 “Free” and “Partly Free” countries, the proportions of countries with direct public funding in different regions are: Western Europe, 87.5 percent; former communist countries, 86 percent; Americas, 76 percent; Africa, 50 percent; Asia, 47 percent; Oceania, 14 percent; Caribbean, 8 percent.

11. Karl-Heinz Nassmacher, “Die Kosten der Parteitätigkeit in westlichen Demokratien,” *Österreichische Zeitschrift für Politikwissenschaft* 31 (2002): 16.

12. On Bulgaria and Russia, see Janis Ikstens, Michael Pinto-Duschinsky, Daniel Smilov, and Marcin Walecki, “Political Finance in Central Eastern Europe: An Interim Report,” *Österreichische Zeitschrift für Politikwissenschaft* 31 (2002): 34.

13. Jon Pierre, Lars Svasand, and Anders Widfeldt, “State Subsidies to Political Parties: Confronting Rhetoric with Reality,” *West European Politics* 23 (2000): 1–24.

14. Michael Pinto-Duschinsky, *Handbook on Funding of Parties and Election Campaigns: Overview* (Stockholm: International Institute for Democracy and Electoral Assistance, 2001), 14–15.

15. Karl-Heinz Nassmacher, “Comparing Party and Campaign Finances in Western Democracies,” in Arthur B. Gunlicks, ed., *Campaign and Party Finance in North America and Western Europe* (Boulder, Colo.: Westview, 1992), 260.

16. See Hiltrud Nassmacher and Karl-Heinz Nassmacher, “Major Impacts of Political Finance Regimes,” in Karl-Heinz Nassmacher, ed., *Foundations for Democracy: Approaches to Comparative Political Finance—Essays in Honour of Herbert E. Alexander* (Baden-Baden and Washington, D.C.: Nomos, in cooperation with the International Foundation for Election Systems, 2001), 182 ff.

17. Herbert E. Alexander and Monica Bauer, *Financing the 1988 Elections* (Boulder, Colo.: Westview, 1991), 98.

18. Melissa Thomas and Joel Barkan, *Corruption and Political Finance in Africa* (Washington, D.C.: World Bank, 1998); and Douglas W. Payne, *The Failings of Governance in Antigua and Barbuda: The Elections of 1999* (Washington, D.C.: Center for Strategic and International Studies, 1999).

19. Publicity summary prepared by the Institute of Governmental Studies, University of California at Berkeley, 8 April 2002, for Stephen Ansolabehere, Alan Gerber, and James M. Snyder, Jr., “Corruption and the Growth of Campaign Spending,” in Gerald Lubenow, ed., *A User’s Guide to Campaign Finance Reform* (Lanham, Md.: Rowman & Littlefield, 2001), ch. 2.