



Party Finance Regulation: Causes, Instruments and Impact

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Abstract: Money has a symbolic and practical value in political competition and just because the money is important in politics, it can threaten democracy if its role is not adequately regulated. The basic features of party finance regulation will be shown in this paper: causes, instruments and impact. The regulation of party finances began in 1960s and the causes of the party finance regulation were different: in addition to the prevention of corruption scandals related to political parties and party finance, regulation of party finance has also been introduced to strengthen fair political competition, empower voters and strengthen political parties as effective democratic actors. To achieve this whole range of policy instruments was developed, whose scope extends from ways of regulating the possibility of buying votes, to limit election campaigns expenditure costs. However, impact of party finance regulation is not unambiguous since, due to the regulatory traditions and cultural attitudes, similar instruments of party finance regulation produce different results in different political systems.

Keywords: party finance; regulation; political party; corruption

1. Introduction

The beginning of party finances dates back to 19th century and the emergence of modern political parties. Political parties emerged within the modern political systems as organisations that institutionalize the fact that modern society, despite the guaranteed equality of rights for all citizens, exists as a collection of unequal individuals; therefore, with establishment of political parties state is transformed into a political system in which parties perform important functions and parliamentary democracy is established as a pluralist democracy (Prpić, 2004, p. XI). The forms and methods of party financing are one of the central problems of structure, functioning and efficiency of modern democratic regimes; because of

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their ambivalent character and the intermediary position, political parties are institutions through which modern political systems are mostly exposed to corruption (ibid., p. XIX).

Collecting and spending political money has several possible consequences:

- 1) The electoral equality is often influenced by money in politics - if its distribution is uneven, uncertainty of elections will likely be compromised.
- 2) The inevitability and indispensability of money in politics gives donors possibility to acquire political influence, which may endanger the equality of citizens if economic power became a major factor in the electoral competition only those who have the economic power would be able to gain political power.
- 3) Political contributions are opening a multitude of possibilities for finding dishonest or illegal “common interests” between donors and politicians, which finally can lead to privatization of policy maker’s decisions (Casas-Zamora, 2005, p. 2).

Money has a “symbolic and practical value in political competition” (Burnell, 1998, p. 7) and just because the money is important in politics, it can threaten democracy if its role is not adequately regulated. The basic features of party finance regulation will be shown in this paper: causes, instruments and impact. The regulation of party finances began in 1960s and the causes of the party finance regulation were different: in addition to the prevention of corruption scandals related to political parties and party finance, regulation of party finance has also been introduced to strengthen fair political competition, empower voters and strengthen political parties as effective democratic actors. In developed democracies instruments of party finance regulation involve a whole range of policy instruments, whose scope extends from ways of regulating the possibility of buying votes, to limit election campaigns expenditure costs. Impact of party finance regulation is not unambiguous since, due to the regulatory traditions and cultural attitudes, similar instruments of party finance regulation produce different results in different political systems.

2. Regulation

There is no consensus in academic circles what is exactly meant by regulation (Scott, 2006, p. 653). Seeing regulation as “*rules issued for the purpose of*

controlling the manner in which private and public enterprises conduct their operations” (Majone, 1996a, p. 9) is as old as government itself, and over time regulation functions have changed less than ways of regulation. In Europe, regulation traditionally involves the entire field of legislation, public administration and social control, and in the United States the concept of regulation over time got a specific meaning, so the regulation is considered as “*sustained and focused control exercised by a public agency over activities that are socially valued*” (ibid., p. 49). Within this definition, socially valued or desirable activities include only those activities that society sees as valuable itself, and therefore their protection and control are necessary. It should be considered that regulation is not achieved itself in the moment when the laws are adopted, but also requires intensive involvement of agencies in the regulated activity. In this way regulation is increasingly seen in Europe as well (ibid., p. 9).

During the 1980s and 1990s rapid and sustained expansion of regulation occurred in Europe, which should not be viewed only as a “shift from one mode of regulation to another, but even more as a reordering of public priorities” (Majone, 1996b, p. 54). New regulatory bodies were established, and formal rules replaced informal methods. In the economic sector monopolies were replaced by rules for the competition regulation and the reforms, which have resulted in new regulation, have been implemented in many policy sectors, from industrial sector to the horizontal policies applicable to sectors such as competition, environmental protection and employment. It should be noted that regulation, on the one hand, expanded its activities into new policy areas, and on the other hand, deepened and strengthened its role in the existing policies so the whole new areas of social and economic life, which were in 1950 beyond control of the state, have become “colonized” by the legal regulation and control: “*the food we eat, the physical conditions we work under, the machines and equipment we use in our home, office and on the road*” (Moran, 2001, p. 20).

The formalization of standards within the regulatory regimes has become a trademark of transition towards regulatory state (Scott, 2006, p. 654). The emergence of the regulatory state could be also related to the universal altering of policy modes, similar to the rise of legal rationalism in public administration as part of the overall modernization process (Lodge, 2001, pp. 1-2). The regulatory state concept, similar to the regulation concept, could be interpreted in many different ways so today a regulatory state is seen as something that exists in a wide range of geographical and institutional settings (Moran, 2002, p. 391): we are

speaking about a European regulatory state, regulatory state in the United States and the United Kingdom, and even about the “regulatory state inside the state” (ibid.). The regulatory state, as a form of governance, includes changes in public management, and these changes could be briefly classified by three dominant trends: separation from operational and regulatory activities in certain policy areas, separation from operational and policy tasks within ministries and separation of public services purchasers, and providers. In each of these trends apparent is move from traditional bureaucratic control mechanisms towards regulation instruments. Expansion of regulation and the development of a regulatory state has not transformed only the way in which public authorities manage and control the economy and society, but in the process of regulation and also fed areas of social and economic life in which, so far, control has been largely self-regulating (Scott, 2004): prestigious professions such as medical doctors or lawyers and leading financial markets and elite institutions like universities, which have traditionally been self-regulated, has become the subject of regulation (Moran, 2001, p. 20). It is quite likely that the regulatory state will not disappear but if in the future the rise of deregulation comes to a certain extent, regulation will still remain fundamental feature of the modern state (Norton, 2004, p. 789).

3. Party Finance Regulation Causes

Political parties are also one of the areas that are regulated recently; more precisely party regulation began in the 1960s. Party regulation includes various regulation areas: regulation of party activities, the regulation of party organization financing and regulation of issues connected with the party's ideology; through public law, including the Constitution (Biezen & Kopecký, 2007, p. 239). Political parties financing is the most problematic of all of these regulatory areas since it is associated with several complex and controversial issues. Some of them are, for example, how to ensure minimum of political equality when the wealth is unevenly distributed, or how to entrust elected officials adoption of regulation in the area that concerns their own interests? Here another question arises: do some circumstances make it more likely that certain types of reforms will not be adopted, nor even proposed? In some cases such as, for example, Germany the new regulations were adopted under the influence of scandals¹ associated with political finance (Scarow,

¹ Generally speaking about the regulation, Moran (2001, p. 28) suggest that many innovations in regulation in the last quarter of the 20th century were initiated by scandals.

2004, pp. 653-654) and it is quite certain that a new regulation would not be adopted if there was no scandal.

Although at the end of the 20th century “the regulation of the role of money in politics has become a central part of political agendas across the world” (Casas-Zamora, 2005, p. 16) it was not always like that. The first rules that set certain standards for the election campaigns financing and which forbade certain modes of behavior during the election campaign were created in the 19th century. They were primarily related to the candidates, applied at the electoral constituency level, and over time the focus of regulation has moved from local to national elections and from the candidates to political parties (Sousa, 2005, p. 5). Despite these rather early regulation efforts, in the most countries systematic regulation of elections and parties financing started not sooner than in the 1970s and 1980s: the only exception is Sweden where the regulation process began in the 1960s (Petak, 2001, p. 33). Many European countries have taken significant legislative activity in recent years to regulate the practice of political parties financing. Even the United Kingdom, usually reluctant to interfere in this kind of subjects, recently introduced a legalistic and regulatory approach to this issue, and in this way significantly changed party finance system which was mostly unregulated until then (Biezen, 2003, p. 12). One could have also found cases with trends opposite to regulation: for example, in Switzerland there is almost no regulation of party finance. Nevertheless, so far only few scandals concerning the political parties financing were noted¹.

The regulation sees political parties as one of the central elements of democratic life and expects that they will, in terms of their internal organization and functioning and in relation to public authorities and private interests in the society, act and behave according to the principles on which they have been established. This means that the state should set some basic rules to all political parties that would regulate their organization and activities, but in doing so regulation should not represent an obstacle to the principles of freedom of association and voluntariness. According to Sousa, regulation is actually an attempt to fill the gap created by the absence of collective ethical standards among the political parties and to prevent the formation of certain negative effects that may discredit their role and legitimacy in society (Sousa, 2005, pp. 5-6). The regulation itself, however, has never been a sufficient condition for “good” behavior and the success of party finance regulation depends on the ways in which the principles underpinning the

¹ *Enforcement of political party funding regulations – Lessons from Western Europe, Conference report*, 2005, p. 3.

regulation were protected and enhanced by applied controls. An important role in the party finance regulation has the public: the success of regulation, at least partially depends whether the public is aware of the ways in which the regulation was applied. Special importance for the party finance regulation has public party funding: providing political actors with financial support to cover their costs contributes to the effectiveness of regulation, however, it is not a sufficient condition to ensure proper implementation of the regulation or to make the legal framework effective. Still the most important element is commitment of political parties for the contents and principles that underpin the party finance regulation, and it should, along with the pressure of actors outside the legislative procedure (such as the media and civil society), contribute to the effectiveness of the party finance regulation. It could be concluded that the effectiveness of regulation and failure or reform, equally depends on the technical weaknesses of legal and formal provisions as well as on the political willingness to ensure their sustainability and public review of their application (Sousa, 2005, p. 7).

When speaking about the party finance regulation it is necessary to understand causes of party finance regulation. The motives for party finance regulation can be different, and by changing the motive the focus of regulation also changes. Fogg, Molutsi and Tjernström (2003, pp. 170-171) suggested four groups to categorize motivation: preventing abuse; strengthening of fair political competition; voters empower and strengthening political parties as effective democratic actors.

Preventing abuse and buying influence in political parties by interest groups or wealthy individuals, is one of the essential, and perhaps the most important reason to regulate party finance, and in this way brings back the public's trust in the political process. The need for "clean politics", which in some countries emerged under the pressure of scandals and affairs, initiated the most of regulatory initiatives in recent years.

The desire to contribute to the establishment of equal conditions for competition between the parties is the second motive for the adoption of legislation, since fair competition between the political parties is the fundamental principle of multi-party democracy, so the regulation of party finance can enhance accession of small and also new parties in the political arena (Fogg, Molutsi & Tjernström, 2003, pp. 170).

Empowerment of voters is the third reason for party finance regulation. Through rules for disclosure of financial information voters will be informed about party's

financial activities, so at the election day it will be easier for them to make a decision who will cast their vote. Party finance system should allow voters to support, together with civil society and the media, effective sanctions which will encourage “good behavior” of political parties. Implementation and the actual effectiveness of these measures is questionable since it is not always clear how many voters will ever use such information, whether the party system really offers to voters any real alternative and whether the electoral system is sufficiently sensitive on shifts in voting.

The fourth motive for the regulation is focused on the development and strengthening of political parties. Party finance regulation is set in the wider context of constitutional and legislative provisions on political parties and the general philosophy about the role of political parties within the political system, including the relationship between the party leadership, members and citizens, so the parties will become responsible players which support sustainable and effective democracy. One of the most widespread means to “rein in” political parties is public funding: it could be tool to promote good practices since the parties, in order to qualify for budgetary funding must, for example, act in accordance with the standards of transparency and intra-party democracy (Fogg, Molutsi & Tjernström, 2003, pp. 170-171).

4. Party Finance Regulation Instruments

In developed democracies framework of party finance involves a whole range of policy instruments, whose scope extends from ways of regulating, for example, the possibility of buying votes, to limit election campaigns expenditure costs. Until now relatively extensive comparative literature has been published, which describes extent of these instruments in various political systems, and their role in the regulation of party finance.

First of all, typical features of the institutional framework for the regulation of money that goes into the politics will be outlined, which are applied in democratic systems and in systems which are developing from autocratic to democratic. The first of the instruments is disclosure of the party finance information. In 2004 Ingrid van Biezen, a well-known researcher of political finances published seminal article on the regulation of party and election campaigns financing (Biezen, 2004), which showed that in the early 2000s most of European countries applied the regulation on the mandatory disclosure of data related with party revenues and

expenses, respectively, in general the money that goes into the election process. From 33 observed countries, the only one that did not apply this form of regulation was Albania, because of the generally low standards in the political parties regulation and the two most developed European countries, Luxembourg and Switzerland, where strict adherence to the rules of any kind of financial obligations are implied. Apart from these two countries, the author did not have the data about existence of disclosure requirement in Denmark and Finland. Particularly interesting is that aforementioned obligations were introduced in the political systems of Norway and Sweden, although these two countries did not adopt any kind of party finance regulation. Shortly, public disclosure requirement is adopted in at least 28 European countries, respectively, in 84 percent of the sample. According to Michael Pinto-Duschinsky, such an obligation is applied in 62 percent of the world's democracies and semi-democracies (Pinto-Duschinsky, 2002), so it can be concluded that this policy instrument has become a sort of routine practice tool in the modern party finance regulation. Additional types of this policy instrument should be distinguished, and one of them is an obligation to disclose all individual donors, criterion which is adopted by 32 percent of countries.

The next set of instruments is related to the institutional framework for prevention of corrupt activities in party finance, from openly buying votes to different types of payment extortions, especially of major donors like public companies on which government can have a strong influence. Norwegian scientists Åse B. Grodeland and Aadne Aasland in 2007 conducted research about the role of formal and informal networks in shaping public policy in the countries of Central and South-eastern Europe (Grodeland & Aasland, 2007). Their findings showed that in preventing corrupt practices in various areas, including the area of parties and elections financing, the most important issue is strengthening the rule of law, a change in mentality of key actors of different policies through a system of continuing education and the strengthening of law enforcement. Before adoption of new and better anti-corruption laws, as a means of regulation, it is also important to strengthen trust in government as an institution. All these findings confirm that the mere existence of a law which is regulating financing of political parties activities is only one, but certainly not the most important element of the effective control of this area. Therefore, the fact stated in Ingrid van Biezen study (Biezen, 2004), that 29 of the 33 observed European countries have a law which regulate parties and

elections campaign funding still does not state too much about the effectiveness of this regulation¹.

Another set of regulation instruments refers to the certain types of political finance income and / or expenditure limitation. The first type of instrument refers to the defining limits on individuals' private donations. In some countries these limits are extremely low, but in many countries limits are set relatively high. Croatia, for example, follows middle way, and the limit for individuals is set to HRK 30,000 annually, but in previous versions of the party finance law limit was set significantly higher on HRK 90,000. Likewise, in some countries there are limited business sector donations to political parties, and in Croatia donation limit is set to HRK 200,000 for the political party or to HRK 30,000 for donation given to independent lists. It is interesting that both of these instruments are used relatively rarely in the European context. Thus, only 12 of 33 countries use some form of restrictions on private donations from individuals, while the provision on the business sector donations limit is used in only 11 countries. In doing so, within developed European democracies these instruments are used only in Belgium and France. It should be noted that situation is similar on the global level. Michael Pinto-Duschinsky (Pinto-Duschinsky, 2002) shows that 28 percent of countries have some kind of restrictions on private (individual) donations, while for business sector donations the percentage is even lower and amounts only 16 percent. Much more used is instrument of prohibition or restriction on donations from foreign countries, which is applied in 15 of 33 countries in Europe, while at the global level the average percentage was somewhat higher - it was 49 percent. The same group of instruments also includes various types of expenditure constraints. This kind of regulation is applied in 15 of the 33 observed European countries; from Western European countries it is applied only in Belgium, France, Ireland and the UK. In non-European political systems, this type of instrument is found in approximately half of the countries.

Much more widespread instrument is related to the possibility of television advertising. It is applied in 79 percent of the observed countries, so it became one of the most important instruments of campaign finance regulation. However, in some political systems paid advertising of campaign activities is disabled. This

¹It is interesting that four European countries that do not have specific laws on financing of political parties and election campaigns, Finland, Norway, Sweden and Switzerland are countries that in the research about democracy index, such as those implemented by the Bertelsmann Foundation, are countries with highest quality of democracy.

measure exists in 22 percent of the observed countries, where consequently television advertising is treated as a kind of public good that should be available to the relevant actors in the political arena. However, the issue of paid advertising on television is related to the very delicate question of using the so-called third party advertising services, where private companies, which have leased advertising space with certain broadcasters, are giving this space to political parties. So the development of much more subtle policy instruments to regulate these issues thus becomes one of the major challenges in the further development of party finance regulation.

Perhaps the most controversial part of the institutional framework for the party finance regulation refers to a special body that exercises control over the political parties and elections financing. Thus various solutions exist, and about half of the political systems conduct this type of control through special state bodies which are in charge of elections, while in the remaining half of countries control is implemented through the national audit offices and the Chamber of Auditors. The existence of sufficient policy capacity of these institutions is shown maybe as the key prerequisite for effective control of party finances. In fact, the very existence of rules on disclosure of funds that parties got for everyday functioning or for the financing of election campaigns does not mean much if effective monitoring and effective enforcement mechanism are absent. The above mentioned institutions are important not only for the realisation of the of public control function, but also for each type of prevention which should be achieved in the parties and elections financing system, and also for the reliability of their financial statements and particularly for the existence of a sanctions system, for whose existence and implementation exactly abovementioned institutions are essential.

An important group of instruments is the public funding of political parties and election campaigns. Today it is considered that the public financing of political parties, which is particularly prevalent in the countries of continental Europe, is one of the pillars of transparent political finances. Gradually introduced since the 1950s, first in some Latin American countries, followed by continental Europe, instruments related to the financing of political competition with public money have become a kind of democratic standards. It is used in about half of modern democracies (49 percent), and in most of the political systems this form of political finance is combined with funding from private sources. Giving budget money to political parties can be a very convenient way to create a system of party finance regulation. For example, in Croatia, any kind of party finance disclosure was

absent until the end of the 1990s, although the parties, according to the provisions of the Political Parties Law adopted in 1993, all the time regularly received money from the state budget. The fact that parties did not publish details about their incomes and expenditures, although they were obliged by the law to do that, served to the group of non-governmental activists, gathered around the Croatian Law Centre, to put issue of political parties financing on the agenda. After all these pressures, publicly funded parties finally made their incomes and expenditures public in the late 1990s, although even then it was not done by all of them.

Today, another problem is connected with public funding which refers to the over-reliance on the budgetary resources. Just as it is not good that public funding does not play role in the financing of the political parties, over-reliance on this instrument is also not good. Thus modern systems of party finance regulation today use specially designed instruments which encourage political parties to reduce reliance on budgetary sources. In this context different kinds of tax relief that are given to donors, individuals and legal entities should be observed, if they decide to donate political parties and independent candidates. This type of instruments is currently used only in the most developed democracies of the world, in a several Western European democracies and Canada, but in the long run will certainly have a much stronger dissemination worldwide. Moreover, such measures, especially if they further limit the amounts that individuals can give to political parties, will potentially broaden base of donors, so that a set of political parties financiers and set of voters will become set which is increasingly overlapping.

5. Party Finance Regulation Impact

After a certain political system adopts the party finance regulation, it faces challenge of implementation, which often can be problematic and difficult. Common elements essential for the implementation and impact of the party finance regulation are: compliance with regulation; monitoring; control and investigation and enforcement and sanctions (Nassmacher, 2003, p. 147).

Compliance with existing regulation is probably the most important element of implementation since even if detailed and precise regulation has not been adopted; it will provide certain level of transparency: in countries that have adopted appropriate regulation but do not implement it, impact of regulation will be absent. This practice was particularly evident in southern Europe (for example, in Italy) and in countries in transition. New and complex rules after their adoption set out

requirements to the participants in the political process that requires, first of all, change of attitudes and behavior, and in some way limit their freedom of action in area which was previously unregulated. The optimal strategy for the implementation of the new regulation should start with informing and assisting participants in the political process: party officials, candidates, officials who monitor the implementation, auditors etc. To encourage participants to respect the rules, those who respect the regulation should get certain material support, such as expenses reimbursement or tax benefits. This strategy is adopted in many countries since public party funding is almost always associated with the obligation to respect regulation, primarily to publish financial statements (Nassmacher, 2003)

The second element is monitoring. The purpose of this measure is to make political parties accounts object of public debate: though publishing of party finance reports and encouraging public debate, especially about issues which public finds problematic, should develop responsibility of political parties in selection of donors, but also in spending party funds. The main role in public debates should have institutions that, at least in principle, act on behalf of the public and are trying to protect public goods, such as political parties, NGOs and mass media. As in the second half of the 20th century financing of political parties became a matter of public policy, in some countries agencies were established to monitor party finance. From the agencies such as, for example, the Federal Election Commission in the United States it is expected to support the public and politically interested media by enabling them to provide information about the flow of money in politics (Nassmacher, 2003, p. 148). The establishment of the agency or body that will monitor party and election accounts in most of all countries is a complex task because constitution and other laws guarantee freedom of actions for political parties and thus, in a way, constrain the national authorities in the implementation of audit and other types of control over parties financial activities, so monitoring function is mostly limited to monitoring of deposits. Only in a few exceptional cases, these bodies have investigative powers (Sousa, 2005, p. 25), and in the most of European countries strong monitoring agencies do not exist, such as those in the US or Canada, but monitoring is carried out using various measures such as publishing of party financial statements in the official publications and on the Internet (Nassmacher, 2003, p. 148).

The third element important for the implementation and impact is the control and investigations: any public control system is strong as the extent permitted by law, and if there are loopholes in the legislation they will reduce system's capacity to

meet its objectives. The most obvious case of public control is the proper use of public support, since there's a certain relationship of interdependence: if a political party wants to use public support it must be prepared that their financial operations will undergo authorities' monitoring. Government or public agencies control powers can be strengthened in different ways. In certain regulatory frameworks law gives citizens right to file an individual complaint which, in accordance with the law, will be checked by public agencies. Control system will be further strengthened if control authorities is granted (by law) authority to conduct random audits, in addition to the "usual" audits which are carried out once a year (Nassmacher, 2003, pp. 149-150). The capacity and effectiveness of the control bodies depends on several factors. The most important factor is the body independence, for which there are three fundamental assumptions: staff recruitment must be independent from the government; job security must be ensured; and moreover, control body must have safe and permanent sources of funding. If any of these assumptions is not met, i.e. if the government can influence the composition of the body, to dismiss staff or to reduce operational funds, then the independence of this body is limited and its effectiveness is questionable¹. Although the control and investigations are important elements of implementation, attention should be also paid on confidence development and initiatives with an emphasis on respect of the legal provisions, rather than on threats of punishment should be more intensively encouraged. However, it should be considered that without the threat of sanctions these instruments will lack efficiency and without sanctions in many cases they will remain only on paper (Nassmacher, 2003, p. 151).

The fourth element is enforcement and sanctions. With the enforcement, "delicate balance between legal rules and political impact, public interest and media publicity, impartiality and partisanship" (Nassmacher, 2003, p. 151) should be preserved. During the enforcement public agencies and other bodies should demonstrate independence, continuous vigilance and diligence in prosecuting violations of the law, because if these conditions are not met, then it is very likely that enforcement system will not have significant impact. It should not be forgotten that the absence of enforcement is probably more dangerous than the absence of regulation since it leads to disappointment and citizens can easily develop cynicism towards democracy, which is particularly evident today, when in most of the countries there is an evident low level of trust in political parties and politicians.

¹ *Enforcement of political party funding regulations – Lessons from Western Europe, Conference report*, 2005, p. 5.

Enforcement instruments without the threat of sanctions can not achieve a satisfactory level of efficiency. For sanctioning of political finance violations different types of measures could be applied: criminal, electoral, financial and administrative. The consequences of criminal sanctions are the hardest but they did not deterred perpetrators in those countries which have applied them for this type of violation. Perhaps the reason for the failure lies in the fact that the sanctions are applied to a limited number of cases. Even in Germany, which has a well established sanctions system, actors in the Kohl affair and Flick affairs, with millions of German marks from suspicious origins, were not sentenced to prison sentence but were punished by exclusion from political life.

Financial sanctions which are implemented in the form of fines, forfeiture of illegally acquired gains, abatement of public financial support or abatement of covering campaigning costs (Sousa, 2005, p. 29) are common forms of sanctions and are more often used than criminal sanctions. However, fines cannot achieve educational impact to political parties and convince them to adopt financial integrity standards as their own views: they may be an appropriate sanction for the minor mistakes such as not publishing accounts within the prescribed period; but may have a stronger effect on those parties which are deliberately and systematically violating the rules. For such violations small fines are often seen as a kind of invitation to law disregard or painless justification for violations, and increase of penalties does not mean that their credibility and effectiveness will be increased. High financial penalties could harm small and new parties, but they will not necessarily harm large, established parties who have access to significant financial resources (Sousa, 2005, p. 29). Administrative sanctions exist in a small number of countries and are applied mainly to collective actors, i.e. political parties and companies (or other collective donors). For example, in France where donating political parties by companies is forbidden, it is possible to punish companies which are not obeying this rule by prohibiting participation in public procurement tenders; but however, the application of this provision is “far from optimal” (Sousa, 2005, p. 30).

It can be concluded that different countries, in line with their specific characteristics, applied different regulatory solutions for party finance. It is interesting that similar instruments for party finance regulation produce different results in different political systems. For different efficiency of regulatory instruments between countries Sousa gives two possible explanations related to the regulatory traditions and cultural views. The first explanation is related to the

regulatory tradition since it is considered that the effectiveness of the regulatory framework in every country depends on country regulatory traditions. Sousa here gives the example of United Kingdom which traditionally has, at the electoral constituency level, low election campaign cost, since the ban on the use of certain sources of finance and a limit on the amount of funds that can be spent in the election campaign. Since 2000, with the adoption of laws regulating party financing these measures have been applied at the national level and it is expected that this law will produce similar positive results also on the national level as it is considered that the existing regulation created a negative culture, opposite to ostentatious election campaigns, and that is supported by both party elite and the public, and that they will accept any regulatory initiative that goes in this direction (Sousa, 2005, p. 35).

Another explanation is that the effectiveness of regulatory instruments depends on cultural attitudes about financing of political parties. Absence of rules for restriction of parties behavior will generally lead to a variety of corrupt behavior, however, this has not happened everywhere and exactly cultural attitudes helped us to explain why the parties in some countries like Sweden relied on very few rules for the finance disclosure instead due to “thin” regulations turned to corrupt activities. Persistence of corruption in different cultural environments is a matter of attitudes and in societies where the most of the population do not observe certain behaviors within political parties, such as sponsorship or the use of public institutions resources in election campaigns, as morally wrong and even less as punishable by law, positivism of legislation will not achieve anything. The success of regulation, among other, will depend on voters’ pressure on political parties to use every opportunity to protect the principles of fairness, transparency, accountability and integrity (Sousa, 2005, p. 35).

6. Conclusion

As the regulation is, in general, “*limited solution for imperfect and complex reality*” (Sousa, 2005, p. 7) also regulation of party financing has limited scope and is not universal tool for establishing ethical standards in political life. It still helps to build a relationship of transparency and trust between representatives and the represented. Sousa drew an interesting parallel with the control of nuclear weapons: agreements on non-proliferation of nuclear weapons, which establish some basic rules on the use of nuclear weapons, do not really guarantee that there

will be no use or misuse of nuclear weapons, but despite, that for most citizens these control efforts are an integral part of security and trust (Sousa, 2005, p. 7).

Party finance regulation can not be successful if the major political parties do not adopt high standards of political behavior, including strict observance of regulation, as their own views. Political parties can perceive short-term electoral advantage by showing to voters a real or staged commitment to fair political game, but for the success of the regulation, principled commitment is not enough, but their commitment must go beyond simple willingness to adopt laws but and also to include willingness to make these laws effective. Legislation can “*consolidate a political consensus, formalize standards and legitimize expectations*” but alone can not ensure fair competition among political parties (Fogg, Molutsi & Tjernström, 2003, p. 177).

At the end it should be stated that the prevention of abuse and influence buying can not be treated separately from the issues of party management and intra-party organization. As the political parties are expected to apply high standards of transparency and accountability in the collection of donations and financial management, they should also apply these standards when deciding on appointments within the party. Fight against corruption is much wider than the party finance issue and also includes the development of responsible political parties that should necessarily apply principles of democracy and the rule of law in the party management (ibid.).

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