Anti-Corruption Regulation of Political Finance and Conflict of Interest

A Conceptual Framework and Analysis of its Development

Inauguraldissertation
zur
Erlangung des Doktorgrades
der
Wirtschafts- und Sozialwissenschaftlichen Fakultät
der
Universität zu Köln
2020
vorgelegt
von

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Tag der Promotion: 1. September 2020

To Christian and Maxim

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List of Abbreviations

BE	Belgium
BG	Bulgaria
CoE	the Council of Europe
COI	Conflict of Interest
CY	Cyprus
DE	Germany
DK	Denmark
EE	Estonia
FDC	the Financing Democracy Commission
FI	Finland
FR	France
GR	Greece
GRECO	the Group of States Against Corruption
H	Hypothesis
HR	Croatia
HU	Hungary
IC	Iceland
IE	Ireland
LT	Lithuania
LU	Luxembourg
LV	Latvia
MP	Member of Parliament
MT	Malta
NL	Netherlands
NO	Norway
ODIHR	the Office for Democratic Institutions and Human Rights
OECD	the Organisation for Economic Co-operation and Development
OSCE	the Organization for Security and Cooperation in Europe
PPA	the Political Party Act
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SK	Slovakia
SL	Slovenia
SP	Spain
TI	Transparency International
UK	the United Kingdom of Great Britain and Northern Ireland
UN	the United Nations

Acknowledgements

This PhD thesis is a result of many years of research and experience. Before you judge upon its contents, I would like to express my deep gratitude to all those people and institutions whose participation substantively influenced my work, made it more concise and made it possible in the first place.

I am very grateful to Prof. Dr. André Kaiser, my PhD supervisor, for his constant support and help by work and deed. Every our meeting inspired me to take further actions and try out new paths, look at myself with a different perspective and work harder. I am especially thankful to Prof. Kaiser for bringing me together with Prof. Dr. Nicole Bolleyer. I am indebted to Prof. Bolleyer for inviting me to work on mutually interesting issues in her projects and guiding me in the world of science. Thank you for your confidence in me, for lessons I learnt from you for my scientific career and my life and for my first international scientific success and experience. I am also grateful to Prof. Dr. Karl-Heinz Naßmacher for his valuable advice, and to Prof. Dr. Thomas Poguntke for supporting me in the most important final steps.

I am very thankful to my co-authors Fabrizio di Masco, Alessandro Natalini and Torill Stavenes for the great cooperation and their hard work. I am dedicated to Prof. Dr. Michael Koß, Dr. Zim Nwokora, Prof. Dr. Lars G. Svåsand, Prof. Dr. Stefano Bartolini, Prof. Dr. Ingrid van Biezen, Prof. Dr. Sven-Oliver Proksch, Prof. Dr. Christine Trampusch, Prof. Dr. Ingo Rohlfing, Dr. Patricia Correa Vila for their input on different parts of this project. I am grateful to anonymous journal referees and all the colleagues who have commented on my work during international conferences. I am also grateful to Anne Gelling and Jack Griffiths for proofreading different parts of this dissertation.

Many thanks go to my colleagues in the CCCP (the Cologne Center for Comparative Politics), especially Dr. Claudia Kaiser, PD Dr. Dennis Spies, Dr. Leonce Röth, Dr. Jan Sauermann and Dr. Sarah Berens, and to colleagues in the PRuF (the Institute of German and International Party Law and Party Research) for their feedback and for listening to my ideas, sharing with me their aspirations for doing comparative political analysis and working hard on achieving our scientific aims.

I am very grateful to the Konrad Adenauer Foundation for the scholarships that I have won to finance my Master´s studies as well as almost two and a half years of my PhD. My special thanks go to Dr. Nils Abraham, Dr. Larissa Serba, Dr. Simon Backovsky for always allowing me to come to them for advice. This support is really appreciated.

My sincere thanks go to my grandparents, my parents, who supported me during my studies in more than four countries and shared my passion and love for political science in general, and party research in particular. I am dedicated to my dear husband Christian for always supporting me and believing in my success. I am especially grateful to him for following me to the EUI in Florence where I could work on some parts of this dissertation and he took care of our baby - Maxim. This work is dedicated to them. Many thanks go to my parents-in-law for their valuable advice and continuous support. I am grateful to my sister and to all my friends whom I can`t name here for want of space, but for whom I always have space in my heart. You all make my life full of grace and only thanks to your contributions could I concentrate on my PhD work and succeed.

Thank you all who helped me and supported my work in these years. The accomplishment of my PhD is not only my achievement, but our mutual success. Although this work presents the final script of my PhD thesis, I hope it is but a first fundamental step towards understanding the ´black box´ of politics and working out my suggestions on how we can make this world a better place to live in together.

Introduction

> What is central to the pluralistic *Weltanschauung* is neither consensus nor conflict but dissent and praise of dissent […] Dissent draws from both consensus and conflict, but coincides with neither.
>
> -Giovanni Sartori, Parties and Party Systems, 2016[1976], p. 14

The Need to Separate Political and Economic Power, and Important Definitions

Already in the 4th century BCE Aristotle noted that economic power should not be equal to political power to ensure stability and justice in a political system, even though wealth remained one of the essential resources of politics[1]. More than two thousand years later, Giovanni Sartori echoed this idea in his "Parties and Party Systems" (Sartori 2016[1976]: 15), emphasizing that unless religion, politics and wealth are separated, and the rights of individuals are protected, it is too risky and too costly for politicians to respect the rules of political competition. One of the solutions to this problem was the introduction of salaries to a wide range of politicians in the 20th century. Further, direct financial support from the state for political parties became standard political practice in the second half of the 20th century. John Rawls, a modern philosopher of liberalism and contractualism, saw this latter solution as necessary to guarantee political justice. In particular, he wrote (2003[1971]: 198):

> *What is necessary is that political parties be autonomous with respect to private demands, that is, demands not expressed in the public forum and argued for openly by reference to a conception of the public good. If society does not bear the costs of organization, and party funds need to be solicited from more advantaged social and economic interests, the pleadings of these groups are bound to receive excessive attention.*

To address the uneasy relationship between politics and money, transparency has also entered the policy domain as a governing principle since the 1980s. The Oxford Dictionary of Economics explains transparency in terms of policy measures that "make it clear who is taking the decisions, what the measures are, who is gaining from them, and who is paying for them" (Hood 2006: 4). In this dissertation I will address the policy measures which make clear who is paying for political parties while analysing transparency regulation of political finance. Also, I will study the question of who is taking the decisions by studying regulation of conflict of interest. By 'regulation', following Bolleyer (2018:

[1] Aristoteles (1872): *Aristoteles´ Politik*: Erstes, Zweite und Drittes Buch, ins Deutsche übertr. von J. Bernays. Berlin: Verlag von Wilhelm Hertz, p. 159, 176-180.

33), I understand "formalized rules adopted in the respective jurisdictions that are binding to actors they apply to, with a focus on statutory, primary law passed by legislative bodies, and in some areas also binding parliamentary proceedings". In my analysis I consider both transparency and preventive constraints inherent in the regulation as this approach allows me to study transparency across countries and over time.

A well-designed and effectively enforced transparency regulation of political finance and conflict of interest[2] constitutes the load-bearing beams of and simultaneously presents big challenges for contemporary liberal democracy (GRECO Rec(2003)4; GRECO Res(97)24). In line with Gardiner and Lyman (1989: 827), these types of regulation must reduce corruption since, by definition, they "must reduce incentives and opportunities for corrupt behaviour and the costs of noncorrupt behaviour, and increase incentives and opportunities for noncorrupt behaviour and costs for corrupt behaviour". A special feature of transparency regulation of political finance and conflict of interest is the fact that politicians and political parties design it in order to directly constrain themselves (Grzymala-Busse 2007: 26; Saint-Martin 2008: 46). And this makes public control of its design and understanding of the mechanisms affecting its evolution of paramount importance. This brings me to the research questions that are central to this cumulative dissertation.

Research Questions

1. On transparency regulation of party finance:

    1.1. How can we measure regulation of party finance that allows for transparency?

    1.2. Why do the rules on transparency of party finance change over time? In particular, what are the factors and the driving mechanisms that lead parties to change the transparency rules for their own financial activities?

2. On conflict of interest regulation:

    2.1. How constraints inherent in the conflict of interest regulation can be measured?

    2.2. Why does conflict of interest regulation vary across national contexts?

Emergence of Transparency Regulation of Political Finance and Conflict of Interest

Perhaps, one of the first political philosophers who expressed support for transparency in public policy was Jean-Jacques Rousseau. In his work *The Government in Poland*, finalized in 1772, he described

[2] There are other types of transparency regulation at the national level, according to the cited definition of transparency, which I leave outside of the scope of this dissertation: e.g. lobby regulation, the regulation of public procurement, the transparency regulation of political decision-making and the regulation of freedom of information.

what we now call conflict of interest rules, designed to make politicians "incorruptible" (Rousseau 1985: 72)[3]:

> *I should like you to permit no office-holder to move about incognito, so that the marks of a man´s rank or position shall accompany him wherever he goes… if the rich man wants to shine in his fatherland, let him have no choice but to serve it and to aspire … to posts that only public approbation can bestow on him and that public blame can take away from him at a moment´s notice. That is the way to sap the power of wealth and to produce men whom money cannot buy.*

The first regulation of conflict of interest dates back to 1810, when corruption was penalised in the French Napoleonic Code of 1810 (CoE 1996: 15). These rules applied to public officers, judges, administrators, clerks, commanders of military divisions, and every agent of public administration[4]. Currently, most countries have regulation of conflict of interest, for all three branches of government (OECD 2011: 211). Most of this regulation appeared in the aftermath of political scandals, as a result of policy diffusion, professionalisation of politics and "self-reinforcing" reforms (Saint-Martin 2008). In turn, first attempts to regulate political finance date back to the end of 19th century with the campaign regulation laws of New York 1880, Michigan 1892 and Massachusetts 1883 (Pollock 1926), as well as the Corrupt and Illegal Practices Prevention Act 1883 of Great Britain[5]. And if the British regulation dealt mostly with preventing bribery and corruption practices, the US regulation on the state level, primarily referred to as `publicity laws`, aimed at making political finance transparent to the general public even though the quality of that information due to the weak enforcement instruments remained quite poor (Pollock 1926: 235, 242). In continental Europe substantive changes in political finance resulted from the intense political competition between political parties and the introduction of mass suffrage. Maurice Duverger explained the development of mass party organizations in terms of the need of parties on the left to secure financial resources as a means of independence from a few big donors – industrialists or bankers – and as a necessary condition of enabling political education of the working class and funding for election campaigns (Duverger 1964: 63). Commenting on that Peter Mair noted that "parties of the right […] which enjoyed the support of the wealthy backers and clients, could still afford a more cadre-type organization" (Mair 2002: 35). But transparency of political funds

[3] Note that a similar passage was first cited in Hood (2006: 7) as an example of regulation of transparency. This author did not, however, attribute it to the regulation of conflict of interest.

[4] Section II of the French Napoleonic Code of 1810. Book the Third of Crimes and Delicts, and of their Punishment. Transcribed by Tom Holmberg. Retrieved 25.02.2020 from http://www.napoleon-series.org/research/government/france/penalcode/c_penalcode3a.html

[5] The Corrupt and Illegal Practices Prevention Act with Introduction and Full Index, 1883. By J. Renwick Seager, 1918, London: P. S. King & Son, Parliamentary Agency. Retrieved 25.02.2020 from: https://archive.org/details/corruptpracact00grea/page/20

remained beyond the public attention for much longer. The blurring of traditional class boundaries since the 1970s, and the rise of awareness that democratic representation should not be biased by undue financial pressures[6], forced already catch-all political parties, in terms of Otto Kirchheimer, to rely on state subventions rather than on membership fees and affluent donors. In this regard Robert Dahl noted that, by relying on state subventions, parties guaranteed the enforcement of the key rule of democracy, that is, "a continued responsiveness of the government to the preferences of its citizens, considered as political equals" (Dahl: 1971: 1). As a rule, with the direct state subsidies, transparency requirements were introduced as part of a carrot-and-stick solution to make parties accountable for their usage of taxes in the US, Canada, Israel, Denmark, Germany and Bolivia (Casas-Zamora 2005: 39), and most of the post-communist countries (Casal Bértoa and van Biezen 2014: 306). But many countries did not introduce transparency rules accompanying the introduction of state subsidies, for example Uruguay, the first country to introduce direct state funding (1928), and Sweden and Norway, which introduced state subsidies on the national level in 1970 and on the subnational level in 1975.

Transparency rules ensure that other rules on political finance are not violated and, provided they are properly enforced, aim thereby at securing the integrity of political finance. Although the first attempts to make political finance transparent are 140 years old, in the 1990s most political finance remained unopen to the public (Nassmacher 2006: 452; Smilov and Toplak 2007: 10-17). This fact led to the establishment of the Group of States against Corruption (GRECO) within the Council of Europe. My analysis of its work reveals that transparency regulation for political finance and conflict of interest varies across European countries and, interestingly, not all countries were and are ready to undertake further anti-corruption reforms. As this field of comparative political studies still suffers from under-theorizing (Norris and van Abel Es 2016: 5; Mendilow 2018; Scarrow 2007), this thesis particularly contributes to closing this gap.

The Argument

I argue that to study transparency regulation of political finance and conflict of interest, it is essential to consider both preventive and transparency constraints inherent in the regulation.

Further, to explain the launch and the outcome of changes in transparency regulation of political finances, we need to take into account both domestic and international explanatory factors. A policy change in party finance transparency is a product of domestic competition between political parties, policy diffusion, as well as reputational benefits and losses for the country in the international arena.

[6] The legitimate rejection of conflict of interest in politics happened not only to political parties but to politics in a broad sense. Consider, for instance, the fact that countries in Europe experienced a change of public offices that were honorary posts, carrying no salary, to overwhelmingly state funded posts. This development can be attributed to the victory of the centre-left and left parties.

Different regulatory patterns of COI regulation are embedded in the different administrative traditions of countries, closely related to their type of democracy.

Transparency Regulation of Party Finance and Other Types of Regulation of Political Finance[7]

Following Ohman (2014) and Norris and van Abel Es (2016), who refer to the OSCE definitions of political finance, I consider political finance to be all money involved in the political process. It includes the financial practices of political parties, their branches, parliamentary groups and party ancillary organisations, candidates, social movements, ad-hoc organisations of political support and also third parties. Due to the central role that political parties play in contemporary democracies (Dalton et al. 2011; Müller and Sieberer 2006: 436), in this dissertation I have decided to focus on the party[8] finance regulation that is most closely related to electoral democracy, and a particular aspect of it – transparency – which enables public control over the enforcement of party finance regulation (Casas-Zamora 2005: 23) and thus contributes to the integrity of democratic elections and government.

Echoing Norris and van Abel Es (2016: 8), I define party finance transparency as official rules – a type of regulation of political finance – that deal with the reporting of party finance to the state authorities, disclosing the information on party finance to the general public and with regulating the supervision and sanctioning of violations of these rules. How does this type of regulation refer to other regulatory dimensions of political finance?

According to Ewing and Issacharoff (2006) and Norris and van Abel Es (2016), party finance transparency regulation is a type of party regulation which is conceptually more constraining than laissez-faire, or free market, policy regulation but less constraining than any other types of party finance rule, as it only requires parties to disclose their activities but does not constrain them otherwise. Regulation of party income and state subsidies is a second constraining type of party finance regulation. It ensures that parties "are not seen to be dependent on inappropriate sources of funding and not dependent on appropriate sources of funding to inappropriate extent" (Ewing and Issacharoff 2006: 3). In this regard, Ohman (2014: 21) differentiates between distinct types of ban that are commonly used: on foreign donations to ensure the national people´s sovereignty, on donations from corporations and trade unions to limit the influence of special interests, on corporations with a state as a regular stockholder to prevent misuse of public funds for political purposes and on corporations with government contracts to reduce quid pro quo contributions. Anonymous and indirect donations are also popularly banned to ensure the non-violation of other party finance rules.

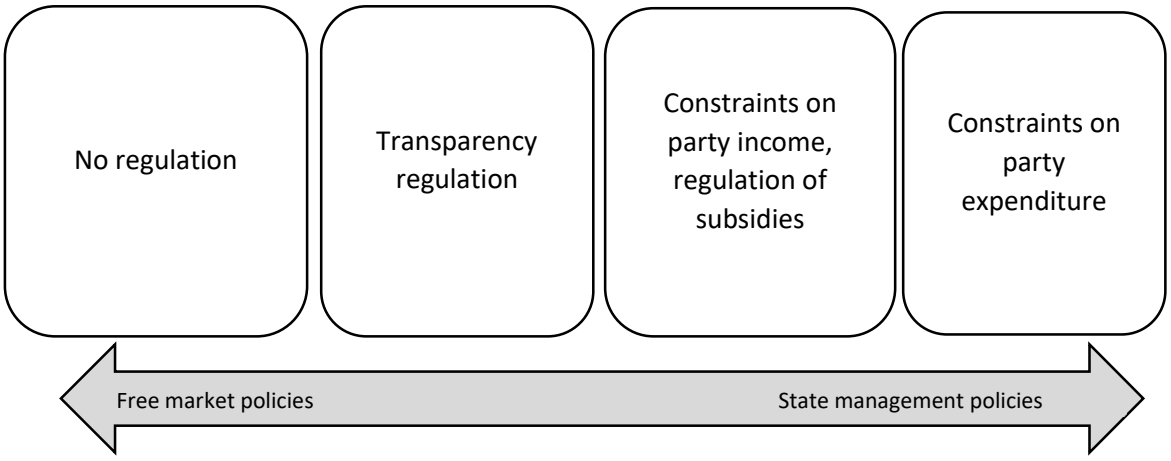
[7] Note that the conceptual analysis of the COI regulation is presented in Chapters III and IV and is thus not a part of the introduction.

[8] Hereby I refer to ´parties in central office´ (Katz and Mair 1993) and neither to ´parties on the ground´, meaning the members and supporters of political parties, nor to ´parties in public office´, meaning sections in the parliament.

The regulation of state subsidies also belongs to this group of constraints as it can be paired with the rules around acquiring income from other sources. For example, in Germany state subsidies to political parties cannot exceed 50% of the party's funds. Italy would be another example, where the state payment is linked to the amounts received from membership fees.

The most constraining type of party finance regulation entails regulation of party expenditure aimed to limit the demand for political funds (Ewing and Issacharoff 2006: 4). Conceptually, it directly regulates party activities and not only the sources that the party may use to finance their activities. Discussing the ranges of constraints inherent in party regulation, Norris and Abel van Es (2016: 15) compare them to other types of state regulation and place them on a continuum from free market policy, with political parties being treated as private associations, to policies of state management of political parties, as Epstein (1986: 157) put it, resembling `public utilities`[9], or natural monopolies. Echoing the rationales presented above, Figure 1 shows the relationship of transparency regulation to other types of party rules.

Figure 1. Transparency regulation of party finance and other party finance rules



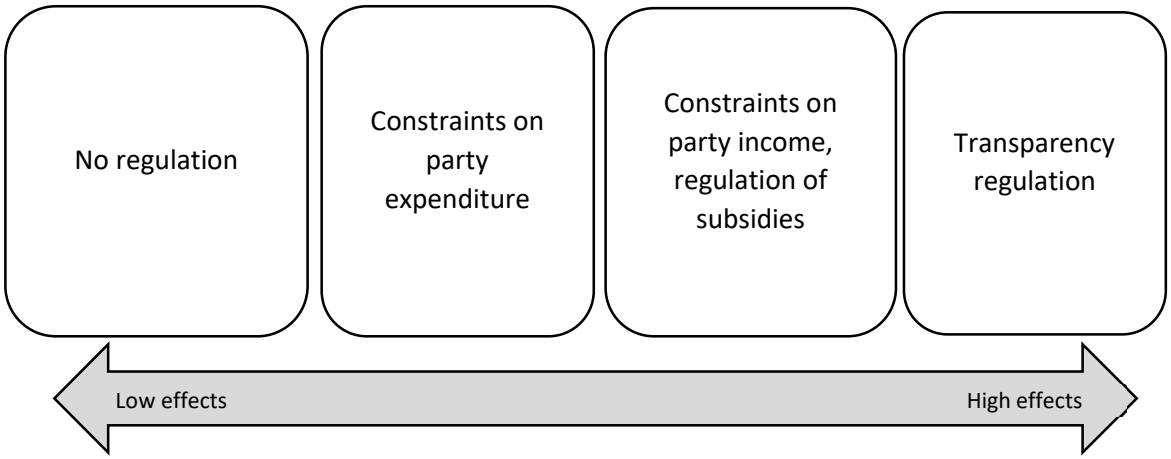
Source: Norris and Abel van Es (2016: 15) and own considerations

Figure 1 reflects the relationships between different types of party finance regulation in terms of constraints imposed from the state, while treating party finance regulation on a par with other policies. Despite several merits, this approach ignores constraints that party finance regulation imposes on the electoral process, which is its key limitation. This limitation prevents us from understanding why, bearing the least behavioural constraints for political parties, transparency in political finance is so hard to achieve. From my perspective, provided its proper enforcement, transparency regulation is the most constraining type of party finance regulation for at least three reasons. First, it reveals to the

[9] The definition that Epstein suggests says that a public utility is "an agency performing a service in which the public has a special interest sufficient to justify governmental regulatory control, along with the extension of legal privileges, but not governmental ownership or management of all the agency´s activities".

voters the parties´ supporting interests that in turn may affect parties´ abilities to raise their votes. Secondly, it may prevent some groups from donating if they fear publicity and thus shrinks parties´ capacities to raise funds. Those are the first and the second arguments that make Professor Karl-Heinz Nassmacher (2009: 244) suggest transparency should become "a safeguard for democracy". That is because transparency forces politicians "at any time […] to balance the need for funds against the risk of interested money" (Nassmacher 2009: 244) and gives voters some power to control undue influence on politics. Thirdly, transparency regulation ensures that the limits on income sources and expenditure are respected. The regulation of expenditures is the type of party finance regulation that affects the electoral process least, as it is conceptually designed to keep the costs of political competition down and not to exclude or diminish the importance of any social groups. Constraints on contributions as well as the regulation of state subsidies have higher effects on electoral competition than the regulation of expenditures because their prime motive is to level the field of political competition (Paltiel 1981: 161) and limit undue influence. Furthermore, in some cases the regulation on state subsidies can substantively affect the prospects of party survival (Casal Bértoa and Spirova 2017). Now when availability of state subsidies for parties below electoral threshold matters only for certain parties, transparency regulation affects all political parties participating in the electoral competition. Figure 2 reflects my argument. The depicted relationship between different types of party finance rules suggests why transparency regulation of party finance, although poorly designed, remained untouched in Europe until the 1990s whereas constraints on expenditure and income as well as regulation of state subsidies were quite common. Among other types of party finance regulation, the transparency regulation affects the electoral competition to the largest extent.

Figure 2. Effects of party finance regulation on the electoral competition



Source: own considerations

Having discussed the relationship of party finance transparency regulation to other types of party finance rules, I will now focus on party finance transparency regulation itself. For that I utilize the three-

level concept model of Gary Goertz (2006). Let us first focus on the basic level – party finance transparency regulation which I define as official regulation aimed at bringing to light[10] the financial activities of political parties. Legal norms, supervision and sanctions as regulatory dimensions constitute the secondary level of the concept. Here transparency is clearly distinguished from openness. According to Heald (2006: 26), openness does not require "legally binding enforceable obligations"[11]. Thus, transparency is unthinkable without enforcement rules. Sanctions inherent in the formal rules are also an inseparable part of transparency regulation. Following James (2000: 327), I take regulation to mean rules on standards of behaviour backed up by sanctions. Formal sanctions distinguish transparency regulation from surveillance. So, echoing Norris and Abel van Es (2016: 8) and as already noted above, I define party finance transparency regulation as official rules that deal with the reporting of party finance to the state authorities, disclosing information on party finance to the general public and rules that regulate the supervision and sanctioning of the violations of these rules.

Substantively, following Nassmacher (2009) and Ewing and Issacharoff (2006), I classify party finance regulation into three dimensions: 1) regulation of party income and party expenditures for reporting and public disclosure (bans and caps on income from certain sources/expenditures, thresholds for reporting or disclosure, aggregation rules, anonymity); 2) sanctions for violations of the regulation listed; and 3) supervision of compliance with regulation on bans, caps, reporting and disclosure. This logic is reflected in Figure 3.

Following Nassmacher (2009: 73), I differentiate between general regulatory constraints, and constraints that only apply during campaign periods. As the regulatory focus on campaign and non-campaign periods depends on the development of the electoral and party systems (see Table 1 for an overview of countries with different regulatory preferences), conceptually I treat these types of regulation as equally important and equally constraining.

The third level of the concept, along with Goertz (2006), consists out of regulatory indicators. Let us first turn to the indicators that refer to the legal norms. Echoing McMenamin (2013:22-23) and Bolleyer and Smirnova (2017), I detect two dimensions: the one on transparency and the permissive one. The first dimension encompasses reporting and disclosure rules on party income and party expenditure. To measure the level of transparency here means to determine the range of available

[10] Note that the word transparent comes from Medieval Latin *trans* "through" and *parere* "come in sight, appear", which together mean *"that can be seen through"*. Online Etymology Dictionary, retrieved 11.03.2020 from https://www.etymonline.com/word/transparent?ref=etymonline_crossreference.

[11] Another feature of transparency which extends it beyond openness, according to the work of Heald, is the provision of comprehensible information. High complexity and disorder prevent transparency.

Table 1. A distribution of regulatory preferences on reporting regular and campaign finances of political parties across countries

	Political parties must report on their campaign finance extra	**Political parties do NOT have to report extra on their campaign finance**
Political parties must report regularly on their finance	Albania, Andorra, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belgium, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Brazil, Bulgaria, Burkina Faso, Cambodia, Canada, Cape Verde, Chile, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Dominican Republic, Ecuador, Egypt, Estonia, Ethiopia, Finland, Georgia, Ghana, Greece, Guatemala, Guinea, Guinea-Bissau, Haiti, Honduras, Hungary, India, Indonesia, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Kazakhstan, Kenya, Korea, Republic of, Kyrgyzstan, Latvia, Lesotho, Liberia, Lithuania, Luxembourg, Macedonia, former Yugoslav Republic (1993-), Mexico, Moldova, Republic of, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Nepal, New Zealand, Nicaragua, Niger, Nigeria, Norway, Pakistan, Papua New Guinea, Paraguay, Peru, Poland, Portugal, Romania, Russian Federation, Sao Tome and Principe, Serbia, Seychelles, Sierra Leone, Slovakia, Slovenia, Solomon Islands, Spain, Sudan, Suriname, Taiwan, Tajikistan, Tanzania, United Republic of, Thailand, Togo, Tunisia, Ukraine, United Kingdom, United States, Uruguay, Venezuela	Australia, Austria, Bahrain, Burundi, Cameroon, Congo, Democratic Republic of, Cote d'Ivoire, Denmark, Djibouti, Fiji, France, Germany, Iceland, Iran, Islamic Republic of, Jordan, Liechtenstein, Madagascar, Malaysia, Maldives, Mali, Malta, Myanmar, Netherlands, Panama, Republic of The Congo (Brazzaville), Rwanda, San Marino, Senegal, Singapore, South Africa, Sri Lanka, Sweden, Timor-Leste, Turkey, Uzbekistan, Yemen
Political parties do NOT have to report regularly on their finance	Antigua and Barbuda, Botswana, Libya, Philippines	Bahamas, Barbados, Belarus, Central African Republic, Chad, Dominica, El Salvador, Gambia, Grenada, Kiribati, Lebanon, Malawi, Marshall Islands, Mauritius, Micronesia, Federated States of, Monaco, Nauru, Palau, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and The Grenadines, Samoa, Switzerland, Tonga, Trinidad and Tobago, Turkmenistan, Tuvalu, Vanuatu, Zambia, Zimbabwe

Data source: IDEA Database

policy instruments, or ´instrument density´, and the level of policy constraints imposed by each of these instruments, ´instrument intensity´ (Knill et al. 2012: 430). Based on previous research (Ohman 2014; Piccio 2012; Koss 2011; Nassmacher 2009; Nassmacher 2006; Casas-Zamora 2005; van Biezen 2004) I derive 28 rules of income and expenditure that can be systematically applied by states[12]. That is the density of the policy instrument.

The intensity of the regulatory instrument incorporates the preventive logics of the regulatory framework and can be realized in the following forms: no regulation, caps or bans. Here, regulation of income sources, echoing Ewing and Issacharoff (2006: 3), refers to the number of legal sources for funding and the amount of funding which can be won from these sources. Further, for every regulation concerning party income or expenditure, I differentiate between the following five levels of transparency: no regulation, reporting only to the supervising institutions, disclosing information to the citizens upon request, public disclosure of information upon a threshold, or full public availability of financial information. The interplay between instrumental density and transparency constraints – inherent in one regulatory instrument – is presented in Table 2. Note that rules on caps and bans used for the index refer only to negative regulation (Casas-Zamora 2005: 17), which restricts financial activities, and do not refer to positive regulation aimed at the stimulation of financial activities.

Bringing both logics together enables us to measure the transparency constraints on parties across countries and over time[13] in an unbiased way, which is important while dealing with comparative political data driven by the financial reports of political parties. As with all the other measurements, this index also has its limits. These are the factors that are important for the integrity of party finance transparency but are hardly possible to include in the index.

[12] The dimension of ´party income´ includes party member dues, anonymous donations, domestic individual financial donations, domestic individual in-kind donations, foreign individual financial donations, foreign individual in-kind donations, domestic financial corporate donations, domestic in-kind corporate donations, foreign financial corporate donations, loans offered by foreign corporate or individual donors, foreign in-kind corporate donations, donations from the trade unions, donations from political committees and foundations, direct state finance, in-kind state subsidies (provision of free radio and television air time), foreign public or semi-public contributions, revenues from the party´s own business (e.g. lotteries, revenues from interest rates), domestic loans, donations from other party units, donations from party-associated organizations, sponsoring, contributions from domestic state agencies (or semi-state companies). The dimension identified as ´party expenditures´ covers regular staff expenditures, professional fees for non-regular party workers, administrations (e.g. office rents), conferences (and other similar expenditures for communication), PR and political advertisement, support of other party units.

[13] Enabling a comparison of party finance regulation over time is especially a problem as a cross-country comparison works well with the help of cross-tabulation (Casas-Zamora 2005; Koss 2011).

Figure 3. A three-level concept of party finance transparency regulation

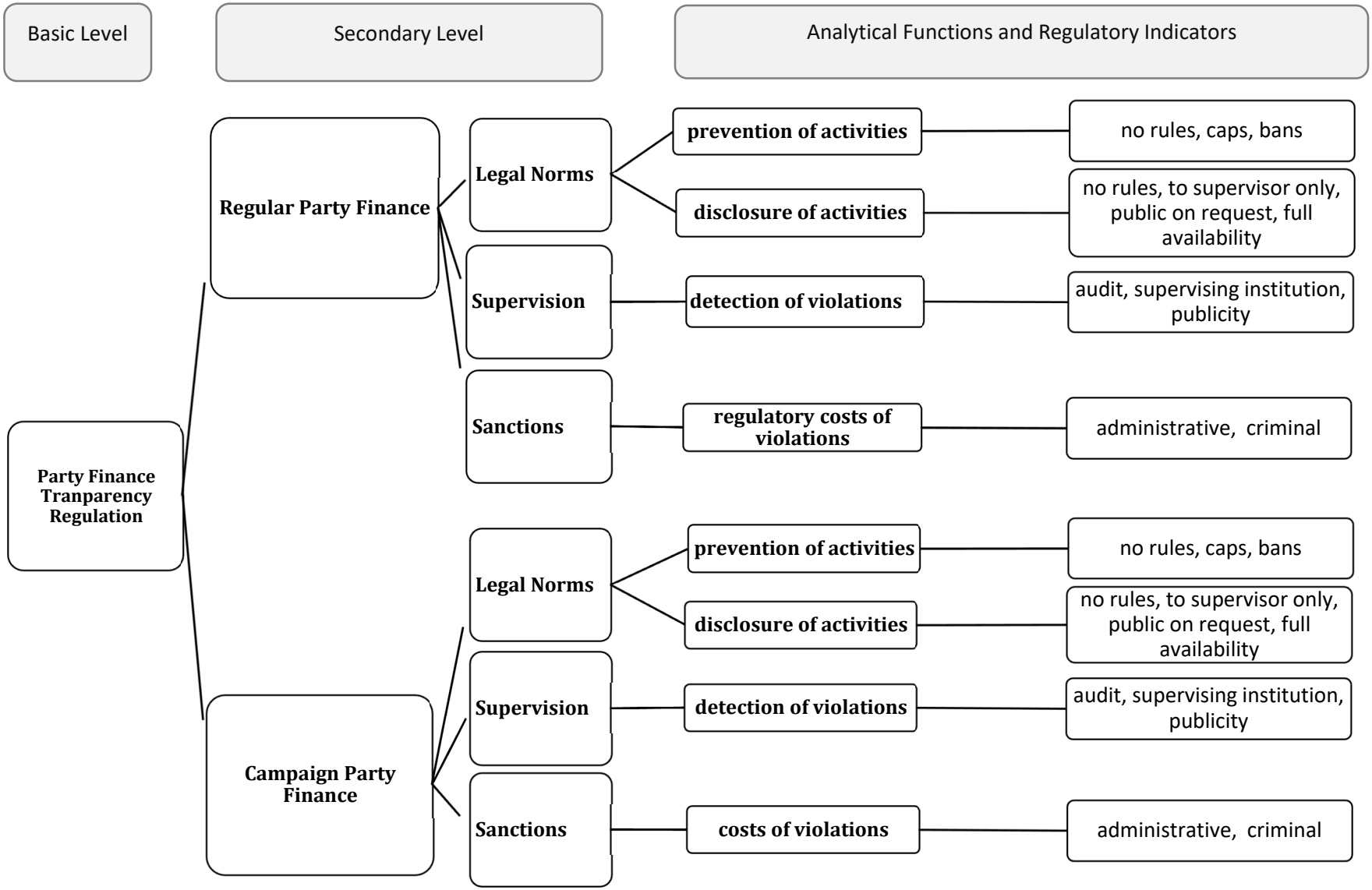


Table 2. The interplay of preventing and disclosure constraints on party finance transparency

Ranking of constraints	Prevention of activity	Disclosure of activity
0	No rules	No rules
1	No rules	To supervisor only
2	No rules	Public on request
3	No rules	Public upon threshold
4	No rules	Full
5	Cap	No rules
6	Cap	To supervisor only
7	Cap	Public on request
8	Cap	Public upon threshold
9	Cap	Full
10	Total ban	-

If there is a requirement to report and disclose information on party finance, I consider important: 1) whether the donors´ names are reported and disclosed together with the amount of their contributions, or if the donors and their contributions are listed separately; 2) whether the contributions from one donor are aggregated in the whole campaign period or electoral cycle to differentiate among the regular and occasional contributions; 3) if conveyer organizations are allowed to channel political support; 4) the timing for reporting and disclosure of financial data; 5) the public availability of data on violations of party finance regulation. The timing of reporting and disclosure of political finance is of particular importance. Regulators must balance the benefits of real-time reporting of political finance data with the drawbacks of disclosing such large quantities of data. On the one hand, real-time reporting of parties' financial activities is vital for voters to be able to reward and punish parties immediately (Fisher 2015: 224). Transparency is undermined if the data is not presented on time, complete, consistent and in clear and simple terms (Etzioni 2010: 399). On the

other hand, real-time reporting of campaign funding can overwhelm parties and decrease the quality of the information disclosed, which in turn can cost parties their votes and undermine the elections themselves. Research on the accelerated disclosure of data by firms for the capital markets suggests that pressure put on the auditors to file information rapidly compromises the quality of the information (Bryant-Kutcher et al. 2013).

Party finance transparency also includes rules associated with the institutions supervising compliance. The broader the mandate of supervising institutions, and the more independent these institutions are from partisans (Ewing and Issacharoff 2006: 7; Grzymala-Busse 2007: 84-85), the higher is the likelihood that violations of party finance regulation are detected. The dimension ´supervision´ should cover: 1) the existence of supervising institutions; 2) their independence from party members; and 3) whether they have adequate staff and resources to realize their mandates. We can differentiate between institutions that collect party financial reports, pro-actively examine these financial reports and can impose sanctions for violations of party finance transparency regulation. For each of these institutions, following Bolleyer and Smirnova (2017), I differentiate between partisan, semi-independent and independent composition. Beyond the supervising institution auditing is also crucial to ensure the integrity of financial reports. It is important to differentiate: 1) whether the auditing is required; and if it is required whether it should be: 2) pursued by the party-related auditors; or 3) executed by independent auditors.

The last substantive component of party finance transparency regulation captures sanctions,[14] and determines the costs of violations of party finance regulation once they are detected. Following Ewing and Issacharoff (2006: 3), Casal Bértoa et al. (2014) and Bolleyer and Smirnova (2017), I consider whether the violation of party finance transparency rules can be punished by criminal sanctions, administrative sanctions, or both.

This dissertation focuses on party finance transparency regulation along the dimensions listed above. The rules can be either loosened or tightened. I apply this concept for party finance transparency regulation issued on the national level for the national party in its central office. Future research may subsequently apply this concept to parliamentary groups, party branches on regional and local levels, as well extend it to other political actors such as political candidates, political associations, etc.

[14] The dimension ´sanctions´ covers the availability of the following sanctions for the violation of party finance regulation: deprivation of state funding; suspension or deregistration; other non-criminal sanctions (e.g. fines, etc.); criminal sanctions (imprisonment).

So far, I have discussed the concept of state regulation of party finance transparency. As this type of regulation can dramatically affect the electoral process, it is paramount to understand the reasons why it can change.

Reforms of Party Finance and COI Regulation: State of Research

Research into reforms in regulation of political finance commonly refers to the three types of neo-institutionalism. In the following I focus on theoretical explanation of reforms of party finance transparency regulation. This part is by no means an exhaustive exploration or a literature review of the studies of neo-institutionalism[15]. My purpose here is to explain my main theoretical argument through the lenses of neo-institutionalism customarily used to explain changes in or reforms to political finance regulation.

Rational choice institutionalism

Rational choice institutionalism sees regulation as a deliberate creation of instrumentally oriented actors. According to this approach, political parties tend to initiate and support reforms of party finance regulation when it gives them a comparative electoral advantage (Scarrow 2004: 656; Koss 2011: 29) and secures their survival in case of an electoral loss (Grzymala-Busse 2007: 63).

In her seminal article "Explaining Political Finance Reforms" (2004), Scarrow suggests that political parties pursue their own interests in reforms to party finance regulation, which is understood to require a trade-off between the revenue- and votes-maximizing goals. Hereby the political survival of the parties in the electoral competition stands in the very core of the theoretical argument. Also Scarrow suggests that constitutional courts and independent regulatory commissions adjust the policy of party finance in a manner such that they: 1) put the party finance reform on the agenda; and 2) change the regulation to integrate all broad partisan interests and not only those of the dominant political parties. Evidence that Scarrow finds on party finance reforms in Germany and the UK supports this theoretical argument.

Koss (2011) extends these ideas in his book *The Politics of Party Funding*. Echoing Strøm (1990), Kaiser (2002) and Nassmacher (2009: 325), he argues that political parties became supportive of state

[15] See Fisher (2015) for a broader discussion on neo-institutionalism and its application to political finance research. Fisher (2015) reviews all three types of neo-institutionalism for research into political finance, referring to the classic works of March and Olson, Steinmo and Thielen as well as Guy Peters. Echoing an earlier contribution by Clift and Fisher (2004), Fisher (2015) calls for a differentiation between the mechanisms which explain stability and revision of the regulation of political finance, on the one hand, and the mechanisms which explain the nature of the resulting policy, on the other hand. The overall book, entitled *The Deregulatory Moment? A Comparative Perspective on Changing Campaign Finance Laws* (Boatright ed. 2015), wonders whether the tightening regulation of political finance in Europe and a deregulatory trend for campaign finance regulation in the USA can be systematically explained by the theory.

funding to parties because of the prospect of thereby maximising either their revenue- or office-seeking goals, and due to their often being forced to cooperate with each other by the veto-points understood as "institutions enabling actors to influence decisions (be it by actively shaping or just vetoing them)" (Koss 2011: 43).

In contrast to the research on the introduction of state funding, where a consensus and cooperation between parties is a central explanatory factor, I argue that transparency reforms result from party competition. In particular, political parties initiate, delay or block transparency reforms according to their own interests: to maximise votes, to get a comparative advantage in their revenues or to signal their loyalty and interest to a potential coalition partner. Hereby, political parties whose income primarily consists of sources widely regarded as legitimate, such as state funding and membership fees, have stronger incentives to push for party finance transparency as it makes them more attractive to voters. Parties can be interested in transparency in order to attack the funding sources of their political rivals, to decrease their popularity or to discredit those parties. Coalitional partners may compromise their positions to maximize their chances of keeping the coalition alive or getting into office in the first place. Transparency reforms in party funding are often the realisation of a comparative electoral advantage. I find additional support for this argument in the broad literature on party funding.

Grzymala-Busse, in her book *Rebuilding Leviathan* (2007), suggests that robust political competition leads to the introduction of a more stringent regulation of party income, the establishment of independent audit systems and of an effective supervision system for political finance. Also, the oppositional parties themselves actively monitor activities of the governing parties, thereby preventing the misuse of state resources and other dubious financial activities. Empirical findings suggest that robust competition led to the establishment of the supervising institutions and audits for political finance in Hungary, Poland, Slovenia, Lithuania and Estonia. At the same time the absence of a credible threat of replacement to the governing parties in the Czech Republic, Slovakia, Latvia and Bulgaria largely led to a delay and failures in the establishment of politically independent monitoring institutions. Most of the monitoring institutions in the latter group of countries were built later under EU pressure (Grzymala-Busse 2007: 107). Chapter 5 of the book suggests that robust party competition did not only lead to stricter formal regulation, but also ensured better enforcement of the legal rules in practice, because opposition parties effectively revealed covert funding practices.

Katz and Mair, in their influential ´cartel´-party theory, suggested, inter alia, that incumbent political parties may want to establish such an equilibrium when the system of the allocation of state subsidies prevents new parties' entry into political competition (Katz and Mair 2009: 759). This echoes the

seminal approach of George Stigler, who was awarded the Nobel Prize in 1982. From his perspective regulation is the result, on the one hand, of lobbying aimed at protection of the existing rents of firms and, on the other hand, of the will of politicians to maximize their shares of votes and campaign contributions. In this case, the resulting regulation should prevent newcomers from entering the market (Ghertman 2009: 352). Similarly, a political cartel strives to change regulation to favour themselves and discourage other parties from entering the political competition. Again, according to Katz and Mair, the absence of political competition should lead to a low level of overall transparency in political finance. At the same time a cartel may lead to transparency reforms that are aimed at a decrease of funds or a decrease of supporters for political newcomers.

National anti-corruption regulation is closely related to the national reputation in the international arena. That is because transparency belongs to the guiding principles of good governance promoted by the World Bank[16] (1994: 30), the Council of Europe (CoE 1996[17]; CoE 2003), the United Nations (UN 2003) and the European Union (EU 2010[18]), and its importance as a deterrent to corruption is internationally acknowledged. Belonging to the family of civilized countries is strongly associated with democratic government and the idea that democracy does not tolerate corruption (CoE 2003; UN 2003). Following Guzman, countries care about their reputation as it reflects the beliefs of other international actors on their credibility with respect to their mutual commitments. Chapters I and II further develop these ideas. In a nutshell, countries tend to comply with international recommendations on transparency in party financing, to demonstrate their commitment to anti-corruption reforms and democratic values.

Closely related to the rational choice perspective is the concept of institutional conservatism (Kaiser 2002: 105). This concept provides explanations in cases when regulation of party finance transparency does not change. Echoing Kaiser, I argue that regulation does not change if: 1) the status quo is an optimal equilibrium of interests of all the participants; and 2) the expected revenues of the reforms exceed the costs of the reform, including the costs of consensus-building, working out the reform proposal and the implementation of the reform. Along with the institutional conservatism, my

[16] International Bank for Reconstruction and Development Staff (1994): Governance. The World Bank´s Experience. Washington: World Bank Publications. Retrieved 25.02.2020 from http://documents.worldbank.org/curated/en/711471468765285964/pdf/multi0page.pdf

[17] CoE 1996: Programme of Action Against Corruption GMC(96)95, Committee of Ministers. Retrieved 25.02.2020 from https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016806ccfb6

[18] EU 2010: The Stockholm Programme — An Open and Secure Europe Serving and Protecting Citizens (2010/C 115/01). Retrieved 25.02.2020 from https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:115:0001:0038:EN:PDF

argument suggests that the transparency reforms of political finance do not happen because they do not bring any considerable comparative advantages for the ruling party (parties), they are too costly, and they do not bring any substantial reputational benefits in the international arena at that moment.

Historical institutionalism

Historical institutionalism considers regulation to reflect the dominant political culture, and changes in institutional development to be institutional adaptation to societal changes (Kaiser 2002: 109-110). From this theoretical perspective, understanding the evolution of party finance regulation in the 1990s towards transparency largely depends on considering political parties as overwhelmingly state-dependent[19] (Poguntke et al. 2016; van Biezen 2004; van Biezen 2008). The work of Mendilow (1992: 96) on Israel echoes this argument. In his analysis of the causes of the introduction of state subsidies in Israel, he states that it was increased awareness of party finance corruption that led to direct state funding paired with transparency requirements. Thus, high transparency requirements are paired with direct state subsidies as part of a carrot-and-stick solution to make parties accountable for their usage of taxes. To ensure that parties do not misuse public finance and that they promote public interest, public oversight becomes legitimate. This logic was embedded in the reforms in the USA, Canada, Israel, Denmark, Germany and Bolivia (Casas-Zamora 2005: 39), and in the party finance regimes of most of the post-communist countries.

Van Abel es (2016: 219) conducted a cross-sectional analysis of 99 countries to identify factors responsible for differences in the strictness of political finance regulation as captured by the Political Finance Regulation Index, constructed as a latent variable. She finds that the legal origin of a country – the main independent variable for historical institutionalism in her study – remains a consistently significant predictor, with countries close to the French or German legal tradition regulating political finance significantly less than countries that are close to the English legal traditions. She also shows that countries affected by the Socialist legal tradition and new democracies tend to regulate political finance more than countries with the English legal origin. Smilov and Toplak (2007) draw similar conclusions on the importance of institutional setting and the ideological experience while analysing differences in regulation of political finance in the Eastern European countries. They attribute these differences in regulation of political finance to the different systems of separation of powers,

[19] The state regulation of political parties, and in particular state subsidies, is often justified with a concept of parties as ´public utilities´ (Epstein 1986), or in economic terms as natural monopolies. As with other natural monopolies, here the state sets the level of state subsidies to support political parties so that they can fulfil their functions to ensure social welfare – in the case of parties, a democratic representation and competition.

differences in electoral systems, as well as to the dominant preferences for egalitarian or libertarian ideology.

Along with the literature cited above, changes to transparency regulation of political finance happen, as Molenaar (2010, 6) puts it, "within the embedded national preferences". This is especially the case when international organizations, like the EU or GRECO, suggest regulatory tailor-made revisions of party finance regulation. I echo this evidence in Chapter I on finding out that changes in regulation of party finance on a foreign advice are most likely to be implemented if they are moderate and in line with national conventions.

Apart from the evolutionary path described above, historical institutionalism explains policy changes with an argument about policy diffusion (Gilardi & Wasserfallen 2019; Koss 2011: 32). Policy diffusion happens when reforms follow the updated knowledge regarding the effectiveness (policy learning) and symbolic value (policy emulation) of policy decisions applied in other contexts – countries or subnational regions that follow a similar historical, cultural or geographical path. The widening of transparency in other policy-fields also matters. Knowledge about regulation and its effects in other contexts suggests possible or popular solutions for similar problems and illuminates the risks of enforcement for parties with similar profiles (Gilardi & Wasserfallen 2019: 7), thereby influencing their preferences in favour or against a policy change. Chapter II in this dissertation finds out empirical support for this theoretical approach, when it observes how political parties in Norway refer to the similar regulation and its implementation in Denmark.

The policy diffusion is a popular argument to explain the evolution of the COI regulation. In a broad literature review Saint-Martin (2008: 40-42) finds considerable evidence on spread of the COI regulation via policy diffusion on the transnational level, among national and subnational units of government as well as among subnational units. That said, the author himself sees the main reasons for the COI evolution in policy feedback loops conceptualized along with path-dependency developed by Pierson (2004). This approach unites historical and normative institutionalism, as Saint-Martin suggests that the COI regulation is affected by other decisions regulating politics and carries a high symbolic value especially important in times of political crises (2008: 53). Chapter IV of this dissertation further investigates and largely supports this argument.

Normative institutionalism

Normative institutionalism emphasizes scandals, a concern for equity and rising campaign costs as the main factors responsible for reforms in party funding (Paltiel 1981: 153). For transparency reforms scandals are particularly important. The reforms and the paths that the reforms take follow a "logic of

appropriateness" – acceptable regulatory solutions need to be deeply rooted in the shared values of the decision-makers (Fischer 2015: 158). These values may vary across social groups, countries and time. Pujas and Rode (1999: 42-43) note on this, "what is ´illegal´ and ´corrupt´ in some societies may be considered acceptable in others […]. An act tolerated during a given period in a particular society may not be in another, since the values of that society will have changed […]. The corrupt behaviour of political elites known to only a limited number of citizens […] can become scandalous when revealed to the public". Public scandals have been posited to be triggers for reforms in Italy, Spain and France (Pujas and Rodes 1999), Germany (von Alemann 2002) and Great Britain and France (Clift and Fisher 2004: 681), to name just a few studies. In this instance, a policy change is seen as an appropriate reaction to a policy failure and is thus a crucial remedy for public distrust of political parties. However, the direction of the regulation adopted in the aftermath of a scandal cannot be predicted per se. Pujas and Rodes (1999) prove this using the example of the introduction of direct state subsidies to political parties in Italy in 1974 and its subsequent abolition in the public referendum in 1993. Chapter IV echoes these findings when examining the COI reforms in the UK and Belgium.

Koss (2011: 51) suggests that we look more broadly and, alongside the real scandals, consider all public communication on corruption, including perceived corruption and the threat of corruption – together described as the 'public discourse on corruption'. An intense discourse on corruption shapes parties' policy goals in favour of constraining transparency regulation. And in our globalised world, corruption in one country may affect politics in another. Chapter I and II suggest empirical support for these theoretical expectations upon revealing the importance of reputational benefits and losses for countries involved in international anti-corruption programmes. Empirical work on Chapter II also showed that corruption scandals in other countries affected the perception of the threat of corruption in Norway.

Concluding Remarks

To conclude, I would like to suggest several avenues for future research. In my view, future works may be interested in studies of the effectiveness of party finance regulation and regulation of conflict of interest. Indices and approaches to measure the regulation presented in this thesis can be used to capture the dynamics of regulatory change across countries and over time as well as for the case selection. Hereby I echo Heald, who emphasizes the importance to consider the differences between the nominal transparency, measured by the law, and effective transparency - the gap that Heald calls the ´transparency illusion´. Heald states (2006: 34-35) that "even when transparency appears to be increasing, as measured by some index, the reality may be quite different […]. For transparency to be effective, there must be receptors capable of processing, digesting, and using the information". Also,

James K. Pollock noted on this that "the remedy for eliminating sinister money influences does not lie in passing more laws, but rather in improving the moral sense of the electorate and raising the standards of public service" (Pollock 1926: 262). This means that the integrity of political finance depends to a large extent on: 1) whether politicians, political parties and their supporters want to follow the spirit of the law, and not only its letter; and 2) how business and the society, in particular social scientists and mass media, understand the open data on political finance and critically reflect upon it. This implies further research on issues that may help to make open data on political finance and conflict of interest effective tools to understand and affect politics. With this regard, the use of new technologies in increasing transparency of political finance and tackling the conflict of interest also seems to be a promising field of research. Additional studies may want to investigate the effects of anti-corruption regulation of political finance and conflict of interest (COI) on trust of citizens towards democratic institutions and their satisfaction with democracy. Further research can also benefit from extending the analysis of transparency regulation in political finance to the local level of politics as well as to the conveyer organizations of parties. Concepts, empirical evidence and conclusions presented in this work can be thus tested for their external validity and contribute to a broader research agenda.

A Brief Summary

Effective design of the mechanisms enabling political equality – with economic inequality remaining a big challenge for democracy in the 21st century (Gilens 2012; Piketty 2014[20]) – constitutes one of the main research fields of contemporary political science. I contribute to the studies of one of these mechanisms – transparency regulation of political finance – in particular by studying different responses of national states to the internationally agreed norms on transparency of political finance (Chapter I), and the interplay of national and international factors affecting policy-making on transparency regulation of political finance (Chapter II). I argue that it is domestic politics that overwhelmingly determines the development of regulation on such a delicate issue as political finance. In particular, political parties initiate, delay or block transparency reforms according to their own interests: to maximise votes, to get a comparative advantage in their revenues or to signal their

[20] Thomas Piketty studies the distribution of wealth and income using comprehensive data on more than two centuries primarily from Germany, Great Britain, France, Japan and the United States, but also from other countries. The author concludes that private return on capital grows higher and more rapidly than income rates. This development exacerbates economic inequality and may thus endanger political equality. Martin Gilens studies the responsiveness of the U.S. politics to the demands of voters with different income levels. Survey data analysis from 1981 till 2002 largely indicates a significantly higher convergence of the policy outputs with the policy preferences of voters from the high-income percentiles than of those being in the low- or middle-income percentiles.

loyalty and interest to a potential coalition partner. Stricter transparency regulation of political finance is primarily a result of political competition that is why I cannot agree more with Sartori (2005: 14), when he states that dissent is central to democracy. This finding on transparency regulation contrasts with the main finding of Koss (2011) on the evolution of state funding regulation that consensus is crucial for the introduction of party state funding. Simultaneously, it echoes the idea of Pinto-Duschinsky (2002) and Nassmacher (2009: 244) that it is only well-designed and effectively enforced transparency regulation of political finance that ensures the enforcement of political finance regulation. Having said that, I consider it important to also control for international factors - such as policy diffusion and involvement of international organizations - while studying changes in the party finance transparency regulation as they may contribute to the launch or/ and to the choice of the reforms` paths. Chapters III and IV discuss the theoretical framework and measurement applied to the conflict of interest regulation. Chapter IV discusses the development of COI regimes in Belgium and the UK, largely attributing its path to historical institutionalism. Further contributions of my dissertation are three original data sets. Two of them are based on the GRECO evaluation and compliance reports which is a reliable source of data on regulation of political finance transparency and conflict of interest (see Appendix 1.8.1. for further details). And the chapter on Norway delivers original data on the reforms of party finance in Norway based on GRECO reports, original documents, and interviews conducted for this dissertation. In the following I discuss the main contributions of each of the chapters in a broader detail.

A Detailed Overview of the Main Contributions[21]

Chapter I makes several contributions to the ongoing debates on why political finance regulation changes, and in particular it a) suggests a theoretical framework to address political finance reforms, taking into account international obligations, existing party finance regulation, and demands for greater legitimacy of political institutions; b) introduces a unique dataset of 46 member-countries of the GRECO project operated by the Council of Europe; and c) concludes that unwillingness to pay the high domestic costs of changing national regulation is the prime impediment to compliance with transparency regulation proposed by GRECO.

Chapter II makes two contributions to the emerging theory on the evolution of political finance regulation as a) it conceptualizes the underlying causal mechanisms that explain when and why party finance transparency regulation changes, and b) it presents the first detailed study of party finance transparency reforms in Norway – a deviant case for the introduction of such reforms. The findings

[21] Note that this part entails parts of abstracts of the published articles properly identified in the next passage below.

demonstrate that, in the absence of major scandals, an intense political discourse on corruption and political competition are sufficient factors to launch transparency reforms. Whether reforms are enacted depends on the interaction of several factors. Parties that predominantly rely on state funding and grassroots support push for and adopt more constraining transparency regulation, while parties that are close to business oppose it. Experience of regulation in similar contexts and intense discourse on corruption – stimulated by domestic or international events – are necessary for the reform to succeed. Norwegian cooperation with the Group of States against Corruption (GRECO) further demonstrates that the success of party finance transparency reforms initiated by a foreign actor is a function of the existing tradition of party regulation, the policy position of a governing party, and the international reputational costs of non-compliance.

Echoing the discussion of party finance transparency regulation in the introduction, Chapter III a) introduces a three-dimensional conceptualization of COI regulation applicable to parliamentarians; b) presents a new dataset based on the GRECO reports to empirically differentiate between COI Strictness, Sanctions and Transparency, and c) presents empirically separate dimensions of parliamentary COI regimes adopted in European democracies. To illustrate the usefulness of these three indices, the chapter examines the relationship between the COI dimensions and trust in national parliaments across 25 democracies. Unlike the Sanction and Transparency Index, the COI Strictness Index (composed of strictness of rules and enforcement) has a significant and robust negative association with trust, which highlights the importance of disentangling different elements of COI regimes.

Chapter IV continues to study the growing complexity of parliamentary ethics regulation adopted over the last decades. It explores the variation in countries´ regulatory preferences along all the dimensions using the data on 27 European democracies, and thus updating the data set used in the Chapter III. Its main contribution is the investigation into the rationales underpinning regulatory choices. Based on a cross-national comparison, the paper identifies two cases for an in-depth analysis in which legislators chose very different solutions in response to growing pressures to regulate themselves: the United Kingdom, which adopted a highly transparency-oriented regime, and Belgium, which adopted a highly sanction-oriented COI regime. Echoing neo-institutionalist perspectives, the longitudinal analysis indicates how the two democracies' different institutional environments shape distinct answers to similar functional pressures. The appendix to this paper provides an additional analysis on the relationship between the COI regulation and the levels of trust in national parliaments as well as the perceived level of corruption.

A Publication Status of the Articles and an Overview of my Contributions to the Co-authored Works

Chapter I is an accepted manuscript of the article Smirnova, Valeria (2018): ´Why make political finance transparent? Explaining the Group of States against Corruption (GRECO)'s success in reforming national political finance regulation´ published as the version of record in *European Political Science Review,* 10 (4), 565-588 which can be accessed at http://doi.org/10.1017/S1755773918000103. I am a sole author. An earlier version of this article won the Peter Mair Prize 2015.

Chapter II is an accepted manuscript of the article Tonhäuser, V.; Stavenes, T.: ´Why change party finance transparency? Political competition and evidence from the 'Deviant' case of Norway´ first published online on the 23th of October 2019 as a version of record in *European Journal of Political Research* and which can be accessed at http://doi.org/10.1111/1475-6765.12369. I took the lead of this project, developed the overall set up of the paper, its theoretical part, the case selection strategy, methods, designed the interview questions and participated in conducting of the interviews while staying in Oslo in 2017. I identified the first reform process in the secondary literature, largely wrote a passage on the political competition in Norway and the discussion as well es edited the case study analysis. Also, I produced all tables and figures in the main text of the paper, including the case study.

Chapter III is the authors´ accepted manuscript of the article Nicole Bolleyer and Valeria Smirnova ´Parliamentary ethics regulation and trust in European democracies´ published as the version of record in *West European Politics*, 40 (6), 1218-1240 [2017] Informa UK Limited, trading as Taylor & Francis Group, which can be accessed at https://doi.org/10.1080/01402382.2017.1290404. In this article I contributed to the selection of the items that constitute the dimensions of the indices, coded a half of the data set, developed and realized the construction of the COI Indices, developed, conducted and wrote down the study on the relationship between the COI regulation and trust. Also, I suggested to use the GRECO evaluation reports to construct the original data set.

Chapter IV is the authors´ accepted manuscript of the article Bolleyer, Nicole; Smirnova, Valeria; Di Mascio, Fabrizio; Natalini, Alessandro: ´Conflict of interest regulation in European parliaments: Studying the evolution of complex regulatory regimes´ first published online on the 04th of October 2018 as the version of record in *Regulation and Governance*, which can be accessed at http://doi.org/10.1111/rego.12221. For this paper I coded a half of the data set, constructed the indices and conducted the cross-sectional analysis. I presented the cross-sectional part of this paper in the RC48 joint seminar of the Russian Political Science Association and the Standing Group RC48 of the International Political Science Association in June 2017 in St. Petersburg, Russia.

Official permissions to utilize all the published articles for this dissertation were received, along with the copyright policy of the publishing houses and the internal rules of the University of Cologne.

1. Why Make Political Finance Transparent? Explaining the GRECO´s Success in Reforming National Political Finance Regulation [22]

Abstract

If transparency in political finance is part and parcel of democracy, why do some countries adopt internationally agreed standards to regulate political finance in a more transparent way, while others do not? This paper a) suggests a theoretical framework to address this question, taking into account international obligations, existing party finance regulation, and demands for greater legitimacy of political institutions; b) introduces a unique dataset of 46 member-countries of the GRECO project operated by the Council of Europe; and c) concludes that unwillingness to pay the high domestic costs of changing national regulation is the prime impediment to compliance with transparency regulation proposed by GRECO. Right-of-centre cabinets are, on average, associated with a poorer level of compliance. Interestingly, compliance with recommendations which reduce the privileges of parliamentary parties does not deviate from the overall pattern.

Key words

GRECO, political finance, policy change, rational choice

1.1. Introduction

Political finance is a key resource that parties and candidates need to campaign and to survive between elections (Fischer and Eisenstadt, 2004: 620). Although there is no unanimous position among political scientists on what factors drive political finances up, the tendency for ever-increasing demands for political finance is unambiguous (Nassmacher, 2009: 173). Accepting extensive financial and in-kind donations renders political parties and candidates susceptible to the influence of affluent donors. Transparency and accountability in political finance are intended to preserve the responsiveness of political parties and candidates to their voters, not donors. Given that transparency and accountability in political finance are part and parcel of democracy, we need to understand why countries regulate this sphere differently.

Internationally agreed principles on the transparency of political finance regulation (OSCE/ODIHR and Venice Commission, 2010: 35; CoE, 2003; UN Convention against Corruption, 2003: Article 7.3) and

[22] This is an accepted manuscript of the article Smirnova, Valeria (2018) ´Why make political finance transparent? Explaining the Group of States against Corruption (GRECO)'s success in reforming national political finance regulation´ published as the version of record in European Political Science Review, 10 (4), 565-588 which can be accessed at http://doi.org/10.1017/S1755773918000103. An earlier version of this article won the Peter Mair Prize 2015.

comprehensive projects like the ´Group of States against Corruption' (GRECO) allow researchers to examine countries´ attitudes towards regulation of political finance. Compliance with internationally agreed norms helps to capture these attitudes, as adherence is not assured by any coercive enforcement mechanism. My research question here is why only some countries voluntarily adopt internationally agreed standards intended to increase transparency and accountability in political finance, while others do not.

This article proposes to analyse compliance with recommendations from international organizations on transparency of political finance, taking into account the dual nature of accountability that national authorities are exposed to: voters and international partners. I test propositions with a multiple regression on a new dataset derived from the GRECO project, involving 46 member-countries of the Council of Europe (CoE). The main finding demonstrates that countries tend to comply with international standards on transparency of political finance when the reforms required are moderate. Following Sarigil (2015: 233), I call such reforms path following or path-dependent.[23] It means they preserve the logic of existing regulation and institutions; they thus require few resources to implement and carry little uncertainty as to their outcome. In other words, countries are more likely to introduce new standards on political finance when they already regulate political parties extensively. These findings are in line with path-dependency approaches claiming that existing institutions reduce the options available to change the policy's direction (Olsen, 2009: 11). A cross-country measure of the level of party regulation helps to capture this effect.

Surprisingly, the national compliance is mediated by the political preferences of the governing coalition, with left-of-centre cabinets tending to adapt more transparency requirements for political finance than right-of-centre ones. By identifying systematic patterns in reforming party finance transparency regulation, this article contributes to the rapidly developing theory on policy change in political finance regulation (Koss, 2011; Norris and Abel van Es, 2016; Nwokora, 2014). Notably, the countries which co-founded GRECO, show more compliance than other GRECO participants.

I define *political finance* as both party organizational finance and party and candidate finances for electoral campaigns (Nassmacher, 2001: 10). I deliberately do not differentiate between party and campaign funding for two reasons. First, conventional financial practices make it difficult to clearly separate them (Nassmacher, 2009: 32; Norris and Abel van Es, 2016: 7; Roper, 2007: 98). Secondly, according to the transparency and accountability recommendations of the CoE, political finance encompasses both funding of political parties and electoral campaigns (CoE, 2003).

[23] For the purpose of this study, I define ´a path´ as an existing regulative norm or/and an existing system of institutions.

Second section discusses the underlying logic of commitment to the reforms, based primarily on a rational choice approach. Third and fourth sections examine under what conditions countries tend to comply with or ignore international recommendations on reforms of political finance, and set out testable hypotheses. Fifth section introduces a new dataset based on the GRECO reports; the measure of party codification capturing the national level of party regulation; and further details on the data operationalization. Sixth section presents and discusses the main findings. The concluding seventh section underlines the article's contributions to the field and suggests avenues for future research.

1.2. Policy Change on Foreign Advice: Why do Countries Care?

My primary interest in this article is to explain a variation in compliance with international recommendations on party finance reforms across countries. I use *compliance* here to mean ´all behaviour by subjects or actors that confirms to the requirements of behavioural prescriptions or compliance systems […] noncompliance (or violation) is behaviour that fails to confirm such requirements´ (Young, 1979: 4). Drawing on previous research (Abel van Es, 2016; Thomson, 2007; Trachtman, 2010), I conclude that national authorities working within international organizations are subject to twin accountability requirements. On the one hand, they represent their national electorate and should act in the interests of their voters as they won´t be re-elected otherwise (Przeworski et al., 1999: 32). On the other hand, national authorities need to remain predictable and co-operative with their international partners – international organizations and foreign national authorities – in order to maintain prospects for further cooperation (Guzman, 2008). Consequently, I argue that both foreign (Gauja, 2016; Molenaar, 2010; Timus, 2010; van Biezen and Molenaar, 2012) and domestic (Koss, 2011; Nwokora, 2014; Scarrow, 2004) costs of compliance should be taken into account when analysing changes in party finance regulation that result from international recommendations. Variations in party finance regulation have been recently addressed in a cross-sectional study encompassing more than 100 countries (Abel van Es, 2016). I contribute to this field by specifically studying the evolution of party finance transparency regulation and testing new theoretical implications on the subset of reforms induced by foreign advice in Europe.

Studying foreign costs implies detecting relevant international actors who are able to influence national regulation on political finance. Addressing the European context, van Biezen and Molenaar (2012: 635) identify the following institutions relevant to the development of this regulation: the Council of Europe (CoE), the European Court of Human Rights, the Organization for Security and Co-operation in Europe (OSCE), regional organizations and initiatives of the EU and, last but not least, international non-governmental organizations (NGOs) and quangos[24]. The CoE, through its GRECO

[24] ´Quango´ stands for a quasi-autonomous non-governmental organisation which is publicly financed but is not controlled by the central government.

expert pool and the Venice Commission,[25] works out the norms and recommendations for countries, establishes guidelines and benchmarks, and also monitors progress on anti-corruption reforms (Molenaar, 2010: 6, 37). The GRECO mechanism plays a crucial role in ensuring that CoE member-states comply with international standards. Through a comprehensive evaluation procedure it develops tailor-made recommendations for the CoE members on how to adjust their regulation and practice to conform to the CoE´s anti-corruption standards.[26] The EU can facilitate implementation of the CoE´s recommendations with the prospect of EU membership and provision of international aid (Abel van Es, 2016: 221; Levitsky and Way, 2006). The OSCE Office for Democratic Institutions and Human Rights (ODHIR) and Election Monitoring Organization of the Commonwealth of the Independent States (CIS-EMO) are in charge of monitoring how existing principles of party and electoral regulation are put into practice. Meanwhile, NGOs and quangos share their country expertise (Norris, 2013: 565) at various stages of the reform process.

The CoE thus plays a crucial role in elaborating new norms and providing countries with recommendations on how to improve their democratic integrity. The EU can play an important part in the implementation of CoE recommendations. From this perspective, non-compliance with CoE standards imposes normative (reputational) costs on national authorities in relation to the CoE and it can impose reputational costs with regard to other international partners, like the EU. Of course, the costs of noncompliance for a country diminish if it does not acknowledge the CoE (and GRECO specifically) as a legitimate agenda-setter (Börzel et al., 2010: 1371). The costs for compliance decrease, if a country can shape the GRECO standards along with its national policy goals (Börzel et al. 2010: 1368).

So far, I have discussed compliance costs arising from national authorities' accountability to their international partners. Yet compliance with international standards on party finance requires closing the gap between a recommended regulatory norm and an existing domestic rule. The CoE recommendations aim, primarily, at changing inter- and intra-institutional routines in a political system via improvements in the state regulation of political parties. So, the act of compliance can change a traditionally accepted status quo in matters of acquiring, channelling, spending, reporting and disclosure of political finance. Sarigil (2015: 231) attributes the stability of the status quo to path dependence: ´through the habituation [repetition of action and thought], individuals acquire or develop pro-status quo cognitive frames, which shape their awareness and interpretation of reality.

[25] The Venice Commission is the CoE's European Commission for Democracy through Law. It provides countries with legal advice on democratic issues.

[26] See Appendix 1.8.1 for further information on GRECO evaluation rounds and on how GRECO develops country-specific recommendations.

Such cognitive frames constitute barriers to change´. Thus, even in an attempt to comply with international recommendations on combating corruption, an abrupt change to the status quo must be costly. These reforms affect the historical tradition of party finance regulation – a long-term existing regulatory norm, practice and (if they exist) administrative units enforcing political finance regulation – which I also refer to as ´a path´.

The CoE motivates countries to reflect upon their regulation. These reflections can produce at least two types of change. The first is path-dependent, or context-bounded, reforms, which Molenaar (2010: 6) describes as ´within the embedded national preferences´. These reforms change party regulation in minor ways – lowering the threshold for disclosure of anonymous donations, for example – and, hence, generate only moderate costs. They maintain the overall status quo – the core of the national policy tradition – but calibrate it to meet international standards.

The second type of reform – path-breaking – generates discontinuities in the rules and traditions. For instance, when national law treats political parties on a par with non-governmental non-profit associations, it would hardly be possible, without defining political parties legally, to demand greater disclosure of finance used by parties. But defining political parties for the first time would inevitably restrict freedoms previously customary. Obviously, such path-breaking changes bring high adaptive costs, at least in the short run (March and Olsen, 2006: 13). And, given that domestic costs of compliance are more immediate than being shamed internationally,[27] path-breaking changes are unlikely to be implemented. Simultaneously, we need to control for whether national authorities tend to implement path-breaking recommendations if they experience domestic political demand for enhancing the legitimacy of democratic institutions.[28] Domestic political demands can be conceptualized as voters` dissatisfaction with domestic political institutions (Easton, 1957), which, in turn, can derive from political corruption scandals (Koss, 2011: 50).

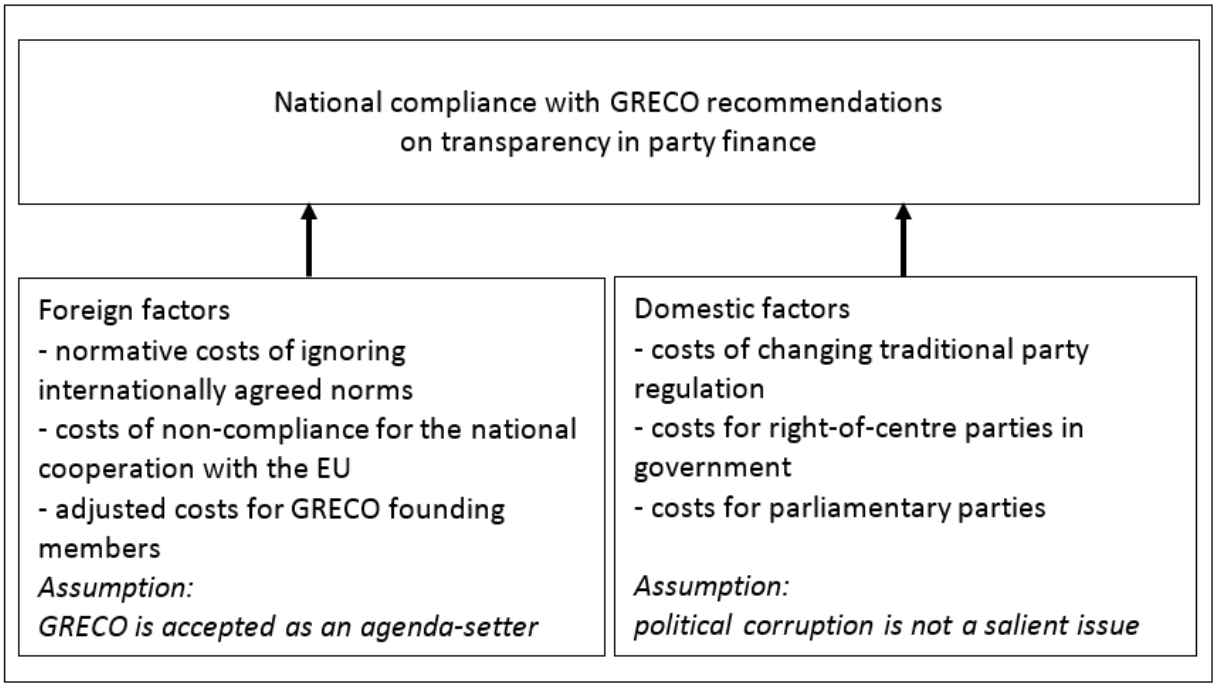
Domestic compliance costs may have different effects on political parties and their complementary institutions. International recommendations for reform can be treated as an exogenous shock which separates the political community essentially into two domestic political coalitions (Trachtman, 2010; Nzelibe, 2011): those who will benefit from the state´s compliance with these recommendations and those who risk losing from it. These coalitions are prone to crystallize along the left and right dimensions of party competition (Nzelibe 2011: 648), with right-of-centre parties, in general, supporting less transparency than their left-of-centre counterparts. These preferences may be traced

[27] Implementation of GRECO`s recommendations on transparency of party finance directly affect political parties and therefore can hinder or enhance their performance as soon as the next election.
[28] *See* a detailed discussion on control variables in the subsection of section 1.5. Data and Operationalization, Explaining variation in compliance: controls.

back to the socio-economic inequalities historically clustered around labour and capital and reflected in party support (Cioffi and Höpner, 2006: 486), as well as to the established party finance regime (Nwokora, 2014). Centre-right parties are traditionally closely related to the corporate elite and centre-left parties accordingly are traditionally willing to delegitimize and undermine that relationship (Cioffi and Höpner, 2006: 488). Transparency in political finance can be a tool to make the relationship between right-of-centre political parties and business groups visible to a broad public, and thus vulnerable to attack.

Finally, we need to consider an interaction effect between foreign and domestic costs. Given that failure to implement new standards may entail unbearable normative costs in the international arena, while the domestic costs of reform are substantial, national authorities may opt for selective compliance (Börzel and Pamuk, 2012: 91) and, driven by rational choice, intentionally ignore recommendations that disadvantage parties in parliament. Compliance with CoE recommendations often requires amending legislation. Given that parliamentary parties have direct access to the law-making process, they generally have greater opportunity to protect their interests than non-parliamentary parties. Figure 1.1 summarizes factors that affect compliance. Sections 1.3 and 1.4 develop testable hypotheses.

Figure 1.1. Factors diminishing country´s compliance



Note: *the total cost of compliance* is the difference between, on the one hand, all resources and losses required to comply with the recommendations, and, on the other hand, all losses resulting from non-compliance with these recommendations.

1.3. Variation in Compliance: Foreign Costs

High non-compliance costs for relations with the CoE

Why would countries change their regulations on such an intrinsically sensitive political issue as party finance? The CoE cannot impose any material sanctions for non-compliance (CoE, 2012: Rule 32), so retaliation cannot explain the logic of compliance with GRECO. Neither does reciprocity ensure compliance in this type of multilateral agreement: low compliance in one country does not undermine the whole agreement and mean that other countries would want to limit their compliance. Rational choice theory suggests that, rather than retaliation or reciprocity, it is concern for reputation that fosters compliance with multilateral agreements. Countries care about their reputation: it reflects the beliefs of other international actors about their credibility (Guzman, 2008: 69).

Evidence from GRECO statutory documents confirms this logic. GRECO monitors compliance and can publicly ´censure´ a non-complier.[29] Normative costs are accrued as a country ignores mutual political targets which an overwhelming majority of European countries has already agreed upon – in the third GRECO round the set of principles underpinning a transparent, accountable and democratic political finance system. Adherence to democratic rule and transparency in democratic procedures are cornerstones of European political values (CoE, 2003). So, countries participating in GRECO should generally comply with international recommendations, lest international actors cease to consider their commitment to anti-corruption reforms and transparency credible.

Some authors argue that acceptance of international organizations as legitimate agenda-setters is a primary condition for the imposition of normative costs for non-compliance (Beach, 2005: 125; Börzel et al., 2010: 1371). I assume that a country´s relation to the international organization is systematic. Hence ´repeated cycles of interactions´ (Koh, 1997: 2655) between a country and a particular international organization would reflect the extent to which that country recognizes the organization as a relevant agenda-setter and is willing to compromise its national regulation. A country with a weak commitment to GRECO as an agenda-setter may consider normative costs for non-compliance with GRECO recommendations to be low and domestic costs for reforms necessary to comply high. Compliance with GRECO recommendations in previous evaluation rounds is, therefore, a reasonable

[29] GRECO has several ways of censuring a non-complier. It can require the head of a national delegation to GRECO to report on the implementation progress within a fixed period of time. It can invite the Secretary of the CoE to draw the attention of the national Minister of Foreign Affairs to the non-compliance of their country. Furthermore, the President of the Statutory Committee of GRECO can contact the Permanent Representative to the CoE of the non-complying country. The Statutory Committee is a high-ranking GRECO organ consisting primarily of the representatives on the Committee of Ministers of the Member States of the CoE (GRECO Statute, Article 18)

proxy for capturing the readiness of countries to compromise their national regulation on GRECO´s advice and, thus, to understand progress on compliance in the GRECO political finance round. [30]

Hypothesis 1: Levels of compliance in previous GRECO evaluation rounds are positively associated with progress in compliance with recommendations on political finance.

Low compliance costs for the co-founders of GRECO

Should a country be one of the co-authors of the GRECO project, it not only acknowledges GRECO's legitimacy, but is also able to shape international norms according to its preferences (Börzel et al., 2010: 1368; Koh, 1997: 2636), thus minimizing the costs of compliance. Being a founding member of the anti-corruption standards body may additionally indicate a country's deep commitment to the fight against corruption and, therefore, its readiness for reform in this field. In contrast, if a country becomes a GRECO member *ex officio* (on joining international conventions), it may, unlike a founding member, be less interested in pursuing reform in such an intrinsic area as political finance or in deferring to the norms some other countries have agreed upon.

Hypothesis 2: Countries which are founding members of GRECO should comply better with GRECO recommendations than other GRECO members.

High non-compliance costs for EU candidates

Additional international obligations may increase the costs of compliance. Whereas the CoE pushes all member-countries equally to implement common principles for anti-corruption regulation, the EU's power to promote political finance reforms may vary considerably by country. In particular, countries experiencing democratic transformations may have higher incentives to show their commitment to the rule of law and demonstrate their progress in anti-corruption reforms than old democracies with a stronger reputation in this respect (Guzman, 2008: 91). At the same time, the EU seems irrelevant to political finance reforms in its member states because political finance does not belong to the *aquis communitare*. Renwick (2011: 461) postulates that ´significant power for external actors is antithetical to the principle of democracy, and stable democracies are unlikely to interfere with each other`s particular electoral institutions. But involvement of transnational actors in transitions is widespread´.

EU compliance research explains this phenomenon in terms of ´the power of obstinacy´ displayed during the enforcement stage. Powerful countries do not depend on a particular partner´s good will for future cooperation because they have alternatives. Hence they are more resistant to reputational costs and thus to external pressure (Börzel et al., 2010: 1368). Unlike them, however, weaker

[30] Political finance was not an issue in focus in the first and second GRECO rounds.

countries cannot cover reputational costs easily. So I conclude that countries with EU membership in prospect – but not those already members, nor those not desirous of joining – should have higher incentives to comply with the CoE recommendations. Previous findings strengthen this argument: both the CoE and the EU contributed to political finance reforms in ten European non-EU countries in the period 2000–6 (Walecki, 2007). While the CoE developed a set of best-practice recommendations for anti-corruption regulation, the EU facilitated implementation of these recommendations by making it a political condition for EU enlargement.

Hypothesis 3a: Countries applying to join the EU are more likely to comply with GRECO recommendations than EU members and non-EU countries.

Following the same logic and benefiting from the seminal contribution of Levitsky and Way (2006: 386), I control for whether countries with low obstinacy power (high vulnerability to external pressure) and close links (high density of ties and cross-border flows) with the international community comply with GRECO recommendations better than others. Here I treat confirmed status of EU candidacy as an indication of high density of ties between the EU candidates and established democracies. And, like Abel van Es (2016: 223), I consider countries which receive international aid to be highly vulnerable to external pressure to improve the quality of democracy. All in all, low obstinacy power and close links with the international community should be associated with a high compliance level.

Hypothesis 3b: Countries applying to join the EU and receiving international aid are more likely to comply with the GRECO recommendations than EU members and non-EU countries.

1.4. Variation in Compliance: Domestic Costs

High costs of changing traditional party codification

Even if international conditions are favourable, high domestic costs for national authorities can prevent successful compliance (Börzel and Risse, 2003; Schimmelfennig et al., 2003). By forcing a country to introduce transparency regulation into political finance, GRECO can indirectly challenge its tradition of party codification. In line with the definitions introduced above, path-breaking reforms are high-cost decisions: they may fundamentally alter ´national policy goals, regulatory standards, the instruments or techniques used to achieve policy goals, and/or the underlying problem-solving´ (Börzel and Risse, 2003: 61). They may seriously affect the mechanisms of power distribution, challenge domestic procedures and the collective understandings attached to them, even change the entire political regime in a particular country. Thus, by challenging domestic procedures and the collective understandings attached to them, as well as by introducing uncertainty over policy outcomes, path-breaking reforms make compliance difficult.

Path-dependent changes, on the contrary, evoke low-cost solutions that, as a rule, preserve the core logic of existing policy and polity structures, and allow for further moderate changes (Kaiser, 2002: 104). High compatibility of domestic norms and internationally proposed recommendations means that path-dependent reforms do not induce severe compliance problems. They demand no redistribution of resources on the domestic level and go along with the logic of national preferences.

It is adaptation pressure that determines the costs of a change. As most international intergovernmental organizations cannot exert adaptational pressure in the field of political finance (Börzel and Risse, 2003: 61), the higher the domestic costs of compliance with recommendations, the lower the level of compliance. Alongside this rationale, in order to understand cross-sectional variations in compliance, I follow Steunenberg and Toshkov (2009), who suggest measuring the national legal architecture and comparing it to compliance obligations. Compliance with the CoE regulation differs from compliance with EU policies, where countries are often free to change an existing or adopt a new regulative norm. To avoid any bias, I compare countries´ compliance rates to the level of intensiveness of party codification on the national level.

To measure the intensiveness of existing party regulation, I suggest utilizing a proxy for party codification[31]. In a broad sense, intensive party codification means a wide range of official legal norms guiding the behaviour of political parties. Van Biezen (2008) detects three sources of party codification: 1) mentioning political parties in the constitution; 2) statutory regulation of the finance of political parties; and 3) the law on political parties.[32] These three types of state-based law do not encompass all the regulation affecting political parties, but they ´most directly affect the activities, organisation and behaviour of political parties´ (van Biezen and Casal Bértoa, 2014: 72). We can differentiate between these three types of law according to the amount of detail they involve – their scope.

Typically, constitutions have fewest provisions for political parties, even though they can refer to different domains of regulation (van Biezen, 2012: 207; van Biezen and Casal Bértoa, 2014: 76). Constitutions reflect the nature of democracy and the role political parties play in it. Party finance laws are more detailed: they can, for instance, require financial reports, fix limits to donations and introduce sanctions for violating party or campaign funding rules (van Biezen and Casal Bértoa, 2014: 82). Party laws score as the most intensive regulation: they may include finance standards, requirements for intra-party democracy or rules relating to party registration (van Biezen, 2008: 343;

[31] Another way would be to use the Political Finance Regulation Index of Abel van Es (2016), but it is only cross-sectional and is based on the IDEA data 2012. My model requires capturing the state of national regulation before countries started to comply with GRECO recommendations, which in some cases is from 2007 onwards.
[32] S*ee* construction details in Section 5.

van Biezen and Casal Bértoa, 2014: 78). And the more laws regulating political parties a country has, the higher is the intensiveness of party codification. Countries with less intensive codification of political parties would need to invest more effort in regulating political finances in a transparent way and complying with international recommendations than countries with a high intensiveness of party codification.

Hypothesis 4: The more intensive the party codification in a country, the higher that country's compliance with international recommendations on transparency in political finance.

High compliance costs for centre-right political parties in government

Both legal and political science literature on compliance stresses the importance of domestic political coalitions in the decision to comply or defy (Trachtman, 2010). Given that governing political parties are prone to use compliance with international agreements to realize their policy preferences (Nzelibe, 2011) and increase their chances of re-election (Trachtman, 2010: 135), I expect political parties in government to have clear preferences on compliance with international recommendations on transparency in political finance. Scarrow (2004) suggests differentiating between the revenue- and the vote-maximizing goals that political parties pursue when reforming political finance regulation. I argue that, to maximize their revenues, right-of-centre parties should tend to oppose strict transparency regulation, whereas left-of-centre parties should tend to support these reforms to maximize their vote-share.

I prove this in two steps. First, transparent party finance makes individual and groups´ political preferences identifiable (Casas-Zamora, 2005: 23), which can, in turn, limit their freedom and willingness to express these preferences – a similar argument to that used to defend the secret ballot (Teorell et al., 2016). Given that the more transparent party finance is, the more constrained are political finance activities and relationships between right-of-centre political actors and their traditional supporters – corporate donors – right-of-centre parties stand to lose from strict transparency obligations. Consequently, they are likely to oppose them in order to realize their policy preferences (Nwokora, 2014: 923) and maximize their revenues, thus decreasing compliance. In contrast, the egalitarian approach, commonly used by the left-of-centre parties, suggests that governments have to reassure members of the polity that the collective good outweighs individual rights to anonymity (Casas-Zamora, 2005: 23).

Second, disclosure of information on party support may discredit right-of-centre parties with their close links to affluent donors and business groups and thus benefit left-of-centre parties which stress their relations with the grass-roots. So, to maximize their votes, left-leaning parties should support

stricter party finance regulation; right-leaning parties, for the same reason, should tend to oppose it. As both these arguments relate primarily to the economic (and not cultural) dimension of party competition, I expect them to hold across most European countries.

Hypothesis 5: The longer the government coalition (party) stays in power and the more to the right of the political centre it is, the less likely the country is to comply with international recommendations on transparency in political finance.

High compliance costs for parliamentary parties

Policy change creates winners and losers in the political landscape conditional on the consequences of the reform (Kaiser, 1997: 438). Given that the normative costs of ignoring international recommendations are high, and domestic costs of reforms are substantial, national authorities may opt for selective compliance. Parliamentary parties would then be unlikely to adopt new rules demanding more transparency of them and reducing their privileges. Börzel and Pamuk (2012) illustrate this argument with the introduction of anti-corruption regulation in Azerbaijan and Georgia. They show that parliamentary parties systematically implement those anti-corruption standards which are most unfavourable to their political opponents, whereas those that threaten their own practices are systematically excluded or delayed. In consequence, these reforms not only secure illegal private gains but, worse still, may restrict access to power (Börzel and Pamuk, 2012: 83). To address this mechanism, I differentiate between parliamentary political parties, which can directly affect the legislative process and protect their interests, and political parties not represented in the parliament.

Hypothesis 6: Compliance with recommendations on party finance transparency is less likely the more recommendations address only parliamentary parties.

1.5. Data and Operationalization

The most recent international project to provide countries with recommendations on improving the transparency of political finance regulation is the third GRECO evaluation round. I have created a new dataset from the 46 participants of that project for which at least one compliance report was available by July 2017. The compliance process has not been finalized for at least 30 per cent of countries, which is the main reason why I do not treat the sample as a finite population. Nevertheless, I argue that we can rely on the findings from this sample as GRECO has already stopped monitoring compliance in 70 per cent of countries, while others are at an advanced stage.

Operationalization of the dependent variable

To estimate my dependent variable, I address the latest available country compliance report from the third GRECO evaluation round on ´Transparency of political parties´.[33] To start with, each recommendation is awarded a score reflecting the country´s compliance with it. A score of 1 indicates that GRECO regards the recommendation as fully implemented or dealt with in a satisfactory manner; 0.5 that it has been only partially implemented; non-compliance is scored 0. Finally, I calculate a proportion of the fulfilled and partially fulfilled recommendations for each country, standardizing the compliance score by its total number of recommendations in the evaluation round. Thus, the dependent variable ranges from 0 to 1, and is widely distributed across countries (Figure 1.2).

Operationalization of independent variables

Compliance in previous GRECO rounds

Information on countries´ compliance in the previous two evaluation rounds is coded using the same approach as coding the dependent variable. Further, I add implemented and partially implemented recommendations from the first and second rounds and divide them by the overall number of recommendations issued during the same period.[34] This procedure allows me to include those countries which experienced the first and second GRECO rounds as a single operation.

GRECO founding members

If a country is a GRECO founding member it scores 1, otherwise 0. The founding members are Belgium, Bulgaria, Cyprus, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Lithuania, Luxembourg, Romania, Slovakia, Slovenia, Spain and Sweden.[35]

Candidates for EU membership

This is a binary variable, coded as 1 if a country is a potential or an official candidate for EU membership, as defined by the EU Commission, while participating in the third GRECO evaluation round; otherwise 0.

[33] The monitoring system of compliance used by GRECO covers compliance with both ´the spirit and the letter of the law´ (Guidelines for Greco Evaluators, 2007: 6). So, at least partially, GRECO takes account of rule enforcement.

[34] *See* information on this variable in 1.8.2. Appendix B (Table B2).

[35] Information from the GRECO Secretariat.

International Aid

Following Abel van Es (2016), I use the average percentage of official development assistance in gross national income during the period of GRECO compliance procedure as an indicator of dependence on international aid.

Party codification

The intensiveness of party codification is a dummy variable. Countries are ranked 1 if they address political parties in the national constitution and in a law on political parties. They can also have a separate law on party finance which refers to regular and/or campaign finance. Otherwise, countries are ranked 0. These are countries only mentioning political parties in the national constitution; countries with only a law on party finance; countries with only a party law; or countries that address political parties in the national constitution and in a law on political finance. Overall, the high position of the country´s ranking indicates the great scope and detail of the regulation political parties are subject to – the high intensiveness of party codification. I make use of the information on laws and constitutions provided in the GRECO evaluation reports, Piccio (2012) and van Biezen (2008). Finally, I ensure that the coding captures the regulation in place immediately before countries started the compliance procedure within the third GRECO round[36].

Left–right cabinet positions

The position of the cabinet on the left–right dimension is measured as a mean position of parties in the cabinet during the compliance procedure weighed by the years that they stayed in power. Party positions may take values from -5 (very left) to 5 (very right). Original data are taken from the ParlGov.org dataset which is based on the mean values of party positions provided by expert surveys.[37]

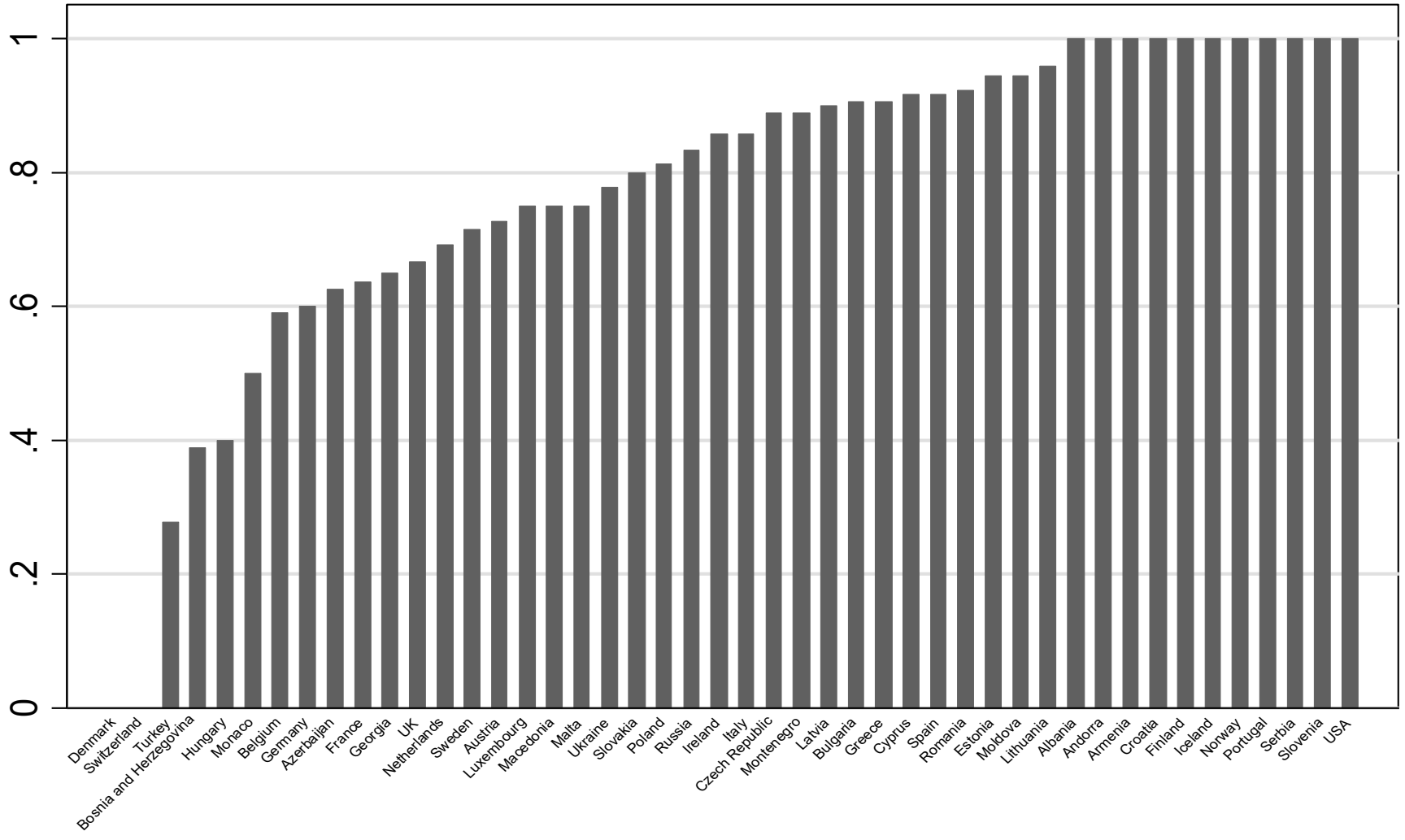
Changes for parliamentary parties

This is a variable indicating the proportion of a country´s quasi-sentences, denoted with i-indices in the text of recommendations in the original GRECO evaluation reports, addressing only parliamentary parties. Parliamentary parties are operationalized as political groups whose representatives are elected to parliament. This continuous variable may take values from 0 to 1.

[36] *See* Table B4 in 1.8.2. Appendix B for country scores.

[37] ParlGov (largely based on the Chapel Hill Expert Survey) was chosen because its data cover most of the observations in this article. Other measures of the left–right party positions (e.g. Franzmann and Kaiser, 2006) should perform similarly, as on the economic dimension – relevant for the theoretical argument – all the left–right measures are highly inter-correlated (Franzmann, 2015).

Figure 1.2. Compliance with GRECO recommendations on political finance reforms, proportions



Source: own estimations, July 2017

Note: Proportions indicate fully and partly implemented GRECO recommendations. Countries with no bars have a zero compliance level

Explaining variation in compliance: controls

To isolate the effects of interests, the model controls for 1) unintentional delays in compliance; 2) substantive differences in the recommendations resulting from the different policy aspects they address; and 3) level of domestic demands to enhance the legitimacy of political institutions.

Explaining compliance cross-sectionally presumes awareness of differences between deliberate recalcitrance and *unintentional delay*. The latter results from different interpretations of the standards set by the recommendation, political instability within a country, poor administrative capacities, or other similar reasons, and only postpones compliance (Falkner et al., 2005: 13; Mendez and Bachtler, 2017: 583). Over time these factors should lose their power. In contrast, deliberate recalcitrance is resistant to the passage of time. As countries enter the third evaluation round at different time points, I measure time in years from when the country received its recommendations up until the monitoring of compliance was officially terminated or July 2017 if it was still continuing then. Additional variation in compliance across countries can result from the different scope of change that countries are expected to attain (Steunenberg and Toshkov, 2009: 960). Countries do not necessarily receive the same number of recommendations.[38] The more change proposed by the recommendations, the less leeway supporters of reform have to logroll within the national legislative process (Kaiser, 2002: 106; Thomson, 2007: 995). Consequently, I expect a negative relationship between the scope of recommendations and a country´s progress on compliance.

Compliance levels across countries may differ as recommendations address *substantively different aspects* of party finance regulation. To capture this, I disaggregate country recommendations on party finance regulation into more than 590 quasi-sentences, denoted by i-indices in the original evaluation reports. I code each of the quasi-sentences, differentiating between issues on reporting and publishing of information on political finance, accounting procedures, sanctions for violations of political finance regulation, changes to the monitoring institutions, and issues relevant solely to regional parties and elections.[39] All the codes are mutually exclusive.[40] The last category should hinder compliance: some countries have a high level of regional autonomy over electoral regulation, so that complying with recommendations may engender conflict between federal and regional competences. This is commonly controlled for in the compliance literature (Mendez and Bachtler, 2017: 571). I estimate a

[38] The overview of the years when countries started the third GRECO evaluation round and of the number of recommendations they received are listed in the 1.8.2. Appendix B, in Tables B1 and B2 respectively.
[39] *See* further details on the assignment of codes in 1.8.5. Appendix E.
[40] The intercoder reliability from the two consequent coding of quasi-sentences is Kappa = 81.5 for 5 per cent of the data.

proportion of quasi-sentences in recommendations within each of the policy areas for each country. Each of these controls can vary from 0 to 1.

Lastly, I expect national authorities to comply with the GRECO recommendations more systematically when *domestic political demand for legitimacy of political institutions* in their country is high. Demand can result from a gradual decrease in confidence in institutional arrangements or from a ´sudden performance failure´ (Olsen, 2009: 15; Easton 1957: 388). Given that enhancing trust in and accountability of democratic institutions were the underlying motivations for recommendations on political finance expressed by the CoE (Molenaar, 2010: 19), I control for the level of satisfaction with democracy and a lack of confidence in political parties. Satisfaction with democracy is the proportion of respondents indicating if they are very or fairly satisfied with democracy developing in their country (European Values Study (EVS), 2008). Lack of confidence in political parties is the proportion of respondents saying that they have no or not very much confidence in political parties (EVS, 2008). Measures of confidence in political parties for Andorra (2005) and the United States (average for 2006 and 2011) are taken from the World Values Survey (WVS).[41] Missing answers are excluded from the population at the earliest stage of analysis.

1.6. Results

With a country as a unit of analysis and a continuous dependent variable, I fit the model with a multiple linear regression.[42] Hypotheses to be tested state that high costs in the international and domestic arenas are negatively associated with progress on compliance with GRECO recommendations. The logic of the estimated models can be also formulated as follows:

$$\textit{Country´s compliance} = \beta_0 + \textit{controls} + \beta_1 \textit{compliance in previous GRECO rounds} + \beta_{2a} \textit{GRECO founding member} + \beta_{3a} \textit{candidacy for the EU} + \beta_{3b} \textit{candidacy for the EU*dependence on international aid} + \beta_4 \textit{party codification} + \beta_5 \textit{left–right cabinet position} + \beta_6 \textit{demands on parliamentary parties} + \varepsilon_i,$$

where ε_i is an error term and β indicates the effects of interest.

[41] EVS and WVS use almost the same wording. EVS: ´Please look at this card and tell me, for each item listed, how much confidence you have in them, is it a great deal, quite a lot, not very much or none at all? Political parties´. WVS: ´I am going to name a number of organizations. For each one, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all? Political parties´.

[42] The interclass correlation is ICC = 0.50, meaning that approximately 50 per cent of variation in the dependent variable is on the country level. Also, per the design of the GRECO evaluation reports, recommendations are seldom independent of each other. For example, in one recommendation a country may be advised to introduce a new norm on party finance reporting and in another to introduce sanctions for the violation of this new norm. This all supports the need to fit the model on the macro level, justifying the choice of a single-level model.

Table 1.1 presents the most interesting, significant and robust results of a series of multiple regression chains. I first discuss the overall trends in the data, then focus on the effects of interest. Model 1 presents the main findings, which include indicators for GRECO founding members, intensiveness of party codification and the left–right affiliations of the cabinets. Models 2, 3 and 4 test the robustness of the findings for the full sample and including different controls.[43]

The positive and significant values of the constant across all the models indicate that, in general, countries tend to comply with the GRECO recommendations. We can also clearly identify those factors that strengthen or limit GRECO´s success in the national reform process. Model 1 demonstrates that GRECO founder-members, on average, comply by 16 percentage points more than countries which joined GRECO later (*H2*). Models 1 and 3 show that countries with cabinets more to the right of centre and longer in power during the compliance procedure show significantly less compliance (*H5*). At the same time, all the models indicate that intensive party codification is associated with a high level of compliance (*H4*). This effect is stable, even controlling for different regulatory areas. For illustrative purposes, Model 2 includes an indicator for potential conflict between regional and national levels over competences on regulation of political finance. Model 4 additionally controls for a proportion of recommendations that aim at facilitating the public availability of data on political finance[44]. The effect of high intensiveness of party codification remains robust even controlling for satisfaction with democracy and the lack of confidence in political parties (Models 2 and 3).

The compliance level from the previous GRECO rounds does not necessarily predict that for the third round (*H1*), although seems to do so reasonably well for some countries, including Croatia, Estonia, Italy, Latvia, Norway, Romania, Russia. The cases of Denmark and Switzerland are puzzling. In the first two rounds both had high compliance rates: 90 and 96 per cent respectively. Yet in the third round they did not comply at all. The quantitative analysis suggests that their low compliance is associated with low levels of national party codification. Their compliance behaviour may be an interesting case for an in-depth investigation, but it is beyond the scope of this article.

The hypothesis that prospective EU membership should be positively related to compliance in the third GRECO evaluation round in the time period covered was not confirmed (*H3a*).[45]

[43] *See* additional estimations (including tobit and robust regressions) as well as non-significant results in 1.8.3. Appendix C.

[44] Controlling for the proportion of sanctions for violations of political finance regulation and changes to the monitoring institutions within the recommendations does not change the results.

[45] Additional models have been run as a robustness check. No significant differences were found in the compliance rates of EU members and countries that do not want to join, nor between EU candidates and countries that do not want to join.

Table 1.1. Ordinary least squares regression on compliance with the Group of States against Corruption (GRECO) recommendations on the country level

	(1)	(2)	(3)	(4)
IVs				
GRECO founding member	0.164*	0.207**		0.193**
	(0.078)	(0.065)		(0.061)
High intensiveness of party codification	0.268**	0.146*	0.208*	0.136*
	(0.087)	(0.061)	(0.096)	(0.063)
Parties in cabinet	-0.040***		-0.041**	
/left–right scores, weighted/	(0.010)		(0.015)	
Controls				
Year		-0.074**	-0.009	-0.068**
		(0.024)	(0.029)	(0.022)
Recommendations that may induce a conflict of competences /proportion/		-0.981*		-0.957+
		(0.484)		(0.487)
Recommendations on reporting and publishing of information on political finance /proportion/				0.468*
				(0.179)
Satisfaction with democracy		-0.079		
		(0.178)		
No confidence in political parties			0.084	
			(0.484)	
Constant	0.584***	1.043***	0.962*	1.147***
	(0.107)	(0.132)	(0.445)	(0.109)
Observations	32	45	32	46
R^2	0.439	0.529	0.536	0.545
Adjusted R^2	0.379	0.468	0.447	0.489

Notes. DV is the proportion of fully and partly implemented recommendations. Unstandardized coefficients. Robust standard errors are in parentheses.

+ p < 0.10, * p < 0.05, ** p < 0.01, *** p < 0.001

Residual diagnostic and robust regressions were performed to check the sensitivity of results to the outliers. No problems were detected. Additional model specifications are listed in 1.8.3. Appendix C.

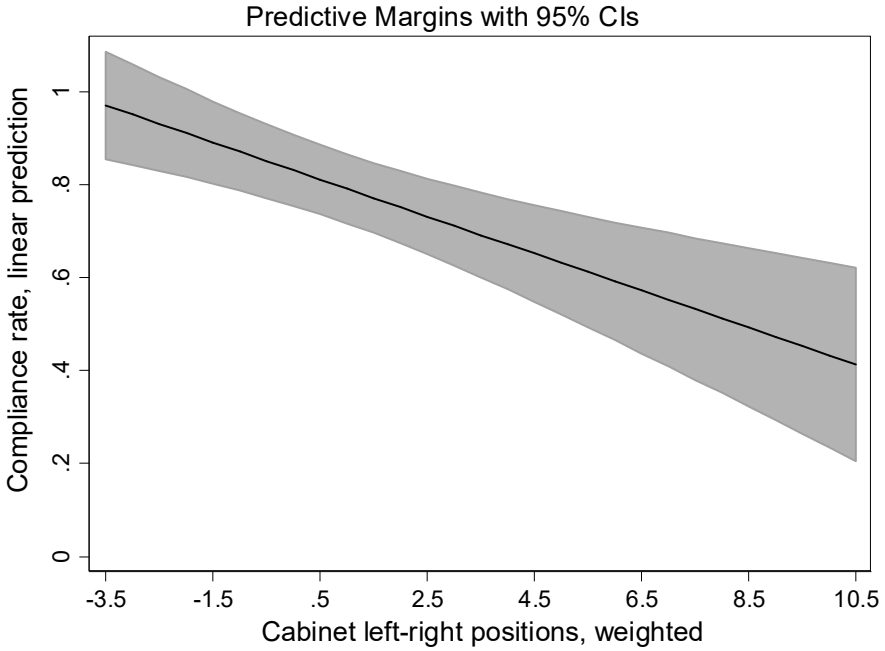
Nor does dependence on international aid make any difference to the compliance level (*H3b*). The compliance levels of EU candidates vary greatly. Croatia (the only country in the sample which became an EU member during the third evaluation round), Albania and Serbia complied with the recommendations 100 per cent. The compliance level of Macedonia and Montenegro lies around the sample average. Surprisingly, Turkey's level is below 40 per cent, as is Bosnia and Herzegovina's. One could argue that the latter had no realistic prospects of joining the EU during the period of analysis, hence the prospect of EU membership turned out to be systematically irrelevant. This finding echoes Walecki (2007), who identifies substantive EU power with regard to political finance reforms within the EU-enlargement procedures in 2004 and 2007, when membership prospects were clear. In brief, the current quantitative analysis contradicts the proposition that, on average, EU candidates will be more compliant than other countries.

My findings do not support the argument that a coincidence of the subject and object of reform leads to blocking recommendations intended to reduce privileges of parliamentary parties. So I conclude that there is no empirical evidence of discrimination against recommendations that require more transparency from parliamentary parties (*H6*).

Regarding the controls, additional recommendations, distinct regulatory areas and government efficiency (not shown here) neither systematically hinder, nor support compliance. Only the time variable suggests a relationship in the opposite direction to that I expected. This demonstrates that at the final stage, where the GRECO third round is now, those countries willing to comply have already been proven to have done so in the earlier monitoring rounds. And – holding all the other factors constant – giving countries more time does not substantively change compliance rates.

To explore the size of the effects of domestic factors, I focus on Model 1, which has very good explanatory power, capturing over 40 per cent of the data variation (*R-sq*.=43.9) and is quite parsimonious. On average, countries with a high level of party codification comply 26.8 percentage points better as compared to the countries with a low intensity of party codification. This indicates that the less intense a country's party regulation, the poorer its compliance with GRECO recommendations. Predictive margins suggest that countries with the high level of party codification would comply with the GRECO recommendations, on average, at a rate of 87.1 per cent. In countries with a low party codification the compliance with their GRECO recommendations drops to approximately 60.3 per cent.

Figure 1.3. Predictive margins for the effects of parties in cabinet



Based on the current sample, predictive margins suggest that changes in the variable capturing the left–right position of the governing parties and the time this coalition has been in government are associated with an almost 56 per cent difference in compliance rates (Figure 1.3). This variable best explains the 60 percentage points difference in compliance between Norway and Iceland to the left-of-centre and right-of-centre Hungary. Overall, the R-squared indicates that about 43.9 per cent of the variability in compliance with international norms is due to the type of reforms countries need to pursue, the political constellation of national government, and whether the country is a founding member of GRECO ($F(3, 28) = 7.72$, $p < 0.001$).

In a nutshell, the empirical analysis demonstrates that changes to the regulation of political finance are most likely to be implemented if they are moderate and in line with national conventions. Those countries which have already established a detailed regulatory framework for political parties tend to comply with international standards on political finance. Left-of-centre cabinets tend to introduce more transparency regulation in accordance with foreign advice than their right-of-centre counterparts. High domestic costs for reform and governing parties to the right of centre are likely to impede compliance with international standards. As theoretically expected, GRECO founding members show greater commitment than other GRECO members.

1.7. Conclusion

Addressing reforms to party finance launched by the CoE, this article bridges two research traditions. It brings together foreign and domestic factors affecting the evolution of political regulation, thus

contributing to the emerging theory of political finance reforms (Fischer and Eisenstadt, 2004; Koss 2011; Norris and Abel van Es 2016; Nwokora 2014) and extending the literature on the impact of international organizations on reforming political finance regulation (Gauja, 2016; Haughton, 2007; Molenaar, 2010; Timus, 2010; van Biezen and Molenaar, 2012; Walecki, 2007). In addition, by analysing policy changes on foreign advice in such a highly intrinsic matter as political finance policy, the article contributes to the compliance literature (Beach, 2005; Börzel et al., 2010; Guzman, 2008; Koh, 1997; Nzelibe, 2011; Trachtman, 2010), testing the external validity of available theoretical approaches on a new policy field.

Substantively, the article confirms that changes to political finance regulation are a function not only of what is appropriate but also of what is feasible. The analysis shows that a potential policy change triggered at the international level is shaped by domestic factors. Although party finance regimes tend to converge worldwide, with state funding of political parties becoming an ordinary source of party finance (Koss, 2011: Introduction), as this article demonstrates, we still lack empirical evidence that most countries implement identical principles on transparency and accountability in party finance. The introduction of equal standards on political finance in Europe may interfere with ´different and competing conceptions of party democracy´ (Gauja, 2016: 12; van Biezen, 2012: 207). Resistance to the implementation of internationally agreed standards is especially to be expected, as these standards are derived from a particular conception of party democracy – participatory democracy, rather than procedural democracy where parties are, primarily, understood as public utilities (van Biezen and Molenaar, 2012: 644). This conclusion echoes Gauja (2016), who finds an international consensus on considering a political party an important mechanism for citizens to exercise their rights to freedom of political expression, while the acceptability of intensive party regulation nevertheless varies enormously across countries.

This article delivers empirical evidence of the conflict between concepts of party democracies. It shows that even if countries receive tailor-made recommendations to promote transparency and accountability in party finance, they remain constrained in the implementation of these recommendations by their tradition of party regulation. This conclusion is in line with Abel van Es (2016), who identifies the relevance of legal tradition for explaining the cross-sectional variation in party finance regulation globally. It is, too, in line with findings from compliance studies on environmental issues (Bernhagen, 2008) and human rights (Powell and Staton, 2009). Comparative political science needs, therefore, to identify those causal mechanisms ensuring competitive elections without corruption which are successful in different regulatory regimes. Further, and directly related to the previous suggestion, the variety of party democracies demands further development of cross-sectional time-series data on party finance regulation.

The article delivers systematic evidence of the relationship between the political constellation of the government and the progress of party finance reform, which supports previous findings across different policy fields and countries (Cioffi and Höpner, 2006; Nzelibe, 2011; Scarrow 2004; Trachtman, 2010). This evidence contradicts the assumption that, as the importance of direct party funding by the state rises, left- and right-of-centre parties develop similar preferences for funding transparency to account for taxpayers´ money. At the same time, it sheds new light on why strict regulation of political finance corresponds with a high level of perceived corruption in parties (Casal Bertoá et al., 2014). To better estimate the effect size of left–right party positions on the evolution of political finance regulation and to trace the causal relationship, further in-depth analyses are necessary. Data on compliance with GRECO presented in this article may serve as a starting point for case selection. Note that the concept of compliance I use here is that applied by GRECO itself. Future research can undoubtedly benefit from addressing the true level of compliance with the letter and spirit of these recommendations over time and from elaboration on the effects of GRECO-induced regulation.

Finally, an interesting implication of the article suggests that powerful countries being able to affect international norms deviate in their compliance preferences. Contrary to previous findings of EU compliance studies (Börzel et al., 2010), I find that participation in the development of the international norms is associated with more compliance. EU compliance studies in fact suggest an explanation for this phenomenon: countries which are involved in the development of international norms may shape these norms according to their own preferences, thus diminishing the costs of their compliance.

1.8. Appendix

1.8.1. Appendix A. General Information on GRECO

How does GRECO refer to party finding and whom does it refer to in the country?

- The third round of GRECO, launched in 2007, addresses inter alia regulation on political finance. A particular focus of GRECO lies in transparency of party funding with reference to the *Recommendation of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns* (Rec (2003) 4). The project is still running in 2018 capturing most recent developments of the regulation on political finance. GRECO issues evaluation reports to each country-member with a set of recommendations on how this country can ensure transparency and accountability in political finance. Afterwards, GRECO monitors countries´ compliance with these recommendations. GRECO evaluation reports are based on primary data (analysis of regulation) and a wide range of country expert interviews, including high-rank public officials and representatives from the civil society. Interviewed experts are always listed at the beginning of the GRECO reports. For instance, for the first country in the list – Albania – GRECO evaluation team conducted interviews with *"officials from the following institutions: the Central Electoral Commission, the State Supreme Audit, the Ministry of Finance, the Constitutional Court, the Legal Commission of Parliament and the Council of Ministers […] with representatives of the following political parties: the Democratic Party, the Republican Party and the Socialist Party […] with representatives of non-governmental organisations (INSIZ and Transparency International Albania) and the media"*[46]. A similar list is provided for all other 45 countries in the sample. As Guidelines for GRECO evaluators prescribe, to assess the compliance with party finance regulation GRECO interviewers have to investigate ´the spirit and the letter of the law´ and have to differentiate between ´the implementation of the law and paper tiger´[47].

Who are the GRECO experts?

[46] GRECO evaluation report on Albania, p. 2, retrieved 26.09.2017 from https://rm.coe.int/16806c1b6e
[47] Guidelines for GRECO evaluators, p. 6, retrieved 26.09.2017 from https://rm.coe.int/16806cc121

- Each country participating in GRECO has to provide GRECO with up to five experts who will be added in the GRECO expert pool. For every country GRECO appoints expert teams out of this pool who run the first evaluation procedure. GRECO appoints a new expert team for each of the compliance rounds (Statute of GRECO, Article 10). Expert team should be also approved by the country under evaluation (GRECO Rules of Procedure, Rule 26). All the GRECO expert names are published in the introductory part of the country evaluation and compliance reports. Last but not least, countries become members of the GRECO voluntarily via an invitation from the Secretary General, or ipso factum on ratifying the Criminal Law Convention on Corruption (ETS 173) or the Civil Law Convention on Corruption (ETS 174).

How are the GRECO assessments performed?

- According to the GRECO Rules of Procedure, all GRECO country-members undergo a dynamic process of evaluation based on the standardized questionnaire filled in by the country delegation to the GRECO and a set of following-up on-site meetings in that country between GRECO expert team, national public officials (as GRECO indicates ´domestic key players´[48]) and representatives of the civil society[49]. This standardized procedure assures the comparability of the reports cross-sectionally.

- A detailed description of the procedure on how the report with recommendations is worked out is provided in the Rule 28 (GRECO Rules of Procedure)[50]. In brief, these are the following parties who participate in the establishment of the GRECO evaluation report: experts from the GRECO evaluation team, called GET; the Secretariat of GRECO; a country which stands in focus of the evaluation report; and the Plenary of GRECO. In particular, the GRECO Secretariat provides GET with a comprehensive reply to the standardized questionnaire filled in by the national delegation to GRECO and copies of relevant legislation. GET conducts on-site interviews. On coming back from the on-site visit, every member of the GRECO evaluation team delivers an individually

[48] GRECO informational brochure, p. 5, retrieved 26.09.2017 from https://rm.coe.int/16806fd621
[49] GRECO Rules of Procedure 2012, Rule 25, retrieved 07.04.2016 from https://rm.coe.int/16806cd443
[50] GRECO Rules of Procedure, retrieved 26.09.2017 from: https://rm.coe.int/16806cd443

written report with an analytical part and drafted recommendations along with the guidelines for evaluations[51]. Every evaluation report contains recommendations addressing the malpractices that experts managed to identify. All the recommendations must be thoroughly grounded in the draft, and subsequently also in the report. The GRECO Secretariat constructs an overall draft report and opens it for the comments to the whole GRECO evaluation team. As soon as all the parties agree upon it, this draft is provided to the country under evaluation for comments. The evaluation team has to consider these country´s comments[52] and, in case of disagreement, the Secretariat helps to find a consensus. After final adjustments are finished, this report is distributed to all the other GRECO members. A final draft should be voted in the Plenary to come into effect.

- Recommendations are structured along with the analytical part of the evaluation reports: general legislative framework transparency, structural party funding, supervision / monitoring, and sanctions.

How is the compliance with GRECO recommendations determined?

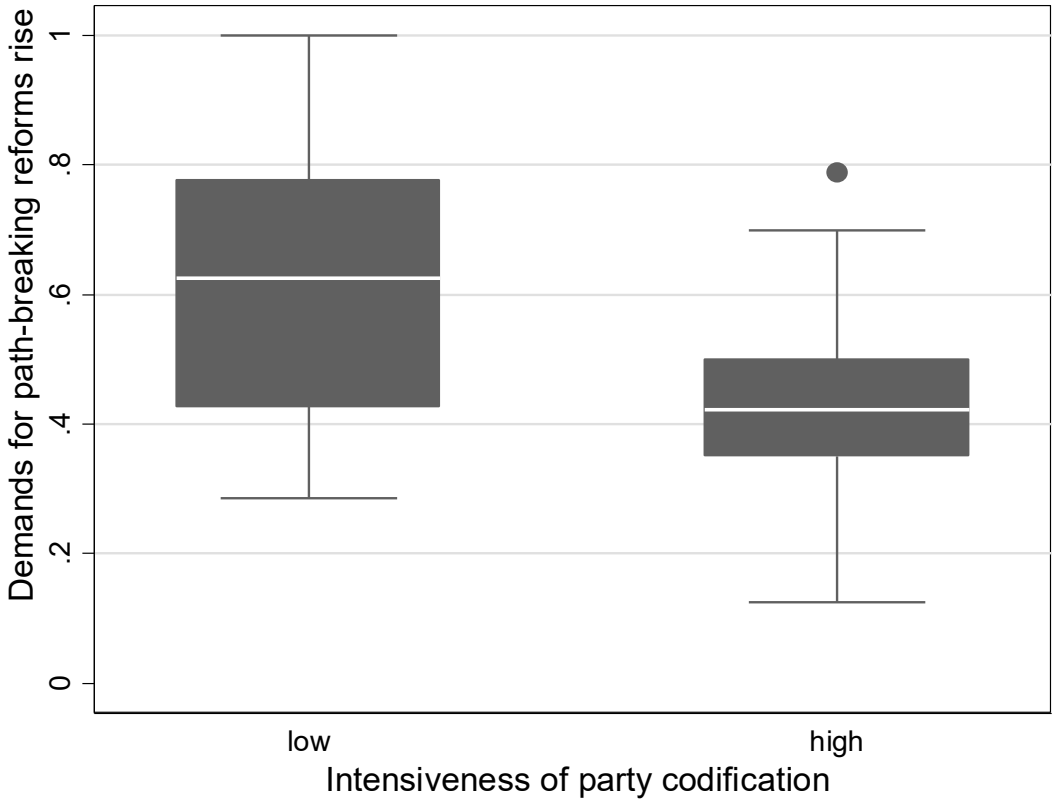
- The Guidelines for GRECO Evaluators (Rule 30) define compliance as a full implementation of a recommendation contained in the evaluation report within the time limit set by GRECO. As a rule, 18 months after the evaluation reports have been issued, a country has to report what has been done to fulfil recommendations issued in order to improve national regulation and national practices to tackle corruption. Based on these reports two rapporteurs appointed ad hoc by GRECO decide with regard to each individual recommendation how far a country has complied with GRECO recommendations. According to the Guidelines for GRECO Evaluators, GRECO experts assess both compliance with ´the spirit and the letter of the law´ and have to differentiate between ´the implementation of the law and paper tiger´[53]. These results are debated in the Plenary. The GRECO Secretariat assists the two rapporteurs to draft

[51] Guidelines for GRECO evaluators, retrieved 26.09.2017 from https://rm.coe.int/16806cc121
[52] Statute of GRECO, Article 14, retrieved 26.09.2017 from https://rm.coe.int/16806cd24f
[53] Guidelines for GRECO evaluators, p.6, retrieved 26.09.2017 from https://rm.coe.int/16806cc121

a mutual report reflecting a consensus. A final draft is sent to the country under evaluation and then again revised by the rapporteurs. The Secretariat works as a mediator if needed. After all, the compliance report is debated and voted for in plenary.

1.8.2. Appendix B. Robustness Checks and Summary Statistics

Figure B1. Relationship between intensiveness of party codification and a proportion of recommendations that demand a path-breaking change for countries in the third GRECO evaluation round



Note. The white lines denote the medians.

Source. Author´s estimations.

Comment. I disaggregate country recommendation into more than 590 quasi-sentences, denoted with i-indices in the original evaluation reports of the GRECO. Each quasi-sentence is coded to indicate whether it demands a path-breaking or a path-dependent reform for a country. A path-breaking demand might be, for example, the establishment of a new supervising institution or the introduction of a legal definition of political parties. An example of a path-dependent demand is an adjustment of already existing regulation aimed to strengthen the inter-ministerial cooperation or a broadening of the definition of participants who are eligible to apply for the state support[54]. All the codes on path-dependent and path-breaking demands are mutually exclusive.[55] Finally, I aggregate the proportion of

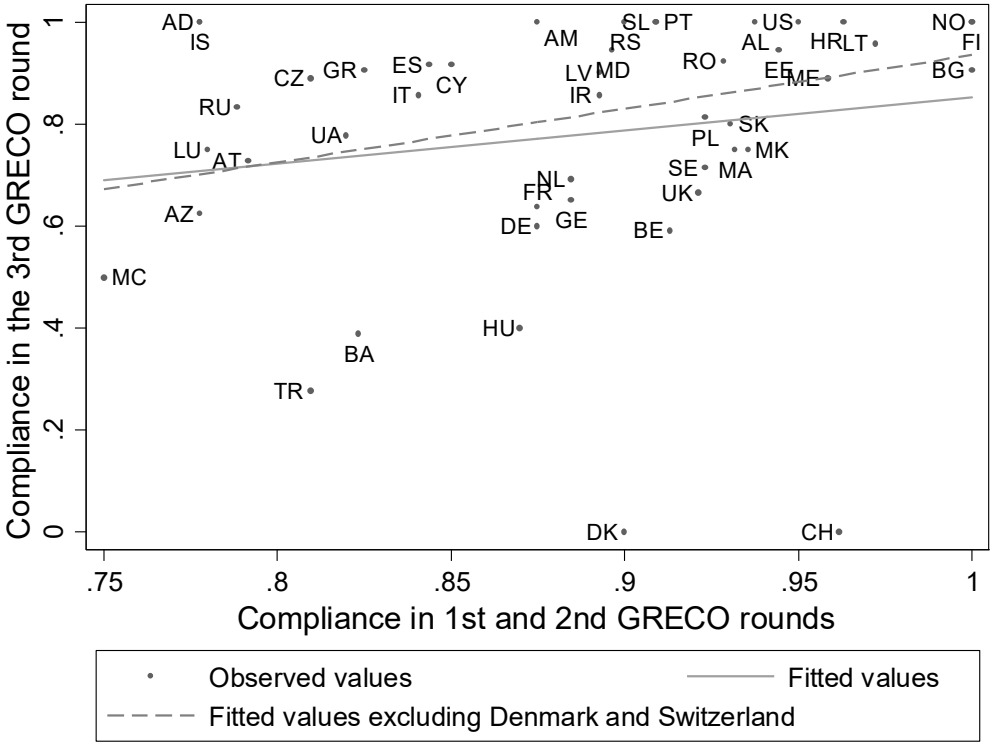
[54] Further details for assignment of codes are available in 1.8.5. Appendix E.

[55] The Kappa intercoder reliability test from the two consequent coding of path-dependent and path-breaking quasi-sentences is Kappa = 81.5 for 5 per cent of the data.

quasi-sentences that demand a path change on a country level. The values of this variable can range from 0 to 1.

Figure B1 indicates that, on average, the more intensive the regulation of political parties a country has, the less path-breaking recommendations on transparency of political finance it receives from the GRECO.

Figure B2. Relationship between compliance progress in the third GRECO round (party finance) and levels of compliance in the previous GRECO rounds



Source. Author´s estimations.

Figure B3. Compliance in the third GRECO round: a longitudinal perspective.

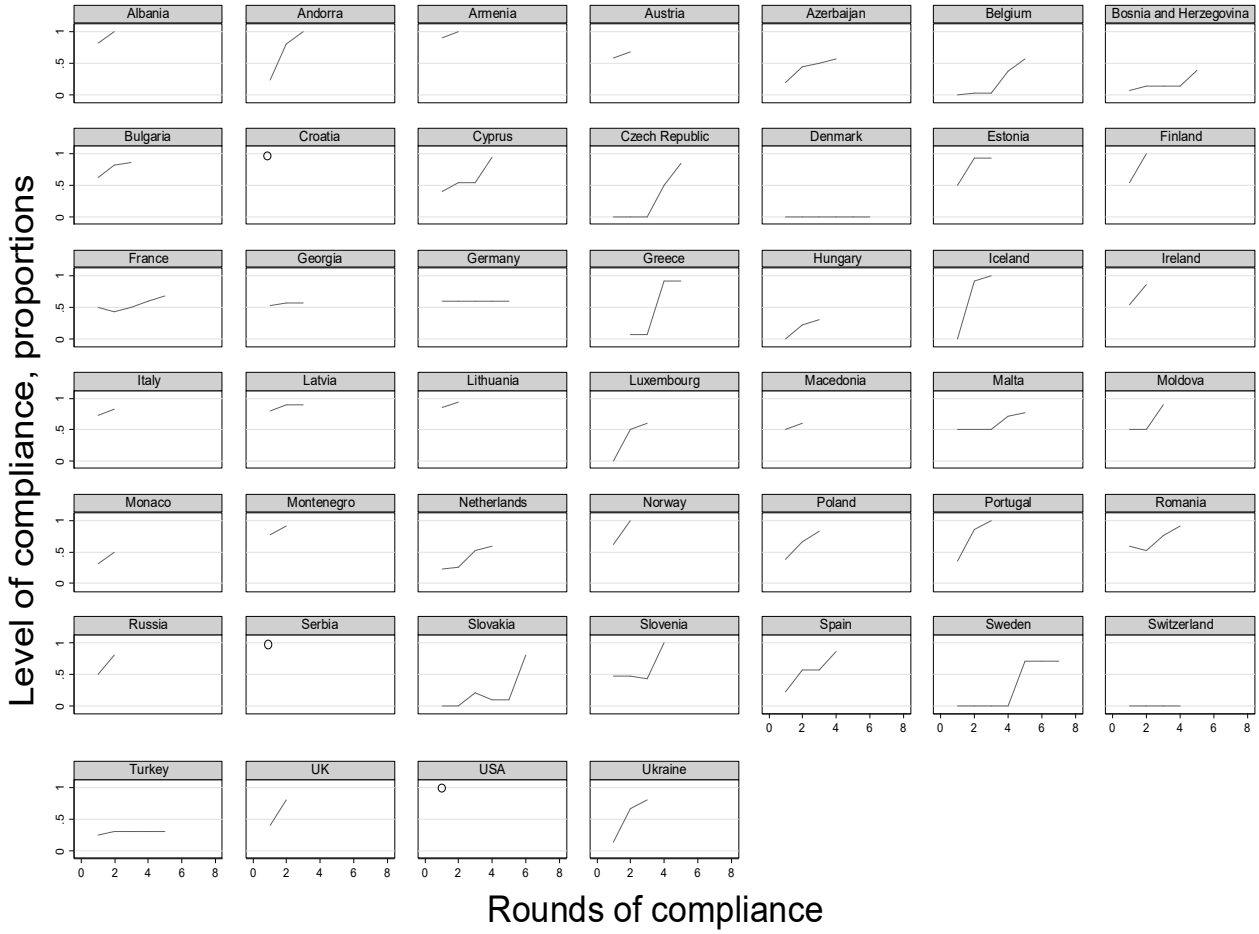


Table B1. Years when countries received their recommendations within the third GRECO evaluation round

Year	Countries
2012	Italy, Monaco, Russia
2011	Andorra, Austria, Bosnia and Herzegovina, Cyprus, Czech Republic, Georgia, Moldova, Switzerland, Ukraine, USA
2010	Armenia, Azerbaijan, Bulgaria, Greece, Hungary, Macedonia, Montenegro, Portugal, Romania, Serbia, Turkey
2009	Albania, Belgium, Croatia, Denmark, France, Germany, Ireland, Lithuania, Norway, Spain, Sweden
2008	Estonia, Iceland, Latvia, Luxemburg, Malta, the Netherlands, Poland, Slovakia, UK
2007	Finland, Slovenia

Table B2. Amount of recommendations across evaluation rounds: an overview *

A	B	C	D	E	F	G	H (Robustness check)	I (Robustness check)
Country	Number of rec-s issued in the 1st round	Implemented rec-s considered in the analysis (1st round)	Number of rec-s issued in the 2nd round	Implemented rec-s considered in the analysis (2nd round)	Number of rec-s issued in the 3rd round on political finance	Implemented rec-s considered in the analysis (3nd round on political finance)	Number of rec-s in the 3rd round on political finance after adjustment	Implemented rec-s out of those selected in G (after adjustment)
Albania	11	11	13	11.5	7	7	6	6
Andorra	0	0	18	14	10	10	9	9
Armenia	0	0	24	21	11	11	11	11
Austria	0	0	24	19	11	8	11	8
Azerbaijan	0	0	27	21	8	5	7	4
Belgium	14	14	9	7	11	6.5	10	5.5
Bosnia and Herzegovina	18	16.5	16	11.5	9	3.5	9	3.5
Bulgaria	14	14	11	11	16	14.5	15	13.5
Croatia	16	15	11	11	6	6	6	6
Cyprus	10	9	10	8	6	5.5	6	5.5
Czech Republic	9	8.5	12	8.5	9	8	9	8
Denmark	4	3.5	6	5.5	9	0	9	0
Estonia	12	12	15	13.5	9	8.5	8	7.5

Finland	8	8	4	4	10	10	10	10
France	10	8.5	6	5.5	11	7	9	5.5
Georgia	25	21	14	13.5	10	6.5	9	5.5
Germany	6	5	6	5.5	10	6	9	5.5
Greece	10	10	10	6.5	16	14.5	16	14.5
Hungary	11	10.5	12	9.5	10	4	8	2
Iceland	3	2.5	6	4.5	9	9	8	8
Ireland	8	7	6	5.5	7	6	7	6
Italy	0	0	22	18.5	7	6	7	6
Latvia	15	14	13	11	5	4.5	5	4.5
Lithuania	10	9.5	8	8	12	11.5	11	10.5
Luxembourg	12	10	13	9.5	10	7.5	7	4.5
Macedonia	17	15.5	14	13.5	6	4.5	4	2.5
Malta	15	14	7	6.5	6	4.5	6	4.5
Moldova	14	13.5	15	12.5	9	8.5	9	8.5
Monaco	0	0	28	21	4	2	4	2
Montenegro	0	0	24	23	9	8	9	8
Netherlands	7	7	6	4.5	13	9	11	7.5
Norway	5	5	4	4	6	6	6	6
Poland	17	16	9	8	8	6.5	8	6.5

Portugal	12	11	10	9	7	7	6	6
Romania	13	13	15	13	13	12	13	12
Russia	0	0	26	20.5	12	10	11	9
Serbia	0	0	25	22.5	10	10	10	10
Slovakia	19	19	17	14.5	10	8	9	7
Slovenia	12	11.5	10	8.5	13	13	10	10
Spain	10	9	6	4.5	6	5.5	6	5.5
Sweden	8	8	5	4	7	5	7	5
Switzerland	0	0	13	12.5	6	0	6	0
Turkey	0	0	21	17	9	2.5	9	2.5
UK	12	10.5	7	7	6	4	5	4
Ukraine	0	0	25	20.5	9	7	9	7
USA	12	12	8	7	3	3	3	2

*Note: Columns B-E were used to calculate compliance in the previous rounds of GRECO: ((C+E)/(B+D)). This procedure allows for keeping those countries in the analysis which experienced the first and second GRECO rounds as a single operation. Column F was used as a control variable for the overall number of recommendations issued per country in the 3rd round. Column G refers to the compliance with those recommendations which are accounted for in the Column F. Compliance level for the dependent variable used in the paper is calculated as G/F. Levels of recommendations as captured in columns B, D, F, G are constant across time. The indicators of compliance in columns C, E, G were measured based on GRECO compliance reports available by July 2017.

Column H is the overall number of recommendations after the exclusion of the quasi-sentences which do not require regulation reforms (i.e. when a quasi-sentence demands an arranging of a workshop for political parties on finance). Such quasi-sentences amount to 9 per cent of all quasi-sentences. Column I refers to the compliance with those recommendations which are accounted for in the Column H. Compliance level for the dependent variable (for a robustness check) is calculated as I/H. No changes to the results reported in the paper were found.

Table B3. Summary of the relevant variables in the sample

Variable	Obs	Mean	Std. Dev.	Min	Max	Dummy cases coded as 1
Country	46	-	-	1	46	NA
Year	46	5.225	1.47	1.58	8.5	NA
Number of GRECO recommendations	46	8.935	2.824	3	16	NA
Proportion of quasi-sentences for parliamentary parties	46	.025	.057	0	.256	NA
Proportion of quasi-sentences for monitoring institutions	46	.164	.092	0	.4	NA
Proportion of quasi-sentences for sanctions	46	.139	.079	0	.4	NA
Proportion of quasi-sentences demanding path change	46	.502	.197	.125	1	NA
Proportion of quasi-sentences entailing conflict between levels of authority	46	.023	.080	0	.339	NA
Proportion of quasi-sentences for a better public availability of information on political finance	46	.118	0.100	0	.333	NA
Satisfaction with democracy	45	.468	.182	.095	.790	NA
No confidence in political parties	45	.781	.116	.321	.937	NA
Compliance in the third GRECO round	46	.777	.248	0	1	NA
GRECO founding members	46	-	-	0	1	17
Compliance in previous GRECO rounds	46	.885	.067	.75	1	NA
Dummies for EU candidates	46	-	-	0	1	7
High intensiveness of party codification	46	-	-	0	1	29
Cabinet affiliations (Left-right scores, weighted)	32	1.719	3.026	-3.533	10.4	NA

Table B4. Codes used to construct the variable on intensiveness of party codification[56]

Country	Are political parties mentioned in the Constitution?	Is there statutory regulation of the finance of political parties or campaigns related to the finance of political parties?	Is there a party law?	Level of party codification
Albania	1	1	1	High
Andorra	1	1	0	Low
Armenia	1	1	1	High
Austria	1	0	1	High
Azerbaijan	1	1	1	High
Belgium	0	1	0	Low
Bosnia and Herzegovina	0	1	0	Low
Bulgaria	1	1	1	High
Croatia	1	1	1	High
Cyprus	1	0	1	High
Czech Republic	1	1	1	High
Denmark	0	1	0	Low
Estonia	1	1	1	High
Finland	1	1	1	High
France	1	1	0	Low
Georgia	1	1	1	High
Germany	1	0	1	High
Greece	1	1	0	Low
Hungary	1	0	1	High
Iceland	1	1	0	Low
Ireland	0	1	0	Low
Italy	1	1	0	Low
Latvia	1	1	1	High
Lithuania	1	1	1	High
Luxembourg	1	1	0	Low
FYR Macedonia	1	1	1	High
Malta	1	0	0	Low
Moldova	1	1	1	High
Monaco	0	1	0	Low
Montenegro	1	1	1	High
Netherlands	0	1	0	Low
Norway	1	0	1	High
Poland	1	1	1	High
Portugal	1	1	1	High
Romania	1	1	1	High
Russia	1	1	1	High

[56] Additional details can be provided by the author upon a request.

Serbia	1	1	1	High
Slovakia	1	0	1	High
Slovenia	1	1	1	High
Spain	1	1	1	High
Sweden	1	1	0	Low
Switzerland	1	0	0	Low
Turkey	1	0	1	High
UK	0	1	0	Low
Ukraine	1	1	1	High
USA	0	1	0	Low

1.8.3. Appendix C. Testing Additional Specifications and Alternative Control Variables

Table C1. Additional robustness checks for GRECO founding members

	(1)	(2)	(3)	(4)
IVs				
GRECO founding members	0.197**	0.183**	0.157*	0.104*
	(0.064)	(0.062)	(0.063)	(0.045)
High intensiveness of party codification	0.155*	0.128+	0.141*	0.099*
	(0.071)	(0.064)	(0.061)	(0.044)
Candidates to the EU			-0.144+	
			(0.085)	
Controls				
Conflict of competences		-1.080*	-1.140*	
		(0.497)	(0.503)	
Demands for a better public availability of information on political finance	0.630*			0.450*
	(0.234)			(0.214)
Years	-0.069**	-0.070**	-0.080**	-0.051**
	(0.022)	(0.023)	(0.025)	(0.015)
Constant	0.891***	1.022***	1.098***	0.934***
	(0.129)	(0.101)	(0.113)	(0.096)
Observations	46	46	46	46
R^2	0.411	0.467	0.502	0.274
F	5.223	5.265	4.478	6.450
AICR	-	-	-	68.191
BICR	-	-	-	80.239

DV is the proportion of fully and partly implemented recommendations.

Unstandardized coefficients; Robust SE in parentheses.

Models 1, 2 and 3 present results of multiple regressions.

Model 4 shows results of a robust regression.

Table C2. Additional model specifications

	Two-limit tobit model	Two-limit tobit model	Two-limit tobit model	Two-limit tobit model	Two-limit tobit model	Two-limit tobit model
	(1)	(2)	(3)	(4)	(5)	(6)
IVs:						
GRECO founding members			0.220** (0.077)			0.225** (0.080)
High intensiveness of party codification	0.220* (0.095)	0.175* (0.084)			0.181* (0.087)	0.177* (0.077)
Demands for parliamentary parties		0.618 (0.723)	0.213 (0.655)			
Parties in cabinet (left-right scale, w)				-0.035* (0.016)		
Candidates to join the EU					-0.171 (0.127)	
Controls:						
Year		-0.095** (0.030)	-0.123*** (0.030)	-0.083* (0.036)	-0.108** (0.033)	-0.114*** (0.031)
Conflict of competences		-1.036* (0.498)	-1.177* (0.467)	-1.394** (0.490)		
Number of recommendations+						0.000 (0.008)
Constant	0.680***	1.119***	1.311***	1.277***	1.299***	1.101***
	(0.075)	(0.189)	(0.161)	(0.211)	(0.201)	(0.210)
Constant (Sigma)	0.301***	0.242***	0.231***	0.239***	0.268***	0.236***
	(0.040)	(0.031)	(0.030)	(0.036)	(0.035)	(0.031)
Observations	46	46	46	32	46	46

DV is the proportion of fully and partly implemented recommendations. Unstandardized coefficients; Robust SE in parentheses.

** p < 0.05, ** p < 0.01, *** p < 0.001*

+Number of recommendations is measured as a number of quasi-sentences per country. Note that tests with an overall number of recommendations per country does not change the results.

Table C3. Results of the robust regression on some of the hypotheses of interest

	(1)	(2)	(3)	(4)	(5)
Compliance in previous GRECO rounds (H1)		1.047*	1. 062*	0.641	0.711*
		(0.431)	(0.440)	(0.350)	(0.347)
Candidates to the EU[57] (H3a)		-0.079	-0.174		
		(0.089)	(0.154)		
International Aid		0.011	0.008		
		(0.026)	(0.029)		
Candidates to the EU X International Aid (H3b)			0.048		
			(0.075)		
High intensiveness of party codification (H4)	0.170**				
	(0.059)				
Parties in cabinet (H5) /left–right scores, weighted/	-0.040***				
	(0.010)				
Demands on parliamentary parties (H6)				-0.330	
				(0.415)	
Year	-0.013			-0.042*	-0.048**
	(0.020)			(0.016)	(0.015)
Conflict of competences	-1.182***				
	(0.283)				
Government Efficiency					-0.031
					(0.025)
Constant	0.871***	-0.096	-0.108	0.497	0.567
	(0.125)	(0.382)	(0.390)	(0.333)	(0.332)
Observations	32	46	46	46	44
R^2	0.400	0.091	0.095	0.200	0.234
AICR	37.687	61.043	61.385	70.859	55.349
BICR	48.304	69.751	72.407	79.856	65.711

DV is the proportion of fully and partly implemented recommendations.

Unstandardized coefficients; SE in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

[57] The reference group consists of the EU members and countries that are not EU candidates. Findings stay robust if the reference group consist of the EU members only.

Table C4. Regressions on the adjusted dependent variable.

Adjustment: at the very beginning of the analysis, I omit quasi-sentences (i-denoted parts of the recommendations) which do not require legal changes – for example, arranging a workshop for political parties on finance – while constructing the dependent variable. The following procedure is exactly the same as described in the part on the construction of the dependent variable in the paper.

IVs	(1)	(2)	(3)	(4)
GRECO founding members		0.212**	0.200**	0.126*
		(0.071)	(0.067)	(0.058)
High intensiveness of party codification	0.250*	0.139*	0.144+	0.145+
	(0.104)	(0.067)	(0.075)	(0.076)
Parties in cabinet (left-right scale)	-0.043*			
	(0.017)			
Controls				
Year	-0.025	-0.076**	-0.069**	
	(0.028)	(0.028)	(0.023)	
Demands for a better public availability of information on political finance			0.619**	
			(0.220)	
Satisfaction with democracy		-0.200		
		(0.220)		
Constant	0.821***	1.083***	0.883***	0.656***
	(0.179)	(0.137)	(0.145)	(0.080)
Observations	32	45	46	46
R^2	0.374	0.402	0.392	0.282
Adjusted R^2	0.307	0.342	0.333	0.231

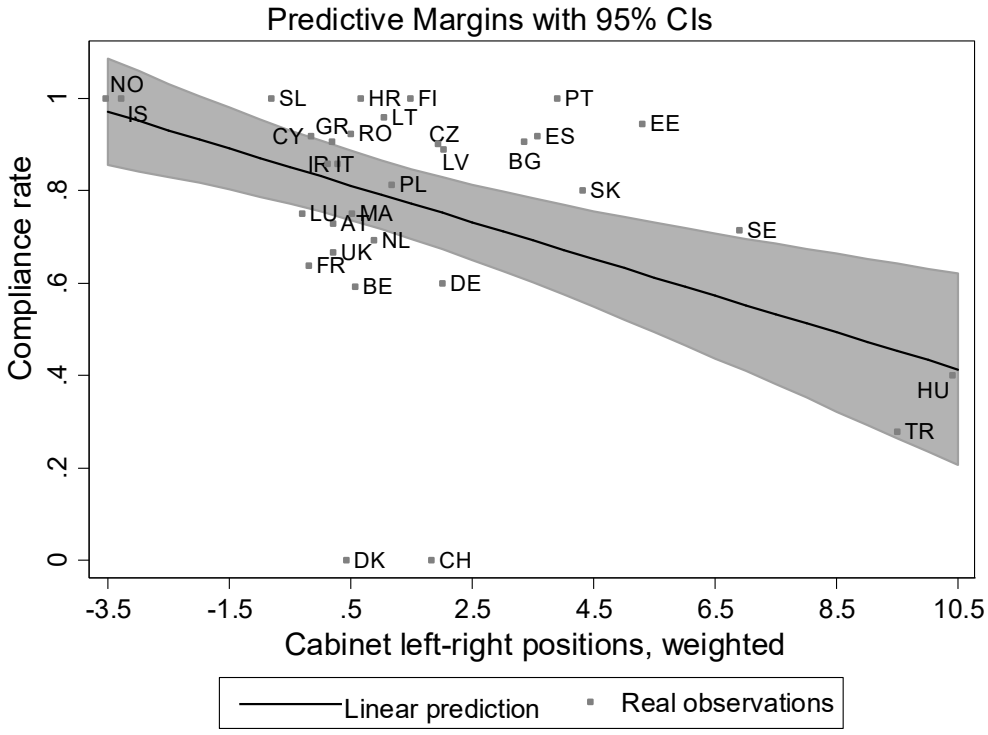
DV is the proportion of fully and partly implemented recommendations (adjusted).

Unstandardized coefficients; SE in parentheses.

+ p < 0.10, * *p* < 0.05, ** *p* < 0.01, *** *p* < 0.001

1.8.4. Appendix D. Predictive Margins and Real Observations for the 3rd GRECO Round

Figure D1. Predictive margins and real data observations for the 3rd GRECO round on political finance



A

Intensiveness of party codification	Compliance rates	
	Real observations	*Predictive margins*
High party codification	0.843	0.871
Low party codification	0.665	0.603

B

Note. Predictions are based on the Model 1 (Table 1.1 in the main text).

1.8.5. Appendix E. Coding Details

Coding instructions

The code is to be assigned to each quasi-sentence of a GRECO recommendation available in the country report. One quasi-sentence is a part of a recommendation or a whole recommendation which is denoted with a marker (i) in the original evaluation reports. To assign the code, please, read carefully an analytical part provided in the GRECO report above the text of the recommendation and a quasi-sentence in focus. One quasi-sentence can have only one code.

Follow the detailed description of the codes as provided in the table E1 and E2.

Table E1. Coding instructions. Overview of codes

Supreme categories / Subcategories	Path-Breaking	Path-Dependent	Working in Practice	Regional competencies	Other	Not context-specific	NA
Supervision and Enforcement	1100	2100	3000	5000	4000	8888	9999
Requirements on Parliamentary Parties	7100	2200					
Requirements on All Parties	3100	2300					
Publishing / Reporting Obligations	4100	2400					
Accounting Requirements	5100	2500					
Regulation on Sanctions	6100	2600					

Table E2. Coding instructions. Detailed description of codes: excerpt with codes capturing recommendations on path-changing and path-development changes for parliamentary parties

7100	Subcategory: Parliamentary Parties in Focus – Path-Breaking Demands Definition A quasi-sentence is coded as "Parliamentary Parties in Focus - Path Breaking" if it invokes fundamental changes in the regulation or exclusive status of ONLY those political groups whose representatives are elected to the parliament. Exclusive status is to understand as financing and other privileges which parliamentary parties and independent parliamentarians enjoy in contrast to the non-parliamentary parties and other non-parliamentary groups. Limitations to other categories If a recommendation or a subunit demands path changes in the regulation of BOTH parliamentary and non-parliamentary parties, coalitions, candidates, or ONLY non-parliamentary parties, coalitions, candidates, it belongs to the category "Requirements on All Parties – Path Breaking". If a quasi-sentence does not introduce any new norm for the parliamentary parties but some expansion or shortening in the existing norms in that field should take place, this quasi-sentence should be coded within the category "Requirements on Parliamentary Parties - Path-Dependent". Examples • A country is recommended to differentiate legally between parliamentary groups and political parties. There is no provision with regard to this issue in the existing law. • A country is recommended to obligate elected parliamentary representatives to report on their revenues and/or expenditures. There is no provision with regard to this issue in the existing law.

	• A country is recommended to prevent the misuse of administrative resources. There is no provision with regard to this issue in the existing law.
2200	Subcategory: Parliamentary Parties in Focus – Path-Dependent Demands Definition A quasi-sentence is coded as "Parliamentary Parties in Focus – Path-Dependent" if it invokes moderate changes in the regulation or status of ONLY those political groups whose representatives are elected to the parliament. Moderate changes mean the legal norm already exists but needs to be adjusted. Limitations to other categories If a recommendation or a subunit demands dependent changes in the regulation of parliamentary and non-parliamentary parties, it belongs to the category "Requirements on All Parties – Path-Dependent". Examples • A country is recommended to reduce the direct state financial support to the parliamentary parties. The direct finance support from the state to political parties has already been established. • A country is recommended to expand the number of participants getting state support.

2. Why Change Party Finance Transparency? Political Competition and Evidence from the 'Deviant' Case of Norway[58]

Abstract

This article focuses on the development of a key type of regulation ensuring public surveillance of political finance – party finance transparency rules. It makes two contributions to the emerging theory on the evolution of political finance regulation. First, using previous research, it conceptualizes the underlying causal mechanisms that explain when and why party finance transparency regulation changes. Second, it presents the first detailed study of party finance transparency reforms in Norway, which is a deviant case for the introduction of such reforms. It is found that, in the absence of major scandals, an intense political discourse on corruption and political competition are sufficient factors to launch transparency reforms. Whether reforms are enacted depends on the interaction of several factors. Parties that predominantly rely on state funding and grassroots support push for and adopt more constraining transparency regulation, while parties that are close to business oppose it. Experience of regulation in similar contexts and intense discourse on corruption – stimulated by domestic or international events – are necessary for the reform to succeed. Norwegian cooperation with the Group of States against Corruption (GRECO) further demonstrates that the success of party finance transparency reforms initiated by a foreign actor is a function of the existing tradition of party regulation, the policy position of a governing party, and the international reputational costs of non-compliance.

Key words

GRECO, political finance, process-tracing, Norway, transparency

2.1. Introduction. Importance of Studies on Party Finance Transparency Regulation

The spread of regulation of political finance in Europe, Canada and Australia and the opposite deregulatory trend in the USA are regularly scrutinized to shed light on the quality of representative institutions (Boatright 2015; Casal Bértoa et al. 2014; Norris and van Abel Es 2016; Nwokora 2014) and the relationship between parties and state in contemporary democracies (Corduwener forthcoming; van Biezen 2004; van Biezen 2008; van Biezen and Kopecký 2007). Although the field is considered to be in its infancy (Mendilow 2018), and has been mainly approached through case studies (for exceptions, see Norris and van Abel Es 2016; Smirnova 2018), there are considerable theoretical

[58] is an accepted manuscript of the article Tonhäuser, V.; Stavenes, T.: ´Why change party finance transparency? Political competition and evidence from the 'Deviant' case of Norway´ first published online on the 23th of October 2019 as a version of record in *European Journal of Political Research* and which can be accessed at http://doi.org/10.1111/1475-6765.12369.

developments (see Boatright 2015; Fisher 2015; Koss 2011; Scarrow 2004). This paper analyses one key type of political finance regulation: party finance transparency regulation, which ensures public surveillance of political finance.

We see regulation of party finance transparency as a part of party finance regulation, consisting of the official rules and institutions obliging political parties to correctly and completely report and disclose all kinds of income and expenditure. Per definition, this type of regulation is designed to unveil the income sources and expenditure of political parties. There are at least four generally accepted reasons why this type of transparency is interesting for politicians, scholars, and society at large.

First, political parties are crucial for the functioning of democracy in Europe (Dalton et al. 2011), and the United Nations Convention against Corruption (UNCAC) considers it paramount to make their funds transparent to combat corruption. In particular, transparency regulation of party finance aims to compensate for public disengagement from established parties (Dalton 2002; van Biezen et al. 2012) and prevent the domination of affluent and illicit donors in contemporary politics (Pinto-Duschinsky 2002: 72). Second, by obliging parties to disclose their financial data, the public can oversee parties` compliance with the income and expenditure restrictions (Nassmacher 2009: 244; Ohman 2014: 28), in turn opening parties up for public shaming in case of delinquencies. Regulation of public disclosure is, therefore, a tool for the effective enforcement of party finance regulation (Casas-Zamora 2005: 23; Pinto-Duschinsky 2002). Third, contemporary European parties are state-dependent (Orr 2018; Poguntke et al. 2016), and party finance transparency regulation ensures that parties publicly disclose their activities, preventing the misuse of public finance. Fourth, party finance transparency regulation allows voters to observe which actors support which political parties, thus making them better informed about parties' special interests, and increasing the accountability of parties to their voters (Ewing and Issacharoff 2006: 3; Ohman 2014: 28). Acknowledging the pivotal importance of party finance transparency regulation for democratic integrity, we wonder when and why would political parties want to change their own transparency obligations?

Previous research has explained changes in the regulation of political funding by major public scandals (Carlson 2016; Pujas and Rhodes 1999), party competition (Nwokora 2014; Scarrow 2004), party competition and cooperation (Koss 2011), the intervention of the judicial system (Koss 2011; Scarrow 2004) and international factors (Smirnova 2018). This research is important and has high explanatory power for cross-sectional and longitudinal variation. Our contribution is twofold. First, following Fisher (2015), we examine the timing of transparency reforms and the causal mechanisms explaining their outcome separately. Second, we enrich the palette of case studies on party finance reforms with in-depth evidence from Norway. Norway is a deviant case for the introduction of party finance transparency reforms, given that it has experienced no major political scandals, yet, paradoxically, has

established comprehensive party finance transparency regulation in recent years. As our goal is to investigate which causal mechanisms – including, but not restricted to, corruption scandals – explain party finance transparency reform, a deviant case like Norway is particularly suitable.

In the following, we propose an analytical framework to study the mechanisms underlying the evolution of party finance transparency regulation, and develop testable hypotheses. We discuss case selection, our chosen method – process-tracing – and the data used. In-depth analysis follows, and we find that the presence of political discourse on corruption and political competition are sufficient factors to launch transparency reforms. Whether reforms are enacted depends on the interaction of several factors. While parties that predominantly rely on state funding and grassroots support push for and adopt more constraining transparency regulation, parties that are traditionally close to business oppose it. Experience with party finance transparency regulation in similar contexts and an intense discourse on corruption – stimulated by domestic or international factors – are necessary for the reforms to succeed. An analysis of Norwegian cooperation with the Group of States against Corruption (GRECO) further demonstrates that the success of party finance transparency reforms initiated by a foreign actor is a function of the existing tradition of party regulation, the policy position of the governing party and the international reputational costs of non-compliance. We conclude by discussing our findings and making recommendations for future research.

2.2. Theoretical Model and Hypotheses

When and why would parties change party finance transparency regulation affecting their own behaviour? In the following, we develop testable hypotheses derived from normative, rational choice and historical institutionalisms traditionally used to explain changes in party finance regulation.

Normative institutionalism expects an exogenous shock, in our case a public scandal, to be the trigger for reform (Clift and Fisher 2004: 681; Fisher 2015: 156; Scarrow 2004: 657). In this case, policy change is an appropriate reaction to a policy failure, and is thus a crucial remedy for public distrust in political parties. Koss (2011: 51) suggests that we look more broadly and, alongside the real scandals, consider all public communication on corruption, including perceived corruption and the threat of corruption – together described as the public discourse on corruption. Following this argument, we consider the whole public discourse on corruption, expecting it to be particularly intense after a related public scandal. An intense discourse on corruption shapes parties´ policy goals in favour of constraining transparency regulation. In line with Koss (2011: 52) and Scarrow (2004: 657), we suggest differentiating between major corruption scandals that disadvantage all political parties and those that hit only some of them. We predict an overall increase in constraints on party finance transparency if the discourse disadvantages all parties. If only some political parties are damaged, we expect instead that the mechanisms theorized in hypotheses H2 and H3 will be responsible for the reform outcome.

Hypothesis 1: *Discourse on corruption.* Reform of party finance transparency regulation is likely to be initiated after a public scandal. A regulatory change happens if a decrease in trust disadvantages all political parties. If only some parties are particularly disadvantaged by the scandal, then the rationale on party competition (H2 and H3) determines the reform outcome.

Rational choice institutionalism suggests that political parties tend to initiate and support the introduction of party finance transparency reforms when it gives them a comparative electoral advantage (Koss 2011: 29). Echoing Strøm (1990), Clift and Fisher (2004: 681) and Scarrow (2004), we can expect political parties to realize this advantage by maximizing their vote-, revenue- or office-seeking goals. Following this logic, political parties should initiate, delay or block transparency reforms according to their own interests: to maximize either votes or revenue. Political parties whose income primarily consists of sources widely regarded as legitimate – such as state funding and membership fees – have stronger incentives to push for party finance transparency, as it makes them more attractive to voters compared to parties that rely heavily on donations from corporations or affluent donors. Parties close to business groups or affluent individuals have an incentive to actively oppose transparency of party finance, in order to maximize their own revenues. As transparency of party finance makes individual and group political preferences easily identifiable, it may limit donors' freedom and willingness to express political preferences through donations. This rationale echoes underlying policy positions – economic equality secured by state regulation versus individual freedom associated with state laissez-faire – often captured by the left and right dimensions of party competition (Heidenheimer and Langdon 1968: 112; Nwokora 2014: 922).[59]

Following Green-Pedersen and Mortensen (2010), we expect political parties to put on the agenda transparency reforms which are advantageous to them and disadvantageous to their political rivals – especially while in opposition. Small parties can compromise on their policy position on transparency regulation to support their coalition partners in order to secure office or signal their loyalty. That brings us to the following set of hypotheses.

[59] That said, parties that heavily rely on support from peak organizations (or trade unions) should not be interested in more transparency, as voters may punish them for representing special interests. This argument is not prominent in the recent literature for at least two reasons: 1) the importance of trade unions has decreased as economic decision-making has become globalized, and 2) the importance of trade unions as reliable donors of money and voters for left-of-centre parties has declined considerably (Allern and Bale 2017). Likewise, parties benefiting from foreign support – such as the communist parties in France and Italy that received support from the Soviet Union (Corduwener forthcoming: 13) – and anonymous donations should not be interested in transparency reforms. Obviously, the main argument does not apply to countries where corporate donations are banned, i.e. Estonia, France, Latvia, Spain, and Portugal. If left-of-centre parties do not exclusively rely on financial support from trade unions and do not benefit from foreign or anonymous donations, we expect the argument to hold.

Hypothesis 2: *Party competition*. Left-of-centre parties tend to initiate more constraining party finance transparency regulation to maximize their votes and target the financial practices of their competitors. Reforms of party finance transparency regulation are only successful if left-of-centre parties are in government, and the reform exclusively disadvantages right-of-centre parties, and fail otherwise.

Hypothesis 3: *Party competition.* Right-of-centre parties tend to oppose reforms of party finance transparency to maximize their revenues and restrict governmental intervention in party regulation.

Hypothesis 4: *Party cooperation*. Small parties tend to support their coalition partners regardless of their ideological orientation, to signal their loyalty.

The historical institutionalist approach suggests two further alternative explanations for transparency reforms, derived from its evolutionary and policy-diffusion arguments. In terms of the evolution of regulatory regimes, we observe that contemporary European parties have become largely state-dependent (Katz and Mair 1995; Orr 2018; Poguntke et al. 2016). Increased reliance on state funds arguably decreases the differences in income sources between left and right parties. To control the cartel party system and ensure that parties promote the public interest, public surveillance becomes legitimate. It helps to prevent the misuse of public finance, as well as the unauthorized use of state resources (Pinto-Duschinsky 2002). Thus, to win public approval for increasing state subsidies, political parties – regardless of their ideological background – may want to introduce transparency requirements as part of a carrot-and-stick solution.

Once initiated, what explains successful implementation of transparency reforms? As noted, transparency of party funding, especially for right-of-centre parties, may lead to a decrease in corporate donations, and all parties face higher operational costs in complying with the transparency requirements. To meet the challenges of new transparency requirements, parties will first secure sufficient state support.

Hypothesis 5: *Increase in state support*. Increased state funding to political parties sparks party finance transparency reforms as demands for parties to give an account of the finance received from taxpayers rise. These reforms are more successful the less political parties are affected by a potential decrease in corporate donations and the more compliance costs the reforms cover.

Historical institutionalism also suggests that reforms can happen as a result of policy diffusion (Gilardi and Wasserfallen forthcoming; Koss 2011: 32). Policy diffusion is the updated knowledge on

the effectiveness[60] (policy learning) and symbolic value (policy emulation) of policy decisions applied in other contexts – countries or subnational regions which follow a similar historical, cultural or geographical path. Knowledge about regulation and its effects in other contexts suggests possible solutions for similar problems and illuminates the risks of enforcement for parties with similar profiles (Gilardi and Wasserfallen forthcoming: 7). We thus argue that policy diffusion can impact parties' willingness to initiate and adopt party finance transparency reform.

Hypothesis 6: *Policy diffusion.* A party is more likely to initiate or adopt a party finance transparency reform if it has updated its knowledge on similar regulation implemented elsewhere, and if that regulation was a success for political parties with a similar profile; otherwise it will oppose it.

All three types of institutionalisms suggest a joint explanation for party finance transparency reform where an international organization is involved. In line with normative institutionalism, we expect international organizations to trigger revision of party finance regulation by increasing awareness of the problems concealed in national party regulation and practices. In line with historical institutionalism, international organizations can trigger reform by providing countries with tailormade recommendations for best-practice regulation and, should these align with national regulatory logic, policy change is very likely. Rational choice institutionalism (Smirnova 2018) suggests that policy change is a function of reputational benefits and non-compliance costs for the country in the international arena, as well as domestic benefits and costs. Put differently, on the one hand, compliance with international norms reflects a country's commitment to the shared international agenda (Guzman 2008: 69). On the other hand, compliance involves not only what is appropriate, but what is feasible. Compliance is more likely when the discrepancy between existing national rules and those proposed by an international organization is low. Concomitantly, when there is a 'misfit' (Börzel and Risse 2003) – that is, the discrepancy between existing and proposed rules is high – the domestic costs of compliance are higher, and the likelihood of compliance is thus lower.

Hypothesis 7: *International reputation and the domestic costs of implementation*. If instigated by an international organization, reforms of party finance transparency regulation are more likely to succeed when the discrepancy between existing national rules and international recommendations is low, and the country cares about its reputation in the policy field.

[60] By policy effectiveness, following Braun and Gilardi (2006: 301), we mean a policy's ability to achieve its intended outcome.

2.3. Methods: Rationales for a Case Study and Process-tracing

This article´s primary goal is to show how a given theoretical cause (or set of causes) explains the timing and nature of reforms in party finance transparency regulation. Cross-sectional analyses of party finance regulation are emerging (Lipcean 2019; Smirnova 2018; Norris and van Abel Es 2016; Poguntke et al. 2016; Casal Bértoa et al. 2014; Nassmacher 2009; van Biezen and Kopecký 2007), but considerable effort is still necessary to collect cross-sectional and time-series data on reforms of party finance transparency regulation. Thus, to observe the performance of the causal mechanisms theorized above – the 'pathway or process by which the effect is produced' (Gerring 2010: 1500) – and also to control for contextual variables and alternative explanations over time, we choose a single within-case study (Rohlfing 2012: 15) of a deviant case (Gerring 2007) among European democracies, with process-tracing (Collier 2011; Beach and Pedersen 2016). Tracing reforms over time enables us to control for confounders that are difficult to identify in a cross-sectional analysis. This approach is also useful for discriminating among causal mechanisms on the basis of necessary and sufficient criteria for the affirmation of causal inference (Collier 2011: 825; van Evera 1997: 31). It should also be noted that for every reform we differentiate between factors and mechanisms responsible for its initiation and for its outcome as separate processes.

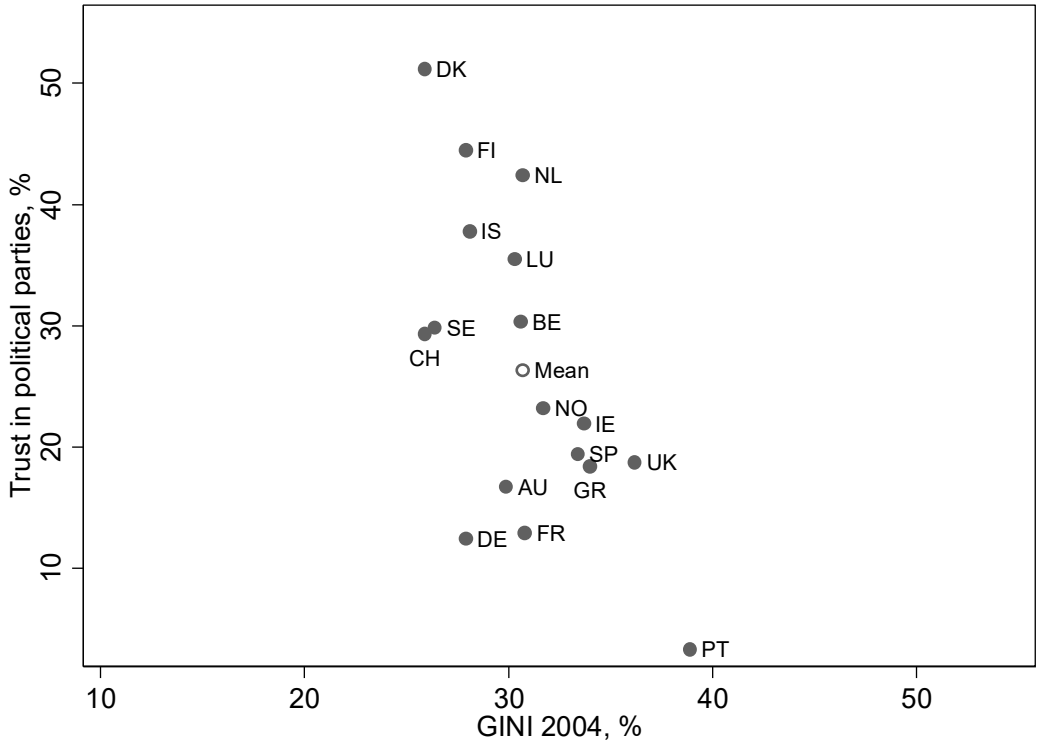
2.4. Selection of a Deviant Case

To identify causal mechanisms that systematically lead to reforms in party finance transparency and avoid a positive confirmation bias, we focus exclusively on established democracies. That is because young democracies tend to regulate political parties more intensively than old ones (van Biezen 2008: 341; van Biezen and Borz 2012: 343; van Biezen and Kopecký 2007: 250). Moreover, the introduction of party finance regulation is related to public concerns about political corruption (Casal Bértoa et al. 2014: 369; van Biezen 2008: 338). Thus, to avoid a positive confirmation bias and to improve the external validity of our findings, we select a case with an average level of demand for policy change. Economic inequality can mediate the perception of integrity of democratic institutions, with high economic inequality often associated with disappointment with political parties (Donovan and Karp 2017: 480). We therefore select a case that is average on both trust in political parties and economic inequality. For the latter, we use the Gini-index,[61] reducing distortions caused by individual economic well-being. Figure 2.1 presents the cross-sectional overview of trust in political parties and Gini score

[61] An alternative would be to use the measures of corruption, but the level of corruption and the level of income inequality are interrelated (see e.g. Chong and Calderón 2000: 768; Gupta et al. 2002).

across established democracies at the earliest possible time point (2004). We pick up the closest case to the mean on both dimensions – Norway[62] – for our in-depth investigation.

Figure 2.1. Gini estimates and trust in political parties across established European democracies



Sources: Trust: European Social Survey 2004, post-stratification weights applied; Gini (Index): World Bank.

Note: ´Trust in political parties´ shows the percentage of respondents who choose to trust political parties scoring 6 or higher on the range 0–10. Gini (Index) ranges from 0 to 100%, with perfect equality being 0% and perfect inequality being 100%.

Although Norway presents a typical democracy in terms of trust in political parties, it seems to be a deviant case (Gerring 2007) with regard to its development of party finance transparency regulation. Norway has not experienced any major corruption scandals, but has nevertheless established a comprehensive regulatory framework for party finance transparency. It was also one of the countries that implemented *all* GRECO's recommendations aimed at increasing transparency in political finance (Smirnova 2018: 13). We thus expect evidence from a deviant case like Norway to be helpful in

[62] Norway belongs to the group of countries providing significant public funding, and where parties´ income from private sources is less significant, alongside Austria, Belgium, Finland, Israel and Sweden (Koss 2011: 18).

identifying new causes and causal mechanisms of party finance transparency reforms and refining the theory (Beach and Pedersen 2016: 849).

2.5. Operationalization of Party Finance Regulation and its Reforms

Party finance transparency regulation

Following Norris and Abel van Es (2016: 8), we operationalize party finance transparency regulation as official rules that deal with reporting of party finance to state authorities and disclosing it to the general public, and rules that regulate the supervision of and sanctioning for violations of these rules. In line with Nassmacher (2009: 73), we differentiate between general regulatory constraints and constraints that only apply during electoral campaign periods. As the regulatory focus on campaign and non-campaign periods depends on the electoral and party systems, conceptually we treat these types of regulation as equally important and equally constraining. Substantively, party finance transparency regulations can be classified into four dimensions: 1) regulation on reporting and public disclosure of party income and party expenditure (that is, thresholds, aggregation rules to differentiate between regular and occasional donations, anonymity); 2) timing of public disclosure of information on party finance; 3) supervision of compliance with regulation on reporting and disclosure; and 4) sanctions for violations of the regulations covered by 1) and 2) (Ewing and Issacharoff 2006; Nassmacher 2009).

Reforms of party finance transparency regulation

Our outcome is party finance transparency reform, which we define as a process that starts with the proposal for a reform in party finance transparency regulation (as defined above), and finishes with the subsequent handling of this proposal in parliament (rejected or approved). Studying both successful and unsuccessful reforms is key to identifying which necessary and sufficient factors explain the outcomes. A successful reform in party finance transparency legislation constitutes a bill that is introduced to and later approved by parliament. A failed reform proposal is one that does not complete the legislative process.

To analyse our hypotheses, we define a set of conditions that explain the outcomes of party finance transparency reforms. These conditions are corruption scandals (H1); closeness of political parties involved in policy formation to different donors, captured via their ideological positions (H2 and H3); constraints imposed on parties as coalitional partners (H4); proportion of direct state funding in the parties´ income structure (H5); other countries' experience of party finance transparency regulation (H6); and, finally, the country´s reputation in the policy field, captured by involvement in the

international promotion of anti-corruption regulation, as well as the level of misfit between domestic party finance regulation and international recommendations (H7).[63]

2.6. Data Sources

The data comprises government law proposals, official party regulation, public consultation documents, reports from specially appointed commissions, protocols of plenary and committee debates as well as six in-depth interviews with key party representatives involved in the reforms.[64] We triangulate our findings from the official sources with evidence reported in secondary literature on the relationship between business structures and political parties, as well as with GRECO reports and newspaper articles.[65]

2.7. Distinguishing Features of Political Competition in Norway

Norway is a unitary constitutional monarchy with a parliament elected by de facto closed party lists in 19 plural-member constituencies (Bengtsson et al. 2014: 19). Political competition is mainly structured along the left–right dimension, with the Labour Party and the Conservatives constituting the main players on each side. The Christian People's Party, the Centre Party (agrarian), and the Liberal Party constitute the centre of the Norwegian party system, while the Socialist Left and the Progress Party constitute the left and right fringes respectively.[66] Even though minority cabinets have dominated Norwegian politics, three majority cabinets, two centre-left and one centre-right, have been in power in the past 15 years.[67] Four out of ten party members have left Norwegian parties in the past 20 years, leaving Norway with 161,811 party members – a little over 3 per cent of the total population – in 2012 (Heidar and Saglie 2003: 224; Poguntke et al. 2016). This reflects a well-documented general trend of declining party membership (van Biezen et al. 2012: 42), and about half of parties' income thus stems from state funding, originally introduced in 1970 (Figure 2.2). Party finance transparency regulation applicable to political party organisations is only issued nationally.

[63] To measure the misfit, we disaggregate country recommendations on party finance regulation into quasi-sentences, denoted with i-indices in the original evaluation reports. Each quasi-sentence is coded to indicate whether it contains a high or low level of misfit with the existing country regulations. High misfit can be associated with the establishment of a new supervising institution or the introduction of a legal definition of political parties. A low-misfit reform might prescribe adjusting existing regulation to expand the range of participants eligible for state support. All codes on misfit are mutually exclusive.

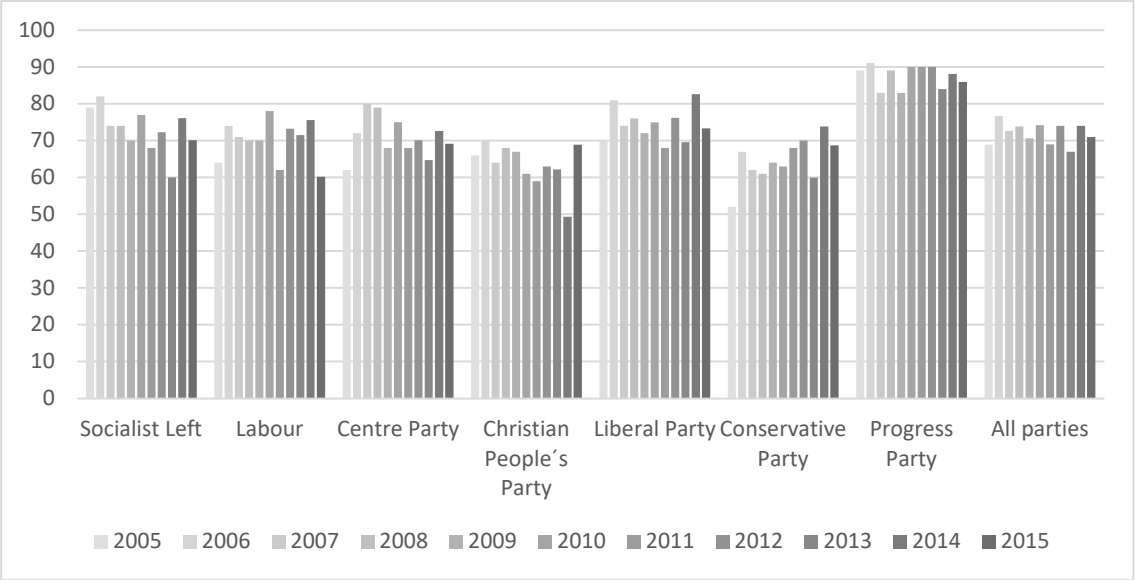
[64] See 2.11.6. Appendix F for an overview of interviewees.

[65] These newspapers are *Aftenposten* (Norway's largest newspaper), *Dagens Næringsliv* (*Norwegian Business Daily*, the leading business newspaper) and the NTB (Norway's central news agency).

[66] Following the 2017 election, these seven parties comprise the Norwegian parliament, plus the Green and the Red parties (one representative each), which first entered parliament in 2013 and 2017 respectively.

[67] Between 2005 and 2013 a centre-left cabinet comprising the Labour Party, the Centre Party and the Socialist Left governed under PM Jens Stoltenberg (Labour). A minority centre-right cabinet with the Conservative and the Progress parties under PM Erna Solberg (Conservative) followed it and governed from 2013 till 2018. In 2019 PM Erna Solberg united the Conservative Party, the Progress Party, the Liberals, and the Christian People's Party in a majority cabinet.

Figure 2.2. Share of public subsidies in the national party accounts, in percent



Data source: Statistics Norway.

In the 2000s, political parties in Norway, like many overseas, have typically established a broader range of contacts with interest groups, although the Labour Party and the Socialist Left are still closely linked to the trade unions, and the Conservatives and the Progress Party are linked to business groups and social movements respectively (Allern 2010).

2.8. Tracing the Reform Process in Norway[68]

This part of the paper presents the process-tracing analysis of six reform attempts (Table 2.1) at party finance transparency in Norway since the 1940s.

The Labour Party was the first to suggest introducing transparency regulations for corporate donations in 1948. These were aimed at preventing financially strong organizations that were not subject to control or revision from influencing political life through donations (Heidenheimer and Langdon 1968: 112). The reform was initiated as a direct consequence of a scandal related to the Libertas foundation, which was accused of secretly financing the Conservative Party, non-socialist Norwegian newspapers and various public events with the goal of shifting public opinion rightwards (Heidenheimer and Langdon 1968: 111). Public scandals (H1) and party competition (H2) were crucial for the reform's initiation.

Following the scandal, a parliamentary committee, with a Labour majority, was appointed to scrutinize party finance regulation. The non-socialist parties, led by the Liberal Party, surprisingly agreed that financial flows between certain foundations and parties should indeed be transparent. However, they

[68] The appendix discusses the ordinary legislative process in Norway.

also demanded that the finances of the labour unions become transparent as well. This made the proposal equally disadvantageous for the Labour Party, as it primarily aimed to reveal the finances of the trade union Landsorganisasjonen (LO), its main donor (Heidenheimer and Langdon 1968: 112).

Table 2.1. Overview of observations (reforms) analysed with process-tracing

№	Reform´s Label	Year	Main Issues	Result
1.	The Libertas Reform	1948	Transparency of party income	Failed
2.	The Sponheim Reform	1994	Transparency of party income	Succeeded
3.	The Stoltenberg-Solberg reform	2002	Transparency of party income on regional and local levels	Failed
4.	The Giske Reform	2003	Transparency of party income on regional and local levels, income transparency for collateral organizations (i.e. youth organizations)	Failed
5.	The Political Party Act-Reform (PPA-reform)	2004	A detailed disclosure of party income (i.e. in-kind and financial donations), a ban on foreign and anonymous donations, a ban on donations from state entities, establishment of a supervising body, administrative sanctions for non-compliance in form of withholding of state support.	Succeeded
6.	The GRECO- reform	2009	Transparency of party expenses, separate reporting of campaign finance, a broad range of administrative sanctions (i.e. fines) and criminal sanctions.	Succeeded

Note: The year indicates the launch of a reform process.

Consequently, the final version of the proposal was changed and recommended only that parties be encouraged to voluntarily disclose their corporate donations (Justis- og politidepartementet 1952). The Labour Party's resistance in the committee indicates that its interest lay in scrutinizing the relationship between the right-of-centre parties and their corporate donors, not in transparency of donations in general. This is in line with hypothesis H2 on *party competition*, which is thus confirmed.

The second attempt to reform party finance regulation was a success. In 1998 the first requirements for party income transparency were introduced, following a proposal from Liberal MP Lars Sponheim.[69] The regulation obliged the national branch of each political party to report its income, including donations above 20,000 NOK and the overall amount received from anonymous donations, to the Storting, where these accounts were available for the public to see.[70] The reform was sparked by the Liberal Party's bid for a comparative electoral advantage (Øgrey 2017). In opposition at the time, it was the only party which got its income primarily from state funding and membership fees (Antonsen 2017).

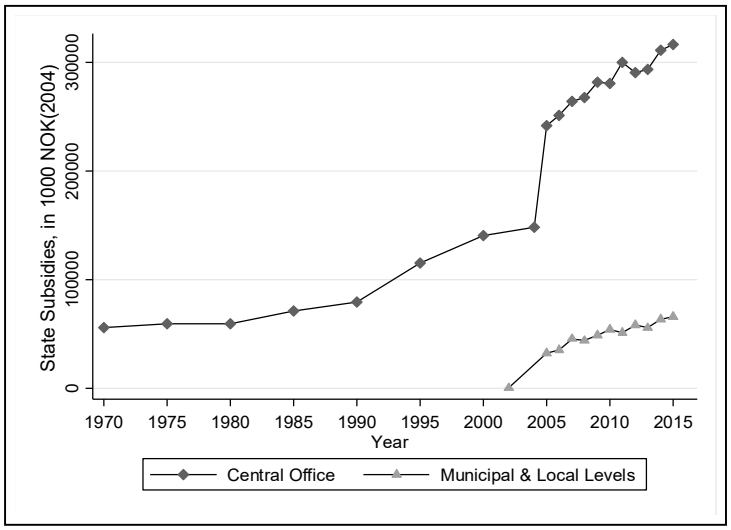
Policy diffusion was a necessary condition for the initiation of the reform. Specifically, the Liberal Party learned from press reports about the Danish experience with party finance transparency regulation, and subsequently consulted their Danish sister party and the Danish Ministry before drafting the proposal for Norway (Antonsen 2017; Øgrey 2017). Additional evidence in this case disconfirms H5 on state funding. The provision of state funding (Figure 2.3) did not substantively change between 1994 and 1998, and it was neither mentioned in the initial reform proposal (Dok 8:17, 1994), nor, according to interviewees, was it relevant for the initiation of the reform (Øgrey 2017).

The outcome of the reform indicates the importance of the policy diffusion rationale. The design of the similar Danish law of 1991, as well as the Danish experience of its implementation, was frequently referred to during the Norwegian reform process (Antonsen 2017; Øgrey 2017; Innst.S.167, 1994–5), thus offering support for H6 on policy diffusion. Indeed, the newly introduced 20.000 NOK threshold for reporting donations in Norway was the same as in Denmark. These clear parallels were intended to reduce uncertainty for political parties with regard to the reform's consequences. The Labour Party consistently supported transparency regulation in this reform process, while the Conservatives, benefiting from corporate donations more than any other party, opposed it (Bjørnestad 1994; Ot. Prp. 82, 1996–7; Statistics Norway), thereby confirming hypotheses H2 and H3 on *party competition*. A representative of the Conservative Party confirmed that the party's opposition was due to its wish to protect its donors' privacy and thus maintain their donations (Foss 2017).

[69]Direct state funding was introduced for national party organizations in 1970 and for subnational branches in 1975, but no transparency issues were contained in these law proposals at any stage. Therefore, although we traced these reforms, they were eliminated from the final version of the analysis.

[70] The financial record had to be signed by the party leadership and approved by an auditor. No sanctions for non-compliance with the new law were introduced.

Figure 2.3. Development of direct public subsidies for political parties on different levels



Sources: 1970–2004: NOU 2004(25): 39; 2005–2015: Statistics Norway.

This, too, speaks to the Danish experience: donations to the Danish Conservatives dropped after the transparency regulation was introduced (Ot. Prp. 82, 1996–7). A fall in public trust in the national government in the early 1990s (Miller and Listhaug 1998: 164) concerned Norwegian politicians in this reform process as well, although no scandals were present (Dok 8:17, 1994) and discourse on corruption was only moderate.[71]

In 2002 two Labour MPs – Jens Stoltenberg and Hill-Marta Solberg – launched *a third reform*, aiming to extend the existing reporting obligations to regional and local party branches. They argued that political actors on subnational levels had more contact with individuals and businesses than those on the national level, which necessitated a greater focus on party finance transparency at the subnational level. The trigger for the proposal was a scandal in Oslo, in which the Conservative Party had been accused of intentionally circumventing the 1998 law by channelling large donations into local and regional branches to avoid public scrutiny (*Dagens Næringsliv*, 21.9.2002; Plenary debate, 3.12.2002; Torvik and Bjåland 2002).[72] The motion was presented by a Labour Party in recovery after a massive electoral defeat in the 2001 parliamentary elections, and just a few weeks after reports of the scandal appeared. The process-tracing of the reform´s initiation thus yields support for the joint effects of H1 (public scandal) and H2 (political competition). The Labour motion failed because of the right-leaning majority in the parliamentary committee at the time,[73] the outcome thus confirming H3 on party competition. In the aftermath of this reform attempt, all parties agreed to establish the Financing

[71] International organizations, like GRECO or the Venice Commission, were not relevant for this reform (Øgrey 2017), nor were international organizations mentioned in the documents related to it.
[72] The importance of media scrutiny of transparency issues is also emphasized by an interviewee from the Labour party (Anonymous 2017).
[73] Consisting of the Progress Party, the Christian People's Party and the Conservatives.

Democracy Commission (FDC). Its mandate was to propose revisions to the law on party finance regulation in Norway, taking into account domestic demands, the Council of Europe´s (CE) 'Recommendation on Regulation against Corruption in the Financing of Political Parties and Electoral Campaigns' (Rec 2003/4) and the European Convention on Human Rights (ECHR).

In October 2003, Labour MP Trond Giske launched *the fourth reform attempt* when he proposed to expand transparency of party income to subnational levels, and introduce income transparency for the parties' collateral organizations, such as youth groups. This occurred immediately after regional and local elections in which the Labour Party had urged its subnational branches to disclose all information about their donations. As the Conservatives stuck to their position of secrecy, the motion clearly targeted their reputation – Trond Giske claimed that 'the starting point of this whole issue is that the Conservative Party does not want transparency regarding their donations' (Plenary debate, 15.12.2003). This reform initiative confirms H2 and H3 on party competition and was again, in line with H3, defeated by the parliamentary committee's right-leaning majority.

The fifth reform attempt resulted in a new law on political parties, the Political Party Act (PPA), which came into force in 2006.[74] It was the most comprehensive reform of political parties and party finance transparency regulation in the history of Norway. The new rules included a ban on state entities donating to political parties, a ban on foreign and anonymous donations, a requirement to disclose both monetary and in-kind donations, and formal requirements for setting up financial accounts.The PPA also extended reporting-of-income obligations to the subnational branches of parties and – for the first time – introduced an (independent) supervisory organ the Political Party Act Committee. This Committee was vested with the power to withhold state support in the case of non-compliance with the PPA.[75]

In contrast to the previous reform attempts, this reform started with a proposal for a law on political parties issued by the FDC. As this had been established in the aftermath of the scandal stimulating the third reform process, we can also attribute the initiation of this reform attempt to the mechanism theorized in H1 (scandal). An additional reason was a substantial increase in state funding for political parties, at the same time as income from business donations was expected to decrease, mainly due to the Confederation of Norwegian Enterprise, a large corporate donor, deciding to terminate their political donations (*Aftenposten*, 23.8.2003). The parliamentary committee was concerned that

[74] Its official name is the Act on Certain Aspects Relating to Political Parties.

[75] The Political Party Act Committee was to comprise at least five members and be independent. However, its leeway was restricted, as it did not have the right to control the accuracy and completeness of the financial reports.

changing income structures would cause democratic internal activities in the parties to decline, in turn affecting opportunities for citizens to participate in democracy (Innst. O. nr 28, 2002–2003).

The FDC concluded that more elaborate transparency regulation on party income was necessary to maintain public trust in political parties receiving significant state financial support. Figure 2.3 shows a rise in state funding, supporting H5 (state funds). Moreover, while acknowledging the importance of the CE´s recommendations for improving transparency regulations, the FDC considered some of the CE´s provisions too constraining for Norway. Echoing H7 (misfit), the FDC argued that Norway's compliance with Rec 2003/4 in all matters would ruin the country's historical and political tradition of party regulation: 'The political tradition in Norway and Scandinavia is that the political parties and their internal doings generally are subject to little regulation' (NOU, 2004(25): 77). The FDC therefore endorsed the CE´s recommendations on introducing income transparency regulation, to secure public trust in parties (NOU, 2004(25)), but not those on expenditure, promoted by the CE to guarantee parties´ autonomy from the state. This was also supported by all the parties in the parliamentary committee (Innst. O. nr 129, 2004–2005).[76]

Surprisingly, the Conservative Party supported transparency requirements for party income on all levels and for the parties' youth organizations – changing its previous position. Moreover, it also proposed obliging parties to report their business deals and in-kind donations, excluding regular voluntary work and services that were not usually paid for (Ot. Prp. nr. 84, 2004–2005). This change of heart is explained by the fact that some affluent party donors had publicly stated that they welcomed a more transparent approach to party finance (Storvik 2004a, 2004b). Consequently, transparency was no longer a risk to donations, so the Conservative Party could change its position on transparency at the same time as maximizing its revenue (Foss 2017), thus supporting H3 (party competition).

In summarising the arguments for party finance transparency reform, both the government and the responsible parliamentary committee referred to the growing salience of transparency in political finance internationally, partly because of GRECO and public scandals abroad.[77] The parliamentary committee noted the lack of major corruption scandals or financial misuse in Norwegian political history, but emphasized the importance of preventative measures, in order to secure high trust in political institutions (Innst. O. nr 129, 2004–2005; Foss 2017), echoing H1 (public scandals) and H6 (policy diffusion). The importance of our argument in H1 is also reflected in the law itself. Article 1 of

[76] The committee at the time comprised the Labour Party, the Conservative Party, the Progress Party, the Socialist Left, the Centre Party and the Christian People's Party.

[77] The committee does not mention which scandals they are referring to, but the Norwegian news media broadly covered a party finance scandal related to the German Christian Democratic Union (CDU) in 1999 and 2000 and one in France in September 2000, when the French president Jacques Chirac was accused of knowing about illegal donations to his party (Elsebutangen 2000).

the PPA states that the law aims to (among other things) secure the public's right to counteract corruption and unwanted ties by keeping party finances and activities transparent (Party Political Act 2006).

Process-tracing reveals that state funding's relevance for party accounts (H5), public discourse on corruption (H1), ideological party positions (H3), international recommendations (H7) and regulatory experience in other countries (H6) jointly contributed to the reform's success.

The sixth reform attempt was the introduction of amendments to the PPA in 2013 and 2014, resulting from GRECO's recommendations to Norway (GRECO 2009). The updated version of the PPA included disclosure requirements for party expenditures, assets and debts, separate and complete reporting of campaign and regular finances in a standardized format, as well as more comprehensive sanctions, including formal warning, partial or complete withholding of state funding, administrative and criminal sanctions – all also applicable to the party branches. GRECO was solely responsible for the initiation of this reform.

We find that the interplay between the high reputational costs of non-compliance and the presence of a majority centre-left governing coalition were fundamental to the success of this reform process, supporting H2 and H7. Specifically, half of GRECO's recommendations to Norway had a high level of misfit with national regulation,[78] strongly challenging the Norwegian tradition of political parties´ autonomy. So one would not expect them to be adopted. Indeed, the right-of-centre parties[79] emphasized the importance of independence from state control, and stressed the negative consequences for local party branches, as the recommended reporting obligations would increase operating costs.[80] As expected from our H2 on party competition, however, the responsible parliamentary committee, now led by three centre-left governing parties,[81] supported extending regulation in line with GRECO's recommendations.

Arguably, one of the reasons the incumbent government accepted the high degree of misfit – in line with our rationale in H7 – was the potentially high reputational costs to Norway. Specifically, the government referred to the increased salience of party finance transparency in Europe, due to the work of the UN, EU, OSCE/ODIHR, OECD, and Transparency International. It also emphasized the importance for Norway of remaining a trustworthy partner in international cooperation on tackling corruption (Fornyings- og administrasjonsdepartementet 2010). The government was proud of the

[78] An overview of recommendations and coding decisions is provided in the appendix.
[79] Christian People's Party, the Conservative Party and the Progress Party.
[80] Moreover, the three right-of-centre parties – while opposing the proposed changes to campaign reporting – agreed to make reporting of donations continuous (Innst. 155L, 2012–2013). This suggests that the three parties were not opposed to all types of increased party finance transparency.
[81] The Labour Party, Centre Party and Socialist Left.

country's engagement in GRECO's work and the confidence international organizations had demonstrated in Norway. Finally, interviewees stressed the Norwegian commitment to implementing international recommendations (Foss 2017). Ultimately, Norway complied with all the GRECO recommendations.

2.9. Discussion: Theoretical Implications from Party Finance Transparency Reforms

This article has asked why and when political parties change party finance transparency regulation. The process-tracing analysis in Norway showed that left-of-centre parties tended to launch party finance transparency reforms in the aftermath of their own political defeats or minor public scandals. This mechanism was present in the Libertas, Solberg–Stoltenberg and Giske reforms. Echoing previous findings (Koss 2011), we find that political discourse on corruption alone is not sufficient to start transparency reforms. We argue, rather, that an intense political discourse on corruption combined with a political party that clearly benefits from instrumentalizing transparency are sufficient conditions to initiate reform. Our results indicate that such a party does not necessarily have to be either ideologically left or right, extending Nwokora's (2014) findings, and underlining how the causal mechanism is linked to parties' income structure and their pursuit of electoral gains.

The Sponheim reform clearly illustrates this argument. Despite its centre-right views, the Liberal Party was the only party in parliament that primarily relied on direct state funding and membership contributions. Like Nwokora (2014), we found that the Conservative Party opposed transparency, as it feared a drop in private and corporate donations. We add a further dimension to this debate by showing that the *donors'* changed views on transparency turned the Conservatives in its favour, as the threat of losing donations was lifted. An intense public discourse on corruption was a necessary condition for this change. Interestingly, parties' left/right ideological preferences matter once we examine preferences for transparency of expenditure – left-of-centre parties favour tighter regulation than their right-leaning rivals. In a nutshell, party competition drives reforms increasing transparency of party finance. This can be contrasted to state funding reforms, where a consensus of relevant parties is a necessary condition for the introduction of state subsidies (Koss 2011).

We find, too, that international organizations, like CE and especially GRECO, do indeed contribute to initiating regulatory reform and drawing public attention to corruption, by providing countries with tailormade recommendations and accelerating the international discourse on corruption.

Once launched, what are the conditions responsible for the reform's outcome? We argue that the government party's policy position matters. A striking example is the failed reform of 1948, when the Labour Party initiated a regulatory change following the Libertas scandal, which concerned a foundation's secret sponsoring of right-of-centre parties and non-socialist newspapers. The regulatory changes were never passed, due to possible disadvantages for the Labour Party itself. Another example

was the failure to introduce transparency in expenditure in the PPA reform, due to the right-of-centre coalition then in government.

Interestingly, and related to our previous finding, parties' positions on transparency are also affected by their relationship to the government. This is particularly so for junior partners in government coalitions. For example, the Progress Party and the Christian People's Party both supported Sponheim's reform proposal in 1994, but opposed that of Stoltenberg and Solberg in 2002. This shift was due to the fact that the government, which the Christian People's Party was part of in 2002, wanted to retain ownership of the issue of party finance transparency and not let the Labour Party benefit from bringing it on to the agenda (Lånke 2017). Likewise, the Progress Party decided to join the right-leaning parties and oppose Stoltenberg and Solberg's proposal because it was a supporting party of the government (Woldseth 2017). The implications of being in government or in opposition for the development of party finance transparency regulation is therefore an interesting topic for future research.

We find that the policy diffusion mechanism, defined as up-to-date knowledge of party finance transparency regulation in other countries, in conjunction with the spread of discourse on corruption shape the type of transparency regulation introduced. As our findings further suggest, the successful regulatory experience of close neighbours is a necessary condition for a reform to succeed. This was the case when Denmark's experience contributed to the success of Norway's Sponheim reform, and when corruption scandals in Europe contributed to the success of the PPA reform. That said, having a party in government that favours a tighter regulatory regime is a necessary condition for the reform to pass. Finally, for the PPA and GRECO reforms, we observe that the outcome of party finance transparency reform is a function of the policy position of the parties in the governing coalition, domestic implementation costs and the international reputational costs of non-compliance.

2.10. Conclusion

This paper contributes to the state of the art in two significant ways. Firstly, we theorize both when and why parties would initiate and pass party finance transparency regulation, building on and extending the theoretical advancements of previous studies (Koss 2011; Nwokora 2014; Pujas and Rhodes 1999; Scarrow 2004; Smirnova 2018). Secondly, we refine theory on party finance regulation reforms in light of the evidence from a deviant case, that of Norway, which did not experience any major corruption scandals, but nevertheless introduced an encompassing regulatory framework.

Our process-tracing of reforms in Norway demonstrates that political competition best explains the timing of party finance transparency reforms. Discourse on corruption yields a high explanatory power for the initiation of reforms – supporting existing studies – but is never a sufficient factor that determines a reform´s success or failure. In Norway, we conclude that, generally, tightening up party

finance transparency regulation has been used as a weapon against political rivals, and only occasionally to also secure public trust in parties. This finding adds to previous studies that have found a positive relationship between the perceived level of party corruption and the high level of constraint inherent in party finance regulation (Casal Bértoa et al. 2014). Aside from domestic factors, the engagement of international organizations in party finance transparency reforms and experience of implementing party finance transparency regulation in other contexts are necessary but not sufficient conditions to explain the reforms` success. In sum, our findings expand our knowledge on which factors – beyond corruption scandals – explain party finance transparency reform, and pinpoint how exactly they are inter-related in reform processes.

We acknowledge two limitations in this paper that provide interesting avenues for future research. First, while studying the deviant case of Norway has proved fruitful, future studies should find it productive to apply our theoretical framework to countries that differ on core factors, such as experience with corruption scandals and the intervention of international actors. Second, it has been beyond our scope to elaborate on the role of independent courts (Scarrow 2004) and commissions (Clark 2017), which we invite future scholars to investigate further.

2.11. Appendix

2.11.1. Appendix A. The Ordinary Law-Making Procedure in Norway

The Norwegian constitution (paragraph 76) allows both the government and individual MPs to propose new laws to the Storting. Normally, the government proposes new laws in the form of a so-called Proposition to the Storting. The state ministries are responsible for developing the law proposals within their policy fields. In the preparation of a new law proposal, the state department often sends it out on public consultation to relevant state entities, civil society organisations and other actors. If the law proposal is comprehensive, special commissions can be appointed to develop a report (Norsk offentlig utredning, NOU) outlining recommendations to the state department in charge of developing the law proposal. Sometimes the government decides to consult the Storting on certain issues or aspects before a law proposal is developed. This usually happens when larger reforms are to be introduced. In these cases, the government presents a report to the Storting (stortingsmelding), that the Storting can then comment on.

After a MP or the government has proposed a new law to the Storting, the proposal is sent to the relevant parliamentary committee, which then gives its recommendation for a decision to the Storting. The committee can itself decide to gather additional information to shed light on different aspects pertaining to the proposal, for example through public consultations or letters to the state departments. If the law proposal comes from a MP, it is usually sent to the relevant state department for its views and to have consequences of the proposal outlined.

The recommendation from the parliamentary committee is voted over in the Storting. If the proposal gets a majority of the votes, the proposal moves on to a second voting in the Storting (at least three days after the first voting). Source: https://www.stortinget.no/no/Stortinget-og-demokratiet/Arbeidet/Lovarbeidet/. Accessed 03.01.2017.

2.11.2. Appendix B. Details on Composition of Parliamentary Committees

Table B1. Composition of the Standing Committee on Family, Culture and Public Administration during the Sponheim reform.

Party	Number of MPs in 1993-1997	Number of MPs in 1997-2001
The Socialist Left Party	2	1
The Labour Party	5 (GP)	5 (GP from 2000-2001)
The Centre Party	2	1 (GP from 1997-2000)
The Christian People's Party	1	2 (GP from 1997-2000)
The Conservative Party	2	2
The Progress Party	1	2

Note: GP indicates governing parties. Source: www.stortinget.no

Table B2. Composition of the Standing Committee on Family, Culture and Public Administration during the Stoltenberg-Solberg, Giske and PPA reforms.

Party	Number of MPs in 2001-2005
The Socialist Left Party	2
The Labour Party	3
The Centre Party	1
The Christian People's Party	2 (GP)
The Conservative Party	3 (GP)
The Progress Party	2

Note: GP indicates governing parties. The Liberal Party was also part of the governing minority coalition, but it did not have any representatives in this committee. Source: www.stortinget.no

Table B3. Composition of The Standing Committee on Local Government and Public Administrationduring the reform induced by the GRECO.

Party	MPs
The Socialist Left	1 (GP)
The Labour Party	5 (GP)
The Centre Party	1 (GP)
The Christian People's Party	1
The Conservative Party	2
The Progress Party	3

Note: GP indicates governing parties. Source: www.stortinget.no

2.11.3. Appendix C. Electoral Strength and Position of Political Parties During Reforms of Party Finance Transparency.

Table C1. Composition of the Storting, 1993-2016.

Year	The Socialist Left	The Labour Party	The Centre Party	The Liberal Party	The Christian People's Party	The Conservative Party	The Progress Party	The Coastal Party	The Greens	Red Electoral Alliance	Total
2013	7	55	10	9	10	48	29	-	1	-	169
2009	11	64	11	2	10	30	41	-	-	-	169
2005	15	61	11	10	11	23	38	-	-	-	169
2001	23	43	10	2	22	38	26	1	-	-	165
1997	9	65	11	6	25	23	25	1	-	-	165
1993	13	67	32	1	13	28	10	-	-	1	165

Source: www.stortinget.no

Table C2. Overview of Norwegian parties' vote share, seats and ideological positions, 1993-2001.

Party	Vote share 1993/1997	Seats 1993/1997	Ideological position L/R	Change in vote share 1993/1997
The Socialist Left	7.9/6	13/9	1.6	-1.9
The Labour Party	36.9/35	67/65	3.4	-1.9
The Centre Party	16.7/7.9	32/11	4.7	-2.7
The Liberal Party	3.6/4.5	1/6	5.1	+0.9
The Christian People's Party	7.9/13.7	13/25	5.9	+5.8
The Conservative Party	17/14.3	28/23	7.9	-2.7
The Progress Party	6.3/15.3	10/25	8.8	+9.0

Source: ParlGov database (Döring and Manow 2019[82]), tabulated by the authors.

[82] Döring, Holger and Philip Manow. 2019. Parliaments and governments database (ParlGov): Information on parties, elections and cabinets in modern democracies. Development version.

2.11.4. Appendix D. GRECO Recommendations to Norway

To measure the level of misfit inherent in the GRECO recommendations to Norway, we disaggregate country recommendations on party finance regulation into quasi-sentences, denoted with i-indices in the original evaluation reports. Each quasi-sentence is coded to indicate whether it contains a high or a low level of misfit to the existing country regulation. A high misfit can be associated with the establishment of a new supervising institution, the introduction of a legal definition of political parties or a new requirement regarding party finance transparency. A low-misfit reform prescribes an adjustment of the existing regulation, for example an expansion of the group of parties eligible for state support. All codes on misfit are mutually exclusive.

No.	Text of the quasi-sentences	Decision on misfit	Misfit – code
1	i. (i) to require party organisations to disclose expenditure annually, in addition to the current disclosure of income;	A high level of misfit. A new rule.	1
	i. (ii) to oblige party organisations to submit information on their assets and debts, as appropriate;	A high level of misfit. A new rule.	1
	i. (iii) to establish a standardised format (accompanied by appropriate guidelines, if necessary) for the provision of such information;	A high level of misfit. A new rule.	1
2	ii. to provide further guidance on the reporting and valuation of in-kind donations as well as on the concept of 'political agreements' which require reporting under the Political Parties Act;	A low level of misfit. Section 19 of the PPA already provides some guidance. The recommendation asks for the extension of the existing norms.	0
3	iii. to consider introducing an obligation to report on income received and expenses incurred in connection with election campaigns;	A high level of misfit. A new rule.	1
4	iv. to establish clear rules ensuring the necessary independence of auditors who are to audit the accounts of political parties;	A high level of misfit. A new rule.	1
5	v. to ensure appropriate independent monitoring of political funding, including electoral campaigns, in line with Article 14 of Recommendation Rec(2003)4.	A low level of misfit. Statistics Norway and the Political Parties Act Committee already work on monitoring party funding. The	0

		recommendation proposes to adjust their competences.	
6	vi. to introduce appropriate (flexible) sanctions for all infractions of the Political Parties Act, in addition to the current range of sanctions.	A low level of misfit. A range of sanctions already exits.	0

Source for recommendations: GRECO Evaluation Report on Norway in the Third evaluation round, 19-20.

2.11.5. Appendix E. State Dependency of Norwegian Parliamentary Parties in 2016 and 2017[2]

Party	Income from the state, 2017 (NOK)[1]	Share of income from the state 2017 (percent)	Income from the state, 2016 (NOK)[1]	Share of income from the state 2016
The Red	2 890 356	24,9	2 850 448	34,3
Socialist Left	14 606 176	49,7	14 404 512	65,6
The Greens	11 128 776	49,9	10 986 956	66,9
The Labour Party	85 922 604	60,2	84 736 296	72
The Centre Party	18 303 452	41,8	18 050 744	49,7
The Christian People's Party	18 596 520	41,7	18 339 764	46,7
The Liberal Party	17 637 800	52,2	17 394 280	65,8
The Conservative Party	75 157 012	62,7	74 119 340	64,9
The Progress Party	47 272 144	86,2	46 619 472	86,8

[1] The category 'state support' is used here. Only figures from the central party branch are reported in the table.
[2] 2017 was election year in Norway (parliamentary elections).
Source: www.partifinansiering.no

2.11.6. Appendix F. List of Primary Sources, Newspaper Articles and Interviewees used in the Process Tracing Analysis

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3. Parliamentary Ethics Regulation and Trust in European Democracies[83]

Abstract

This article presents a three-dimensional conceptualization of conflict of interest (COI) regulation directed towards assuring the impartial and unbiased decision-making of parliamentarians. It distinguishes and separately measures (based on a new dataset) COI Strictness, Sanctions and Transparency and shows that they indeed constitute empirically separate dimensions of parliamentary ethics regimes adopted in European democracies. To illustrate the usefulness of these indices, the article then examines the relationship between the three indices and trust in national parliaments across 25 democracies. Unlike the Sanction and Transparency Index, the COI Strictness Index (composed of strictness of rules and enforcement) has a significant and robust negative association with trust, which highlights the importance of disentangling different elements of COI regimes. While future research has to explore the causal relationships between COI regulation and trust, capturing the complexity of COI regimes in an unbiased fashion and thereby making them comparable across European democracies is an essential step towards doing so.

Keywords

parliamentary ethics, conflict of interest regulation, rule strictness, enforcement, disclosure, transparency, cross-national measurements

3.1. Importance of Parliamentary Ethics Regulation

Institutional accountability mechanisms in representative democracies ought to ensure that central democratic agents such as elected representatives act in line with citizens' interests. They are essential to sustain democratic legitimacy (Olsen 2013). Yet to analyse their consequences requires us to conceptualize and measure them (Bovens 2010: 960-1). This paper does so with a focus on a group of accountability mechanisms whose usage has expanded considerably over the last years: the regulation of conflict of interest (COI) which encompasses the range of formal-legal requirements or restrictions[84] *to assure publicly elected officials' impartial or unbiased decision-making* (Allen 2008a: 307-8; Nikolov 2013: 407; Demmke and Henökl 2007). More concretely, we ask how conflicts of interest that national parliamentarians might encounter are regulated in European democracies. How can we systematically

[83] This is the authors´ accepted manuscript of the article Nicole Bolleyer and Valeria Smirnova ´Parliamentary ethics regulation and trust in European democracies´ published as the version of record in *West European Politics*, 40(6), 1218-1240 [2017] Informa UK Limited, trading as Taylor & Francis Group, which can be accessed at https://doi.org/10.1080/01402382.2017.1290404.

[84] Our analysis excludes voluntary rules which are not formally enforceable (Sieberer et al 2016: 63).

capture differences in COI regulation suitable for large-scale cross-national analysis to assess how they matter?

It is important to evaluate the nature of ethics regimes regulating parliamentarians in their activities as public representatives[85], as self-regulation – traditionally the norm in the field of parliamentary ethics – is increasingly considered insufficient. Both the autonomy of parliamentarians as individual office-holders as well as of parliaments as collective institutions to generate their own solutions to conflict of interest problems has generally decreased over the last decades, often in response to scandals or other crises (Atkinson and Mancuso 1991: 475; Williams 2006; Allen 2008a). The enhanced saliency of parliamentary ethics as regulatory 'target area' has become visible through new forms of transparency requirements, registers or the establishment of new 'ethics bureaucracies' that enforce such regulations. These developments not only highlight a growing complexity of parliamentarians' regulatory environments as such. They point to a particular suspicion towards elected office-holders who (at least partly) regulate themselves, including sensitive areas such as the setting of their MP salaries or defining the rules of access to and usage of expenses, parliamentary grants or funding for political parties (e.g. Clark 2017; Demmke and Henökl 2007: 35; see also Allen 2011; Allen and Birch 2015; Biezen and Kopecký 2008; Casal Bértoa et al 2014).

COI regulation fundamentally refers to MPs' exercise of their *representative function* as it aims at either preventing or disclosing those situations in which parliamentarians' impartial and objective exercise of professional duties might be compromised (Messick 2014: 114-115; Nikolov 2013: 412). Consequently, unlike earlier cross-national studies focused on the regulation of financial asset disclosure (e.g. Djankov et al 2010; Krambia-Kapardis 2013; van Aaken and Voigt 2011), we propose a more encompassing concept as suggested in comparative law covering 'preventing mechanisms' (e.g. bans) and 'disclosure mechanisms' (e.g. transparency requirements) (Mattarella 2014: 33-4; Rose-Ackerman 2014: 14), thereby capturing the full range of constraints imposed on parliamentarians. More specifically, this paper conceptualizes a continuum of constraints as foundation for measuring different components of 'COI regulatory regimes' (Allen 2008b: 56-7): the strictness of the rules adopted, the presence and strength of enforcement structures, sanctions against rule violations and transparency requirements. While doing justice to the growing empirical diversity of COI structures (e.g. Demmke et al 2007), considering disclosing and preventive mechanisms as alternative means to counter unethical behaviour in legislative processes overcomes the methodological problem of functional equivalence, a challenge in comparative politics research more broadly (van Deth 1998). It recognizes that making positions or behaviour incompatible with public roles pre-empts the need for disclosure. Studying

[85] This is distinct from anti-corruption or anti-bribery legislation regulating MPs as self-interested individuals who try to gain financial benefits. Giving in to conflicts of interest in legislative decision-making is associated with bias but does not necessarily generate private financial gain.

disclosure regulation in isolation risks categorizing 'most different' regulatory environments jointly as 'weakly regulated' or 'permissive', overlooking that disclosure regulation might be weak because democracies have adopted little COI regulation *or* because they heavily rely on bans instead.

The study of COI regulation is of broader theoretical and empirical significance as it intersects with several on-going debates cross-cutting public policy, comparative politics and political theory. Conceptualizing and measuring multiple dimensions of COI regulation links important theoretical work on different public accountability mechanisms with empirical research on the changing nature and growing complexity of parliamentary ethics regulation (Bovens 2010; Demmke et al 2007; Olsen 2013). Importantly, it addresses calls for the development of conceptually sound, wide-ranging, comparative, and well-constructed indices of central mechanisms directed towards ensuring the 'political integrity' of public office-holders (Rose and Heywood 2013: 157; Rose-Ackerman 2014). We deliver such indices by systematically integrating – both conceptually and empirically - elements of COI regulation usually studied in isolation (Djankov et al. 2010, Krambia-Kapardis 2013, Nikolov 2013; van Aaken and Voigt 2011), which has been highlighted as problematic by theoretical works, asking for the study of combinations of distinct measures (e.g. sanctions, the nature of enforcement structures) central to a more nuanced understanding of how accountability arrangements operate (Olsen 2013: 450). Furthermore, our analysis contributes to discussions about the consequences of adopting distinct types of mechanisms, such as transparency measures' implications for citizens' trust (O'Neill 2002), how distinct accountability mechanisms compare to each other in this respect (Bovens et al 2014), and about the consequences of regulation generally (economic or political) on citizens' attitudes and beliefs (Aghion et al. 2010).

In the following, we conceptualize and then measure COI regulation drawing on a new dataset covering 26 European democracies. We show that – in line with our conceptualizations - COI regimes vary along three empirical dimensions and discuss the cross-national patterns found. Then, we illustrate the usefulness of distinguishing different dimensions of COI regimes by examining how our indices associate with trust in national parliaments. Different from COI Sanctions and COI Transparency, our COI Strictness Index shows a significant and robust negative association with individual level trust in national parliaments. This stresses the importance of disentangling different elements of COI regulation when trying to explore how such regulation relates to other variables, be they attitudinal or behavioural. We conclude with a discussion how the concept and measures presented can be made useful in other areas of comparative research.

3.2. Conceptualizing Conflict of Interest Regulation

COI regulation understood as ethics regulation directed against representative bias encompasses legal mechanisms directed towards either *preventing* situations (e.g. through bans and incompatibility

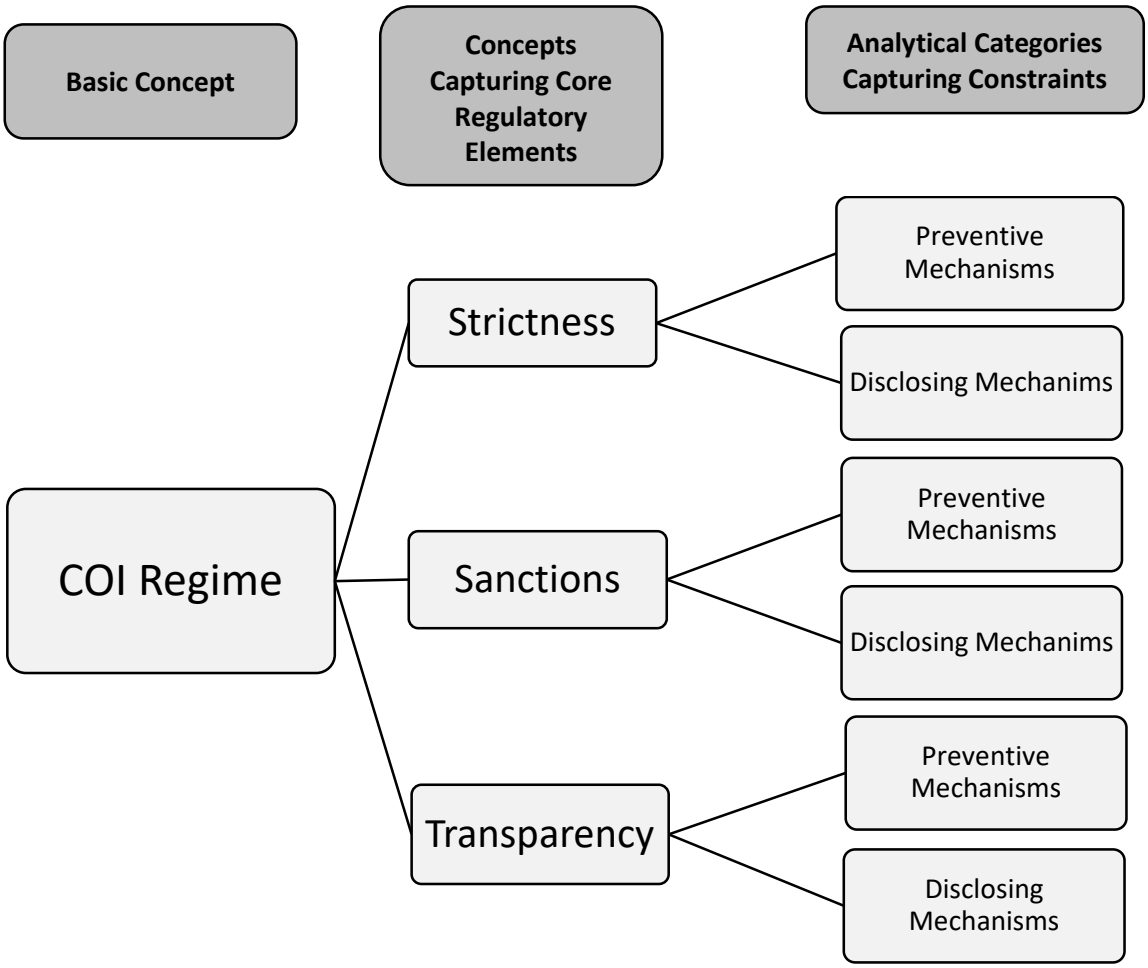
rules) or *disclosing* situations (e.g. through transparency requirements) where public officials' impartial and objective exercise of professional duties might be compromised (Messick 2014: 114-115). This distinction between bans/limits and disclosure mechanisms is useful analytically since it allows us to systematically map out configurations of mechanisms according to the constraints they impose on the office-holders concerned across the core substantive areas of COI regulation (e.g. the receipt of gifts or the holding of ancillary posts). Disclosing constraints are less intrusive than preventive mechanisms, since MPs are not prevented from engaging in any behaviour. Distinguishing these mechanisms allows us to consider the *compensatory nature between them*, namely that preventive mechanisms that restrict politicians in what they can legally do (e.g. through incompatibilities rules or bans) decrease the need for disclosure requirements in the area concerned, essential to arrive at unbiased cross-national measures of COI regulation.

Three Elements of COI Regimes: COI Strictness, Sanctions, Transparency

When distinguishing preventive from disclosing COI mechanisms we refer *to the constraining nature of COI rules*. However, the type of rules adopted is only one aspect of the '*COI regime'* overall, which encompasses also the infrastructure or instruments created or available for rule implementation (Allen 2008b: 56-7). We therefore distinguish three basic elements of the COI regime reflecting distinct ways of constraining the behaviour of the office-holder they apply to: 'COI Strictness' captures aspects in the regime that increase *the likelihood that formal COI violations are officially detected and notified* (the strictness of rules and the nature of enforcement); 'COI Sanctions' captures the *costs imposed on parliamentarians when COI violations are detected* and 'COI Transparency' captures *the conditions for third party control*. Figure 3.1 displays the analytical relationships of these three elements to the basic concept of 'COI regime' and to the analytical distinction between preventive and disclosing mechanisms used to characterize the constraints inherent in each of the elements.

Among the three elements, COI Strictness is theoretically most central. The presence and strictness of rules determines the overall scope of incentives directly structuring the behavior of MPs as representatives and lawmakers. Strictness logically constitutes a necessary condition for both transparency measures and sanctions. Information about parliamentarians can only be made public, if it had to be officially reported in the first place. Only if we find COI rules, sanctions can be in place to punish their violation. Finally, rule specificity and the strength of enforcement affect how meaningful and effective both sanctions and transparency measures can be. Rules define which information ought to be made transparent, while separate enforcement structures create an important foundation for sanction mechanisms to be applied.

Figure 3.1. Core elements underpinning COI regimes



Moving to the specification of each element and starting with *COI strictness*, from the perspective of parliamentarians, the presence and (if adopted) nature of COI rules can be conceptualized as constraints that *make it more likely that officially recognized rule violations are detected*. By definition, if conflicts of interest remain unregulated, parliamentarians cannot violate any rules. Vice versa, the higher the number of areas in which COI rules are adopted (e.g. regulation of gifts, accessory posts, assets), the stricter and more clear-cut and less ambiguous these rules are (e.g. through the complete ban of certain behaviours), the more likely rule violations become. If, in addition, any observable violations are investigated and confirmed by an actor formally in charge of doing so (Allen 2011: 213; Rosenthal 2006: 158; see also Gay 2006), the officially recognised violation of COI regulation as a form of misconduct is most likely. Consequently, conceptually, *we need to consider rule strictness and enforcement in conjunction with each other*.

A strong enforcement structure for the implementation of regulation is usually associated with *the capacity to sanction rule violations* (e.g. Nassmacher 2003; O'Halloran 2011; Mattarella 2014). Yet there are two reasons to treat the 'range of sanctions underpinning COI rules' as a separate element

of the COI regime. First, conceptually speaking, COI strictness and COI sanctions impose different types of constraints on the public office-holders whose behaviour they aim at influencing. While strict rules combined with strong enforcement structures make it less likely that parliamentarians can hope for violations not to be officially detected, *sanctions shape the relative costs of rule violations once they are detected*. Second, empirically speaking, the assumed link between COI sanctions and enforcement structures is only partial: not all sanctions attached to violations of COI regulations are attached to or controlled by enforcement structures established for dealing with COI issue. In fact, we might have a COI regime that does not contain any enforcement structures in charge of COI regulation. Still, a considerable range of COI violations could be answered by criminal sanctions controlled by courts. Focusing on sanctions *as controlled by enforcement structures in charge of COI monitoring* (rather than on the full range of sanctions underpinning COI rules) would lead to misleading comparative evaluations of COI regimes' properties.

Public transparency requirements (rather than mere intra-institutional disclosure) assuring easy public access to a wide range of information about parliamentarians (usually via online release) can provide the basis for 'third party control' by the media, interested organizations or individual citizens (Djankov et al 2010). They are sometimes considered as a possible substitute for a strong institutional enforcement structure or as a complement to the latter (Nassmacher 2003: 10-12). However, for conceptual reasons, we treat transparency measures separate from COI strictness (of which enforcement forms a part). The mere release of information on MPs' activities to the public might *allow for* third party control but does not necessarily contribute to the capacity of the COI regime to detect officially recognized non-compliance with COI rules, the theoretical underpinning of COI strictness. Problematic practices might be occasionally picked up by the media and thereby generate reputational costs for the individual MP concerned (Krambia-Karpadis 2013: 46). However, accountability deficits can occur if the actors who are institutionally in charge to call others to accounts which might lack motivation, time and energy, knowledge or capabilities, a challenge particularly pronounced in the case of transparency measures where citizens play this role (Olsen 2013: 545; 556). Furthermore, 'control activity' of third parties or the media is bound to be much more time contingent (depending on the saliency of the issue area regulated), and thus not equivalent to the ongoing monitoring of rule compliance by a public body in charge of detecting formal misconduct (Allen 2011: 213).

3.3. Constructing Indices of COI Regulation

To examine whether our three-dimensional conceptualization of COI regimes matches regulatory patterns across European democracies (i.e. whether they can indeed be systematized along three empirical dimensions) we compiled a new dataset. We coded COI regulation (covering both preventing

and disclosing mechanisms) based on the evaluation reports from the 4thGRECO round on "Corruption prevention in respect of members of Parliament, judges and prosecutors", which provided the most encompassing and standardized information on COI regimes adopted in a wide range of EU democracies (see 3.9.1. Appendix A for details on alternative sources and the coding process). Among those democracies evaluated by GRECO[86], we restricted our sample to fully consolidated European countries to assure basic unit homogeneity in terms of democratization, the centrality of parliamentary institutions, rule of law and of the basic administrative capacity to implement the studied regulation. This left us with a sample of 26 countries.

3.4. Three Elements of COI Regimes – Three Empirical Dimensions?

In a first step, we constructed four basic components that we expect to underpin three dimensions *COI strictness* (composed of *rule strictness* and *enforcement*), *COI sanctions* and *COI transparency*. For each, we made use of rankings and a linear aggregation method. This choice is important as we are interested in capturing the constraints inherent in the COI regime across several dimensions with various predictors on an ordinal scale. As most composite indicators (OECD 2008: 31) all our indices are constructed on the basis of equal weights, in line with our analytical set-up emphasizing equal importance of COI indicators capturing different constraints inherent in COI regimes (see Figure 3.1 above). The final scores for each index are standardized from zero to one.

To operationalize our analytical framework, we assess *rule strictness* by capturing the type of legal mechanism employed and rank the respective regulatory configurations according to the constraints they imply across 11 core areas of COI regulation. In line with earlier studies, those areas are: public and private accessory activities, assets, contracts with state authorities, employment offers (or cooling off regulations), income, liabilities, third party contacts, gifts, use of confidential information, handling of conflicts of interest in legislative decision-making[87] (see Djankov 2010; Nikolov 2013; Mattarella 2014). The distinction between preventive and disclosure mechanisms allows us to identify five rule configurations with regard to each of the areas that range from the absence of constraints to complete prohibition, which we assign scores from "zero" to "four" respectively (see Table 3.1). This coding approach assures an unbiased categorization of the legal mechanisms used across COI regimes in terms of constraints they impose on MPs and avoids counting requirements to disclose information as equally constraining as rules that prohibit or restrict actual behavior. The scores for each of the 11

[86] GRECO stands for the Group of States Against Corruption, an international forum which is part of the Council of Europe. GRECO was established in 1999 to monitor member countries' compliance with the organisation's anti-corruption standards.

[87] This contains two categories of regulation: those that obligate MPs to declare regarding individual decisions that they are affected by a conflict of interest or provisions that require MPs to excuse themselves.

substantive areas of COI regulation are standardized from 0 to 1 and averaged to an overall country score capturing the COI regime's *rule strictness.* [88]

Table 3.1. Combinations of Legal Mechanisms and Rule Strictness Scores[89]

Prevention on COI	No rules	No rules	Restrictions	Restrictions	Total ban
Disclosure of COI	No rules	Disclosure	No rules	Disclosure	-
Overall COI strictness score	0	1	2	3	4

Note: The darker the coloring, the higher the level of constraint in the combination of mechanisms.

To capture the constraints inherent in the *enforcement structures* we assess whether we find monitoring bodies or units to underpin preventive rules and disclosure rules respectively. If present, we assess the nature of these bodies (or body – some countries use the same body for both types of COI rules, others use separate ones) using two criteria, reflecting our theoretical discussion of properties that make it more likely that such a body actively fulfills its monitoring function in terms of motivation and capacity. Regarding the motivation to monitor, we consider *whether enforcement bodies are independent from parliament and not affiliated with any political party* (Clark 2017; Nassmacher 2003: 13).[90] For instance, in France we find an independent body responsible for implementing disclosing rules: the Supreme Authority for the Transparency of Public Life[91], while preventive mechanisms are monitored by the National Assembly´s Commissioner for Ethical Standards, which is a part of the French parliament, thus, does not qualify as independent. Finland lacks any specific monitoring structures to implement disclosure rules, but speaker and committee chairs in parliament are responsible for monitoring compliance with preventive mechanisms, which again does not qualify as independent. Additionally, we account for a body's monitoring capacity which is considered as broad if *the body can examine the correctness of information provided by parliamentarians* in relation to their compliance with preventive or disclosing COI rules. If that is not the case we consider its monitoring capacity as narrow.[92] Countries are ranked from all-permissive regimes with no specific body for COI enforcement in place for either preventive or disclosing rules to

[88] The distribution of the rule strictness scores reflecting the combinations of legal mechanisms country by country is provided in the appendix.
[89] See the appendix for an illustration of this logic with the example of the regulation of gifts.
[90] See the appendix for an overview of the scores capturing enforcement in our sample.
[91] The Supreme Authority for the Transparency of Public Life is coded as an independent body as it consists of six appointees from the high courts of the state (Conseil d'État, Court of Cassation and Court of Audit), two parliamentary appointees and one appointee of the President of the French Republic.
[92] We assign a score "zero" on one end of the spectrum to the all-permissive regimes and a score "eight" to the most constraining ones. A regime without an enforcement structure for preventive COI rules but an independent watchdog with broad monitoring powers for disclosing rules takes an intermediate position with a score of "four".

most constraining enforcement regimes with independent watchdogs with broad monitoring capacity for both types of rules.[93] The final scores are standardized from zero to one.

Both rule strictness and strength of enforcement contribute to the likelihood that *formal COI rule violations are officially detected and notified,* and hence belong together. Also, empirically, the Spearman test confirms that the two measures highly and significantly correlate with each other (N=26, ρ= 0.73, p<.01). The coefficient is positive and very high, thus the introduction of stricter COI rules is positively associated with the creation of stronger enforcement structures. Therefore, an index of *COI Strictness* should encompass both components. Figure 3.2 depicts a monotonic relationship, which underpins our conceptually driven decision to combine information on rule strictness and enforcement into one COI Strictness Index empirically.[94]

Figure 3.2 also points to interesting cross-national variation, most notably that COI strictness tends to be lower in old democracies than in new ones. While we find a number of old democracies that have adopted constraining COI regimes (Ireland, Belgium and France), most old democracies show below-average scores such as the Scandinavian countries. While we will return to this when discussing COI regimes as a means to reestablish trust in parliaments (trust that is notably lower in new democracies), it is noteworthy that we find similar patterns in other areas unrelated to parliamentary ethics such as party finance regulation (Casal Bértoa et al 2014: 359; 374-75) or party-specific regulations in constitutions (van Biezen 2012: 201). This enhances confidence in our measures but also echoes classical arguments associating democracies with national regulatory styles that cross-cut distinct areas of regulation (Epstein 1986; Jepperson and Meyer 1991).

Following Casal Bértoa et al. (2014), we develop an ordinal scale for measuring the range of sanctions. This measure captures whether the violation of preventing and of disclosing rules in a given COI regime can be punished by criminal sanctions, by administrative sanctions or both. Criminal sanctions are treated as more constraining than non-criminal ones.[95] Figure 3.3 shows considerable cross-country variation. Of 16 democracies with a sanction score above 0.5, only four are old democracies, with France and Belgium having maximum scores, echoing the earlier picture that new democracies have more constraining regulation.

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[93] In comparison to the measurement of COI regime's *rule strictness*, we capture the constraints inherent in COI enforcement structure overall (i.e. we do not weigh enforcement of preventive rules more heavily than enforcement of disclosing rules) to assess whether any given rules are underpinning by enforcement structures and if so by which type.

[94] It may seem that combining rule strictness and enforcement without weighing can lead to the unwanted weighting of the components constituting these two parameters (OECD 2008: 31). Yet we avoid this problem as we systematically transfer our ratings assigned to these components into the proportions of constraints in the regulation.
See 3.9.6. Appendix F for the distribution of the COI Strictness Index in the sample.

[95] See further details on the rank assignment in 3.9.7. Appendix G.

Figure 3.2. Relationship between COI rule strictness and enforcement

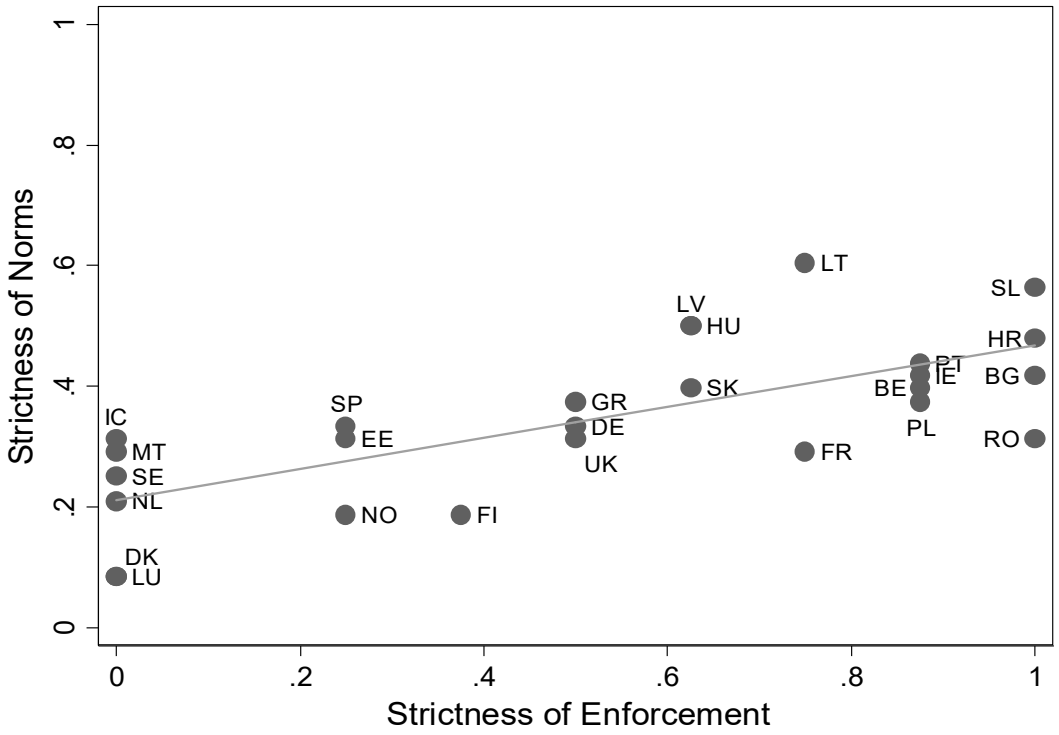

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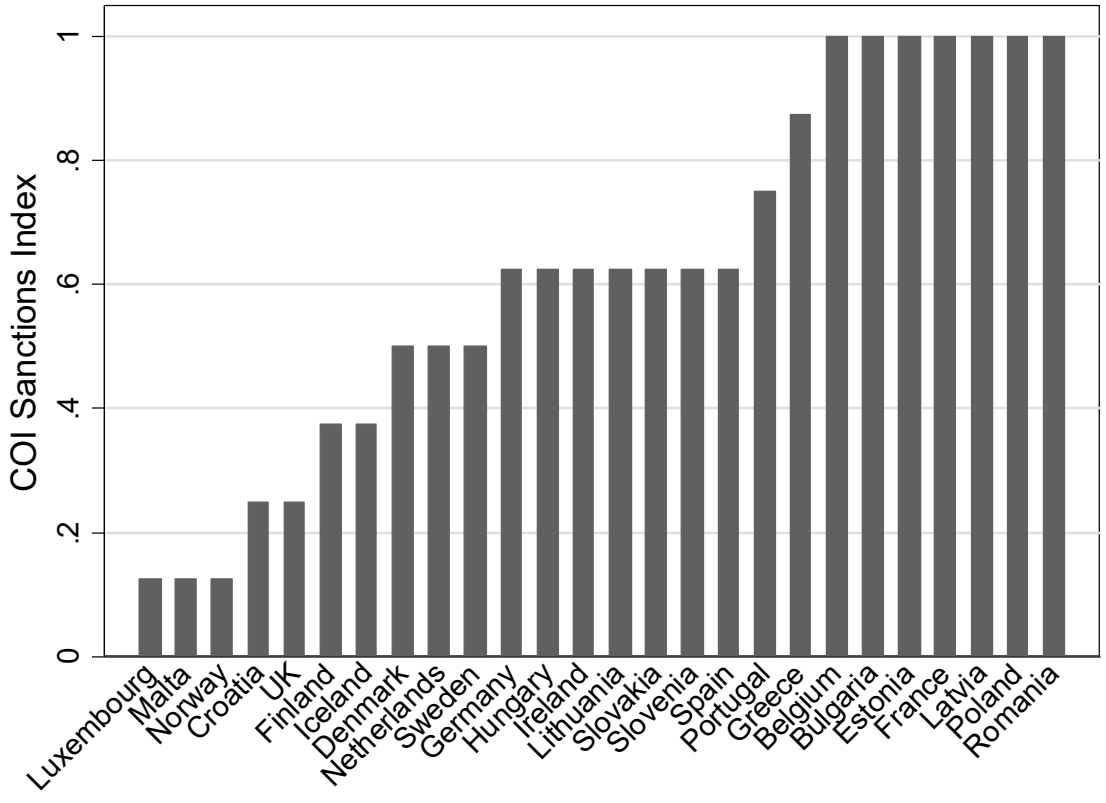
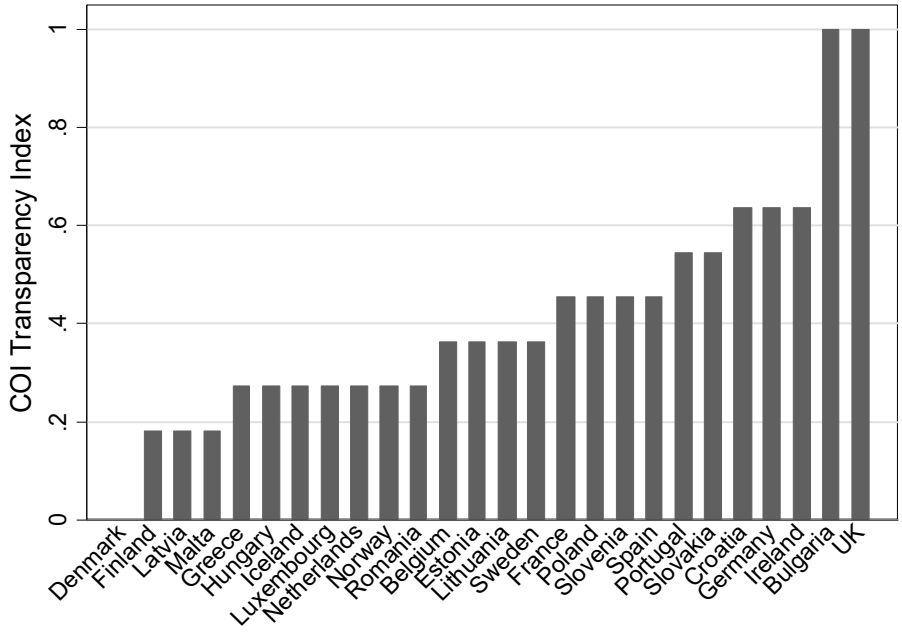
Figure 3.3. Sanction scores underpinning COI regimes



Composed by the authors

Our transparency index captures the possibility for third party control and differentiates between modes of access to information related to COI rule implementation. We use three criteria to assess conditions for third party access to information as related to the compliance with or violation of preventive and disclosure COI rules. We consider *whether information is disclosed publicly* (whether no public access is possible, information is provided on request, or there is a free access via printed or online mass media); *the scope (or completeness) of information* that is made publicly available (whether the institutions that release information to the public present all or only part of the information they receive about the parliamentarian); and finally *whether information about rule violations by MPs is released or not*, a form of 'shaming through transparency'.[96] Figure 3.4 shows the variation in our sample.[97] Compared to the other two indices, transparency scores are more diverse, highlighting the importance to keep the three aspects separate. Indeed, old democracies being located at both ends of the spectrum: the UK and Bulgaria have adopted the most extensive, compulsory COI transparency measures with Denmark having no compulsory transparency measures at all.

Figure 3.4. Transparency requirements underpinning COI regimes



Composed by the authors

[96] A COI regime has a transparency rank of "eleven" if all the transparency options are coded as present, which indicates the maximum possible level of transparency with regard to both preventive and disclosure rules and a "zero" if none are present. Rank "five" is assigned to regimes that, for instance, have transparency requirements in relation to both preventive and disclosing rules, yet in either case the scope of the information published is limited, while no information on rule violations is released. Note this is only one possible institutional constellation that might receive a rank "five".

[97] We construct an additive index of overall constraints implied by transparency requirements as linked to preventing and disclosing rules. We do not prioritize preventive rules over the disclosing rules in this case as there are no theoretical reasons or empirical indication that information release on non-compliance with one type of rule is perceived as more or less problematic by those regulated or by the public. Note that, as with the measure of rule strictness, the indicators are interdependent (e.g. if no public information release is required, the scope of such release is of no relevance). We consider the whole theoretically possible range of variation and also assure equal distances between the different levels of the index.

So how are our sanction and transparency indices related to each other and to our strictness index? Again, in line with our theoretical expectations both the COI Sanction Index and the Transparency Index correlate with our COI Strictness Index by far less strongly (ρ= 0.54, p<.01 and ρ= 0.54, p<.01 respectively) than rule strictness and enforcement (see above). Our conceptual discussion has already pointed out that our three indices share some common variability. This is confirmed empirically: as correlations show COI strictness is a necessary but not a sufficient condition for adopting transparency requirements or sanctions. Simultaneously, the Spearman test between the COI Sanction Index and the COI Transparency Index is not significant indicating independence of these two indices from each other (ρ=0.21, p>.29). This stresses the different rationales underpinning countries' adoption of sanctions and transparency requirements respectively and thus the need to treat COI Sanction Index and COI Transparency Index separately in empirical analyses. The empirical variability of combinations of different COI dimensions is illustrated by cases that prioritize individual dimensions such as in the case of the UK which has (with Bulgaria) the highest score on transparency but comparatively low scores on the two indices, particularly sanctions. Last but not least, the Cronbach´s α for the three indices put together constitutes only 0.64 signifying a lack of coherence between the indices when they are pulled together and treated equally, and thus supports our theoretical expectations.

3.5. Why to Distinguish Different Elements of COI Regimes? COI Regulation and Trust in National Parliaments – An Empirical Illustration

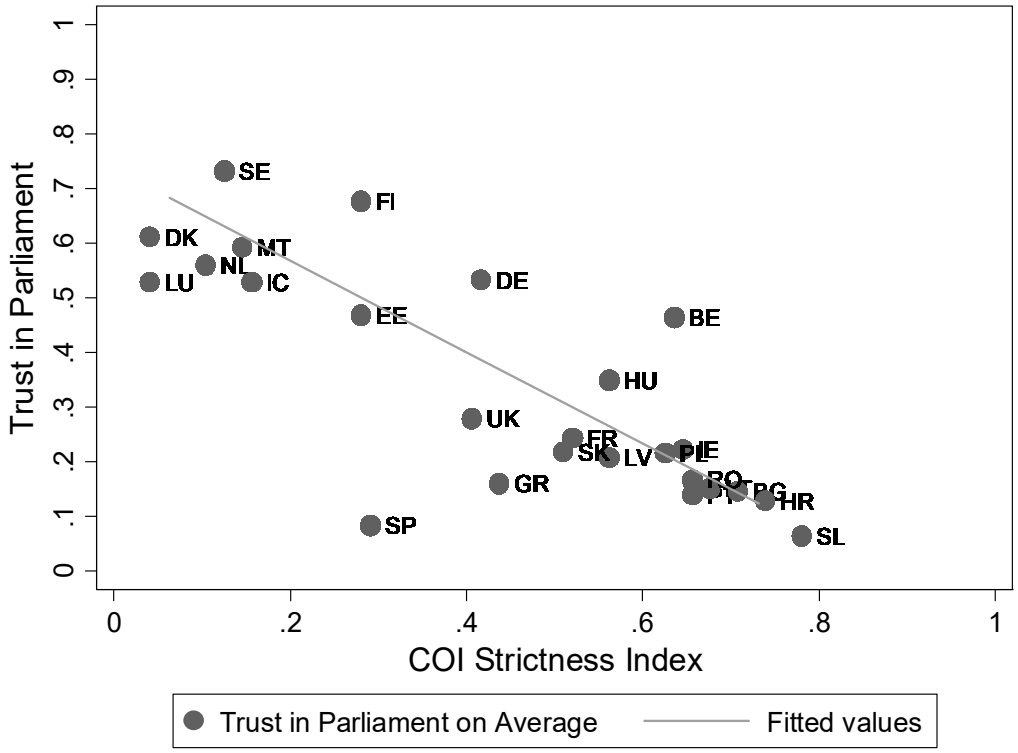
Among policy-makers ethics regulation applied to parliamentarians is often discussed as a potential remedy against citizens' growing alienation and distrust in parliamentary institutions (OECD 2005: 16-18; NDI 1999: 3-4). Figure 3.5 shows that the high mean trust levels in national parliament in a democracy[98] is associated with a low COI Strictness Index (Pearson´s r=-0.76, p<0.01, n=25). Countries such as Denmark, Sweden, Finland, Luxembourg and Malta are particularly high on trust and low on COI Strictness, while Slovenia, Bulgaria and Lithuania show opposite patterns, with countries such as Germany, UK and Spain located in the middle.

A number of scholars have been critical of the idea, widespread among practitioners, that stricter regulatory constraints could re-establish trust in those public officials no longer considered trustworthy. While we do not aim to test the nature of the relationship between COI regulation and trust as such, these arguments provide a theoretical rationale for engaging in an examination which aims at empirically demonstrating *the usefulness of distinguishing different elements of the COI regime* as proposed in our analytical framework.

[98] See for details on the trust data the next section and in the Appendix. Note Norway could not be included as the country was not covered in the Eurobarometer data used.

So what are the arguments in favour of a negative relationship between COI regulation and trust? For once, to make parliamentarians subject to a strict COI regime might convince citizens that parliamentarians won't get away with unethical behaviour as easily. Yet if "calling someone trustworthy means that the person can be trusted with a wide variety of *unspecified* activities" (van Aaken and Voigt 2011: 307, italics added to original), the presence of effective controls is different from making parliamentarians more trustworthy. Instead COI rule might 'institutionalize distrust' and make 'blind trust' less necessary as the law coerces MPs to behave ethically instead of relying on internalized norms of behaviour (van Aaken and Voigt 2011: 307), as "where we have guarantees or proofs, we don't need to trust. Trust is redundant" (O'Neil 2002a).

Figure 3.5. Trust in national parliament and COI strictness



Data Source for Trust: Eurobarometer 81.4 (2014)

This points to two possible side-effects of stricter COI regulation: *first*, expanding citizens' information on parliamentarians' unethical behaviour is more likely to decrease trust in parliamentarians or parliament as institution, and stricter COI regulation does just that (Wilcox 2001: 10; see also Rosenthal 2006: 175; Ginsberg and Shefter 1994: 7; Loewenstein et al 2011), a potential dynamic that is amply highlighted in debates on the consequences of transparency measures in public life generally (O'Neil 2002b). COI regulation - as ethics regimes generally are - is preventive. It aims at creating norms through which 'proper conduct can become second nature' (NDI 1999: 3). Thus, strict COI regulation is likely to foster trust only once parliamentarians comply and no rule violations occur. If – at least

initially - tougher regulation sheds light on more rule violations (intentional as well as unintentional ones) rather than preventing them, to have proof about wide-spread unethical behaviour might make matters worse than distrust predominantly fostered by rumours and suspicions or revelation about individual cases (van Aaken and Voigt 2011: 307). Consequently, intense monitoring can weaken or undermine trust (Olsen 2013: 454). *Second*, COI regulation itself might – unintentionally – raise citizens' expectations about what behaviour is acceptable and what is not, as ethics rules ought to be increasingly detailed to minimize misunderstandings (NDI 1999: 6). Specifying the formerly rather blurred boundary between what is acceptable and what not, COI regulation itself can become a catalyst enhancing public concerns about ethics (Rosenthal 2006: 175) and thereby raise the bar of what ethics regulation ought to achieve (Saint-Martin 2008: 48).

3.6. Data and Operationalization of Variables

To explore the relationship between our COI indices and trust, we make use of Eurobarometer 81.4 (2014) which measures trust in national parliaments, covering 25 of 26 countries in our sample.[99] Trust is measured with the question whether a respondent tends to trust (1) or tends not to trust (0) national parliament. In all countries the survey was conducted *after* all elements of the COI regime captured by our indices were already in place. We include a range of individual control variables, in line with earlier studies on trust in national parliaments and public institutions more generally (e.g. Catterberg and Moreno 2005: 42; van der Meer 2010; van Aaken and Voigt 2011: 312-13; Zwerli and Newton 2011; Torcal 2014). Zwerli and Newton (2011: 73) argue that citizens trust political institutions more if they consider themselves as winners, socially or politically. We therefore control for individuals' perceived self-placement in society capturing their perceived status in society (and the political regime broadly conceived). The same goes for life satisfaction and for older and married respondents. In contrast, personal economic stability and perceived personal security should show a negative relationship. The former is measured as difficulties in paying bills ranging from frequent to seldom, the latter by expectations regarding one's personal employment situation, and as feeling safe in one's neighborhood. Psychological approaches, in turn, stress the role of personal interests – in our case in politics (Catterberg and Moreno 2005: 42). As our dependent variable is linked to the national level (individual trust in national parliament), we use an item capturing the self-perceived frequency of discussions regarding national political matters (ranging from low to high). Importantly, we control for trust in political parties which can be expected to 'colour' perceptions of trust in national political institutions composed of party politicians and control for the years of democratic development. The longer a democracy is established the more likely citizens have experienced changes in political leadership and been on the 'winning side'. Furthermore, experiencing government alternation, citizens

[99] We lost Norway because Eurobarometer (EB) does not include information on it.

can be expected to gain trust in central democratic institutions such as parliament. Both rationales suggest a positive correlation. Finally, we coded a new macro variable 'political instability' which we expect to affect trust in parliament negatively. This dummy variable captures whether a country suffered from a destabilizing political event in the legislative term in which trust in parliament (our dependent variable) was measured or in the term prior or not (For more details on data and measurements see 3.9.8. Appendix H).

3.7. Model Choice and Empirical Findings

The analysis of the interclass correlation suggests we observe approximately a quarter of the variance in our dependent variable on the macro level as compared to the micro level (ICC = 0.24). We therefore fit a set of multilevel logistic regression models with a random intercept, as the Eurobarometer data measures trust to parliament in a binary fashion. Table 3.2 presents our results.[100] Model 1 contains only control variables. Model 2 tests all the three indices against each other. Model 3 and 4 demonstrate effects of macro-level controls in relation to our COI Strictness Index (the only index significant in Model 2).[101] Model 5 shows the effect of the COI Strictness Index separately.

Table 3.2 shows that our *COI Strictness Index* shows robust and significant effects (Models 2-5)[102]. Hence, the more constraints the COI regime imposes in terms of rule strictness and enforcement (covering both preventive and disclosing rules), the lower the log-odds, and hence the lower the probability that citizens tend to trust national parliament, holding all other parameters constant. Our COI Transparency Index has a negative association to trust. The COI Sanction Index correlates with trust positively. While neither of the latter two indices shows robust significant results (see Model 2), the COI Transparency Index outperforms the COI Sanction Index when treated alone.[103] Thus, COI Sanctions have the least impact when comparing the three COI dimensions.

These findings hold despite our control variables having the theoretically expected significant effects. The measure of years of democracy is positively associated with trust in national parliament but only significant as long as we don't include our COI Strictness Index (Model 4). This might reflect a tendency in new democracies to impose stricter and more extensive COI regimes in comparison to the old democracies (Figure 3.2), which is in line with previous findings (Biezen and Kopecký 2008; Biezen 2012; Casal Bértoa et al. 2014). A higher self-placement in society, overall life satisfaction, better employment expectations, higher personal economic stability, a safe neighborhood, and marriage

[100] Note that tests for multicollinearity of the presented models do not reveal any problems.
[101] We are aware that 25 countries can be a critical sample size for a multi-level design. Note that the results of logistic regression with clustered standard errors are the same.
[102] 3.9.9. Appendix I provides details on additional robustness checks and tests regarding endogeneity and reverse causation.
[103] For additional specifications see 3.9.9. Appendix I.

Table 3.2. Multilevel Logistic Regressions with Random Intercept on Trust in National Parliaments

DV: Trust in parliament	(1)	(2)	(3)	(4)	(5)
Controls					
Age	0.003**	0.003**	0.003**	0.003**	0.003**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Family status: married	0.159***	0.159***	0.159***	0.159***	0.159***
	(0.041)	(0.041)	(0.041)	(0.041)	(0.041)
Life satisfaction	0.484***	0.488***	0.486***	0.486***	0.487***
	(0.062)	(0.062)	(0.062)	(0.062)	(0.062)
Political knowledge	0.168***	0.167***	0.167***	0.167***	0.167***
	(0.031)	(0.031)	(0.031)	(0.031)	(0.031)
Personal economic stability	0.166***	0.166***	0.165***	0.166***	0.166***
	(0.037)	(0.037)	(0.037)	(0.037)	(0.037)
Employment expectations	0.505***	0.505***	0.504***	0.505***	0.505***
	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)
Safe neighborhood	0.172***	0.173***	0.173***	0.173***	0.173***
	(0.026)	(0.026)	(0.026)	(0.026)	(0.026)
Self-placement in the society	0.166***	0.165***	0.166***	0.165***	0.165***
	(0.033)	(0.033)	(0.033)	(0.033)	(0.033)
Trust in parties	2.943***	2.942***	2.943***	2.942***	2.942***
	(0.051)	(0.051)	(0.051)	(0.051)	(0.051)
Years of democracy	0.021***			0.006	
	(0.006)			(0.007)	
Political instability	-0.694**		-0.470*		
	(0.245)		(0.232)		
IVs					
COI Strictness Index		-2.375***	-2.165***	-1.990**	-2.354***
		(0.708)	(0.497)	(0.686)	(0.527)
COI Sanction Index		0.291			
		(0.512)			
COI Transparency Index		-0. 342			
		(0.608)			
BIC	16746.5	16756.0	16743.1	16746.2	16736.9
Chi2	3988.4	3989.5	3994.3	3988.9	3988.2
Log Likelihood	-8308.6	-8308.3	-8306.9	-8308.4	-8308.8
Individual observations	20940	20940	20940	20940	20940
Countries	25	25	25	25	25

*Log-odds; constants are not shown; standard errors in parentheses *p<0.05, **p<0.01, ***p<0.001*

status taken as indicators associated with the "winner status" of citizens are positively associated with a probability to trust in national parliament (Dunn 2012; Zmerli and Newton 2011). High levels of political knowledge also significantly increase the log-odds of tending to trust national parliament. A very important predictor of trust in parliament is trust in political parties as adding this control significantly improves the fit of the model (BIC falls by more than 20 percent). That said, having this

variable excluded does not affect the performance of our indices (see appendix). Finally, our findings hold when entering our political instability dummy (Model 3), despite the latter – as theoretically expected - showing a significant and robust negative effect on tendencies to trust in parliament.

Most importantly, we find a robust negative association regarding our COI Strictness index but not our other two indices, rather than finding similar relationships between trust and all three. This demonstrates the usefulness of our conceptual distinction between different types of COI constraints underpinning the separation of the indices. This is further substantiated as the nature of the constraints that our Strictness Index (composed of rule strictness and enforcement) reflects the theoretical mechanisms highlighted in the literature as rationalizing an expectation of a negative relationship between COI constraints and trust in the first place (see above): first, the tendency of tougher regulation to initially reveal more rule violations rather than preventing them, producing systematic evidence confirming citizens' suspicions about parliamentarians' unethical behaviour (e.g. Wilcox 2001; Rosenthal 2006); second, specifying the formerly blurred boundary between what is acceptable and what not or by problematizing behaviour that otherwise would have been accepted without question (e.g. Saint-Martin 2008).

Returning to our conceptualizations of our three elements of COI regimes, the COI Strictness Index captures clear-cut and constraining ethics rules which make formal rule violations more likely and thus might unintentionally raise citizens' expectations towards parliamentarians' behaviour. Similarly, strong enforcement structures as the second index component systematically increase chances of official detection. In contrast, transparency requirements might – when media attention is high – lead to occasional public outcries but third-party control is not equivalent to a specialized enforcement structure engaged in on-going systematic monitoring of rule compliance. This finding echoes theoretical works on transparency measures and their implications for public accountability as well as trust that are sceptical about these measures' effectiveness (Olsen 2013; O'Neil 2002). Furthermore, the detection of violations is likely to have more weight if confirmed as 'official misconduct' by a public authority (Allen 2011). Similarly, the relative severity and range of sanctions is unlikely to be as relevant to citizens, as compared to the official notification that MPs violate binding rules, as captured by our COI Strictness Index. These parallels between conceptual distinctions and the nature of our empirical findings stress the fruitfulness of conceptualizing and measuring different elements of COI regimes when engaging in cross-national analyses.

3.8. Conclusion and Avenues for Future Research

Over the last decade, the diversity of conflict of interest (COI) regulation applicable to national parliamentarians (as well as other public officials) has grown significantly in many democracies. Defined as the range of formal-legal restrictions to assure parliamentarians' impartial or unbiased

decision-making when exercising their representative function (Nikolov 2013: 407), COI regulation embraces a wide range of diverse mechanisms which we capture across 11 substantive areas. These not only include (increasingly prominent) requirements for asset disclosure but also preventive rules able to impose constraints on parliamentarians' behaviour, both while being in office (e.g. restrictions on the receipts of gifts) and afterwards (e.g. cooling off requirements). This growing diversity creates a major challenge for cross-national research: the development of measures capturing the different elements of increasingly complex ethics regimes in an unbiased fashion, able to 'travel' across European democracies.

To tackle this challenge, this paper distinguished three conceptual dimensions of COI regimes applied to national parliamentarians as public representatives and developed measures to capture them empirically: COI strictness, sanctions and transparency. Based on a new dataset we showed that these indeed constitute empirically separate dimensions across the 26 democracies studied. To illustrate the usefulness of our analytical distinctions we then examined the relationship between the three COI indices and trust in national parliaments. Controlling for a range of individual-level and systemic factors theorized as relevant for trust in public institutions, our COI Strictness Index (combining rule strictness and enforcement structures) shows a significant and robust negative relationship with trust, while our COI Sanction and Transparency Indices do not, stressing the particular importance of COI Strictness, which mirrors theoretical arguments pointing to this element's centrality. This analysis on the relationship between COI regulation and trust highlights the fruitfulness of distinguishing these particular elements of parliamentary COI regimes in separate measures as compared to quantifying the intensity of regulation overall, a common strategy employed in analyses of the regulation of political parties (e.g. Whitley 2011; 2014; but see van Biezen 2012; Casal Bértoa et al. 2014). To pin down causal relationships between regulation and trust (or alternative attitudinal or behavioural variables), future research needs to assess the over-time evolution of ethics regimes across a wider range of democracies as a subset of parliamentary rules, whose comparative, longitudinal study has made significant advances in recent years (Sieberer et al. 2011; 2016).

Importantly, while our framework captures the central components of ethics regimes regulating parliamentarians *as representatives*, it provides a sound foundation to engage in comparative analyses of regulation of their behaviour as *party politicians* and s*elf-interested individuals* as well. For instance, our conceptual distinctions can be used as a template to develop measures to study party finance regulation. While drawing on the party finance literature (e.g. Nassmacher 2003) to develop our framework, only few large-N studies have measured qualitatively different elements of party finance regimes separately (e.g. Casal Bértoa et al. 2014). Similarly, comparative studies of regulation trying to prevent the partisan use of institutional resources by MPs or of the enforcement of funding regulations

more generally have received little attention so far (Bolleyer and Gauja 2015: 322; Clark 2017). Finally, a narrower yet highly sensitive area of regulation is the one of MP expenses aiming at preventing parliamentarians to exploit institutional resources for their own financial gain (Allen and Birch 2015). While none of these areas of regulation targets MP legislative decision-making as COI regulation does, they often are equally contentious as also here those subject to the rules are usually involved in their making.

3.9. Appendix

3.9.1. Appendix A. Justification of the Data Source on COI Regulation and Details of the Coding Procedure

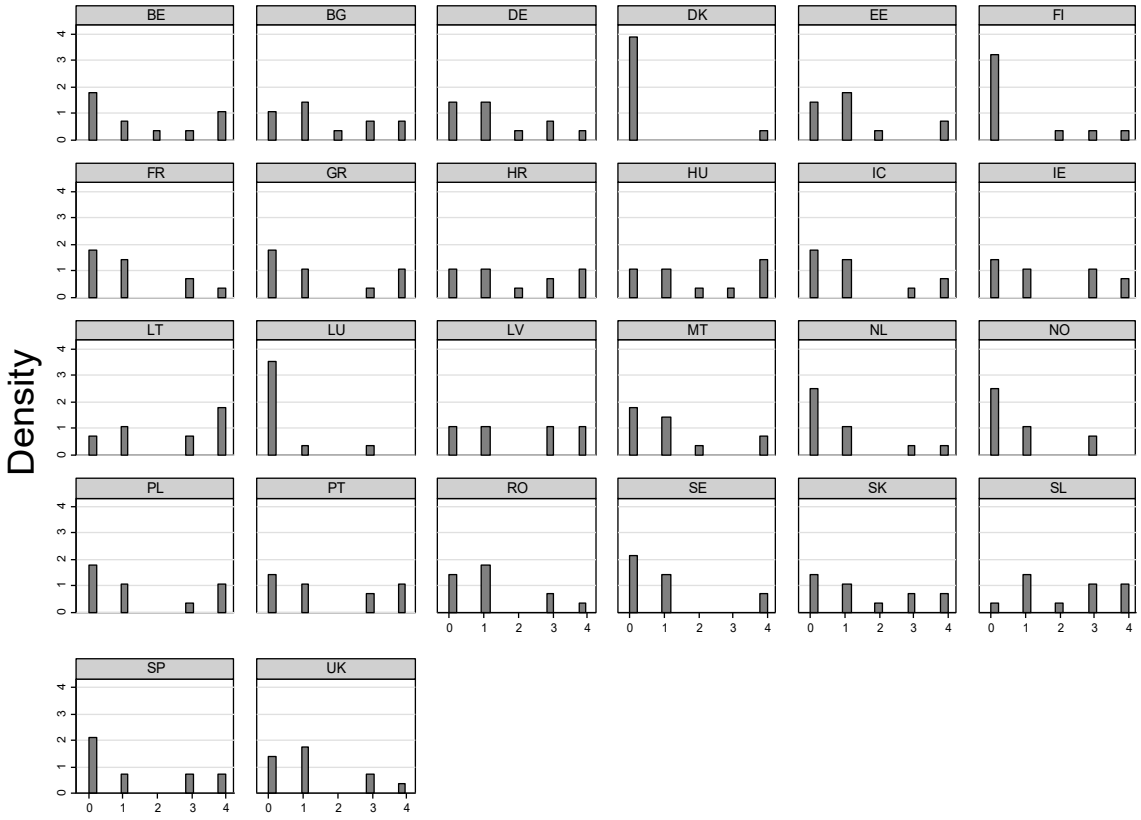
The EU Anti-Corruption Reports of the European Commission would have been an alternative[104] to the GRECO reports used in this study to code regulation application to national parliamentarians.[105] However, the GRECO reports (in contrast to the Anti-Corruption Reports) use the same structure across the whole sample of countries (reflecting a standardized questionnaire) which, in turn, supported a coherent coding process. Equally important, given the purpose of GRECO to generate detailed country reviews and to critically evaluate regulation in place across all substantive areas possibly affected by conflict of interest problems, the information provided mirrored all core elements of the COI regime captured by our analytical framework.

Each GRECO country report has been double-coded by a pair of coders based on two standardized codebooks: one focusing on COI prevention mechanisms, another capturing COI disclosure mechanisms. Using predefined categories identifying the mechanisms in place across the substantive areas of COI regulation assure high levels of replicability of the coding process since, for each variable, each coder essentially confirms the presence or absence of mechanisms. This approach helped to assure a high level of consistency between coders. The Kappa value as calculated for 25 per cent of the data constitutes 0.89 reflecting an almost perfect agreement between the two coders.

[104] EU Anti-Corruption Reports of the European Commission are available at URL: http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/index_en.htm
Evaluation reports from the 4th GRECO round on "Corruption prevention in respect of members of Parliament, judges and prosecutors" are available at URL: http://www.coe.int/t/dghl/monitoring/GRECO/evaluations/round4/ReportsRound4_en.asp

[105] Even though the ethics regulation adopted for first and second houses of parliament (or national and regional chambers) can differ, we focus on the regulation of members of the first house of parliament as the central legislative decision-making body in a democracy which is bound to attract most attention and be subject of most concern.

3.9.2. Appendix B. The Distribution of the Rule Strictness Scores Across the Sample



The numbers on the x-axis correspond the following codes:

0 – No Regulation,

1 – Only Disclosure,

2 – Only Prevention (Restriction),

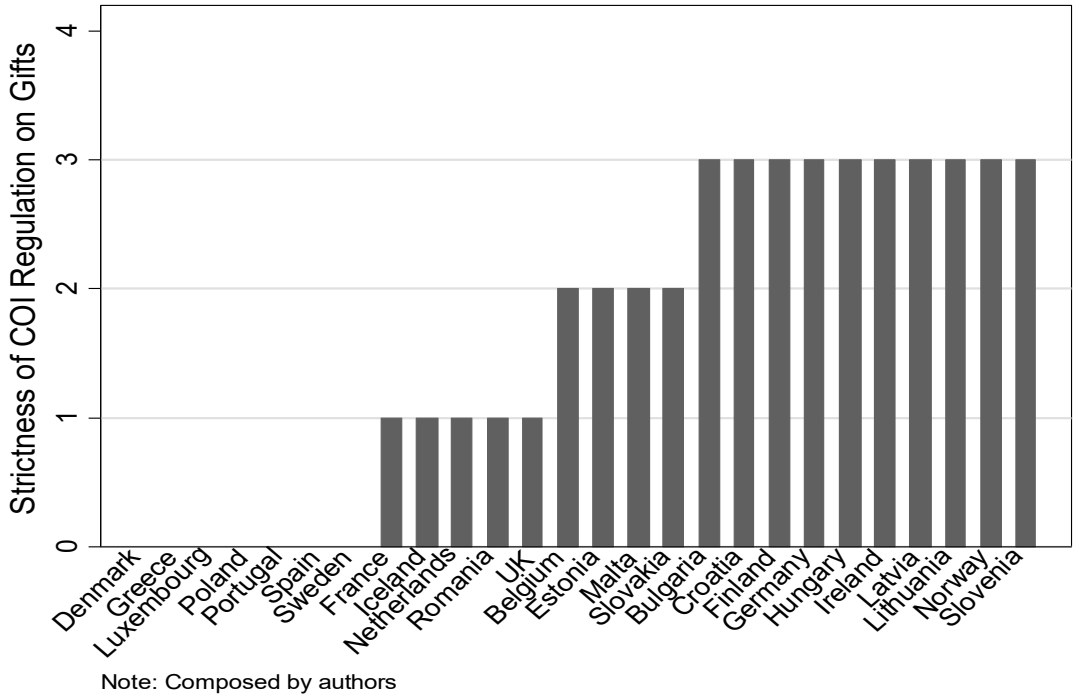
3 – A Mix of Prevention and Disclosure,

4 – Only Prevention (Ban)

3.9.3. Appendix C. The Logic Underpinning the COI Strictness Index on the Example of the Regulation of Gifts

Score "zero" indicates the absence of constraints (neither preventive nor disclosure mechanisms are in place), meaning all gifts to MPs are allowed and there is no need for declaration. Score "one" indicates a relatively more constraining regime that requires disclosure but again does not prohibit the receiving of gifts. This configuration is followed – in terms of constraints - by two configurations that combine preventive and disclosing elements – a partial prevention of gifts (i.e. above a certain size gifts are banned) without the permitted gifts being declared (assigned a "two"), followed by a partial prevention of gifts where all permitted gifts need to be declared (assigned a "three"). Finally, we can think of regimes that regulate this area through a purely preventive strategy by banning all gifts which is assigned score "four" indicating the highest level of constraint.

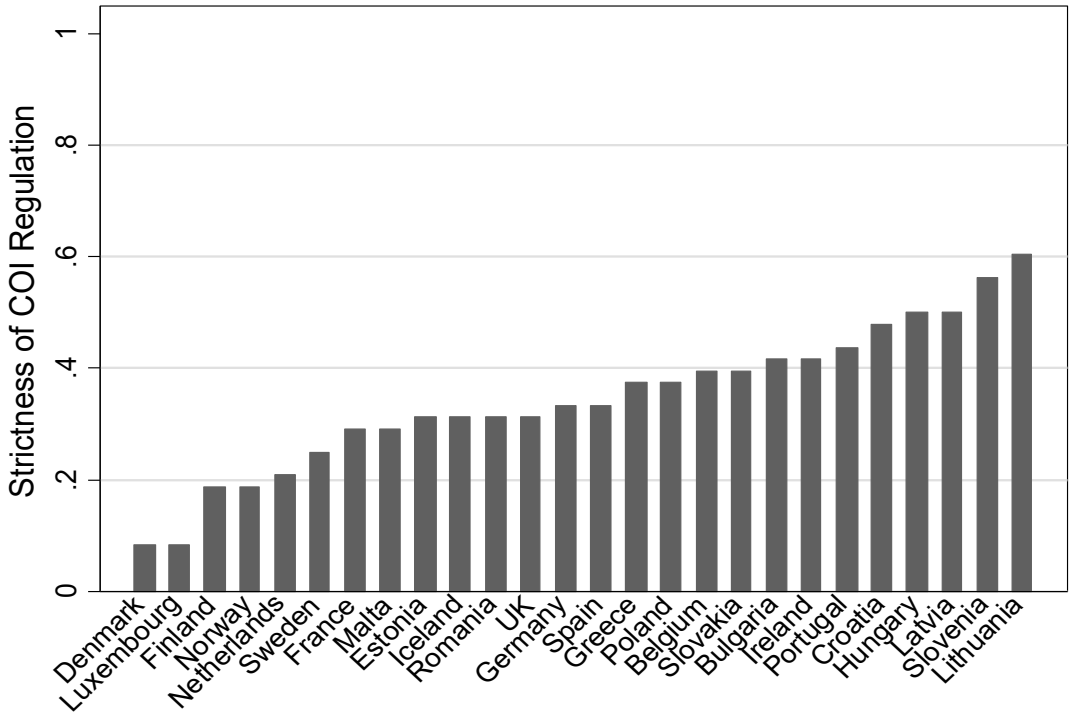
Figure C1: Countries' rule strictness scores for regulation of gifts



Note: Composed by authors

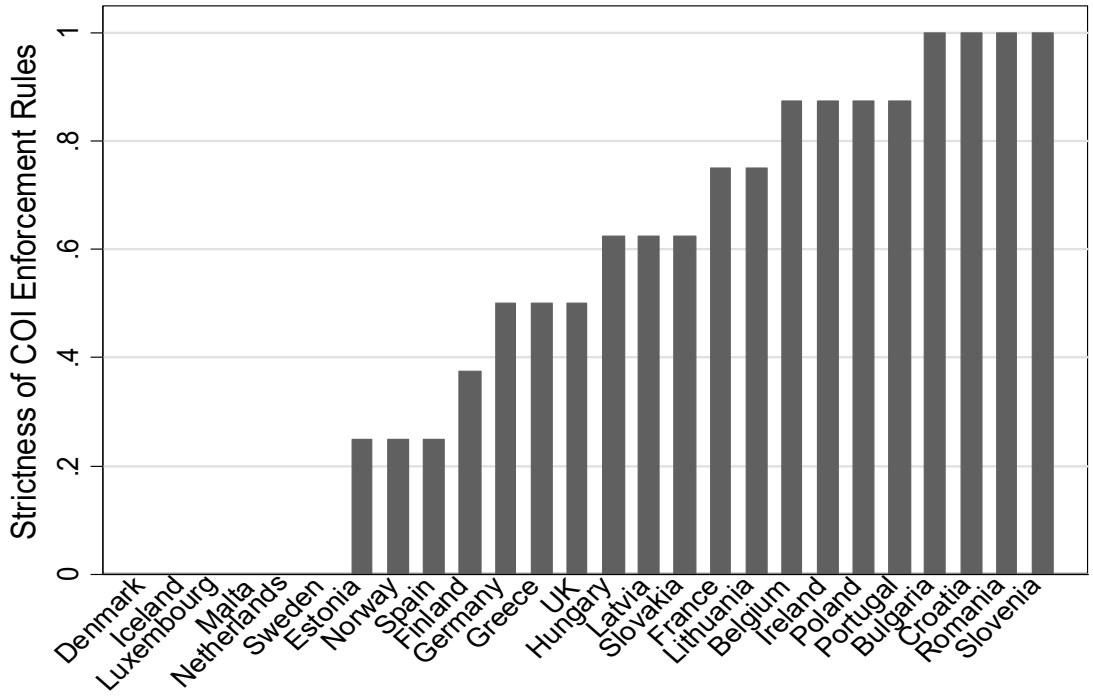
We use the same five regulatory configurations to assure consistency in the assignment of scores all 11 substantive areas of COI regulation coded (public and private accessory activities, assets, contracts with state authorities, employment offers (or cooling off regulations), income, liabilities, third party contacts, use of confidential information, handling of conflicts of interest in legislative decision-making) to be able to aggregate them in one coherent index.

3.9.4. Appendix D. Rules Strictness Scores by Country



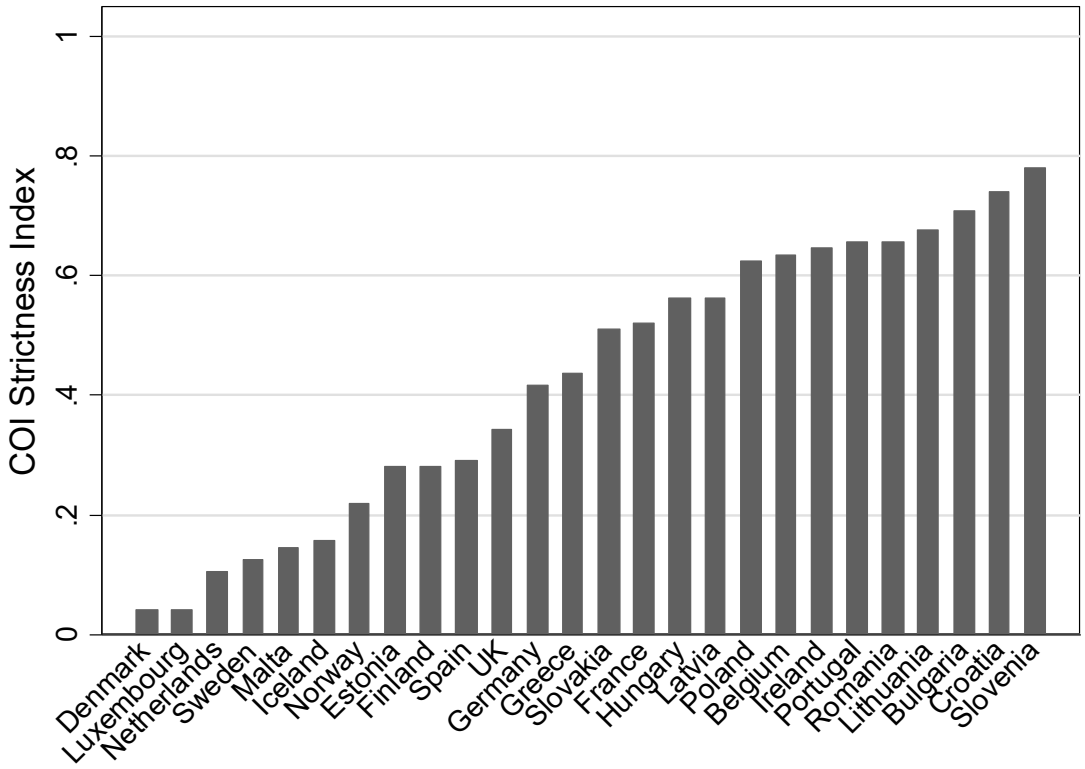
Note: Composed by authors. See the part on methods for details on construction

3.9.5. Appendix E. Strength of Enforcements Structures by Country



Composed by the authors

3.9.6. Appendix F. COI Strictness Scores by Country (composed of *rule strictness* and *enforcement*)



Composed by the authors

3.9.7. Appendix G. Additional Information on Construction of the COI Sanction Index

We use the following coding categories: a country gets the lowest sanctions score ("zero") if it does not have any sanctions for either violations of preventive or disclosing mechanisms. It is followed by regimes that have non-criminal sanctions for both types of rules, which is followed by those that add criminal sanctions either to back up preventive or disclosing rules. The highest score means the regime has criminal and administrative sanctions to address both the violation of preventive and of disclosing rules respectively ("eight"). Finally, the index is standardized from zero to one.

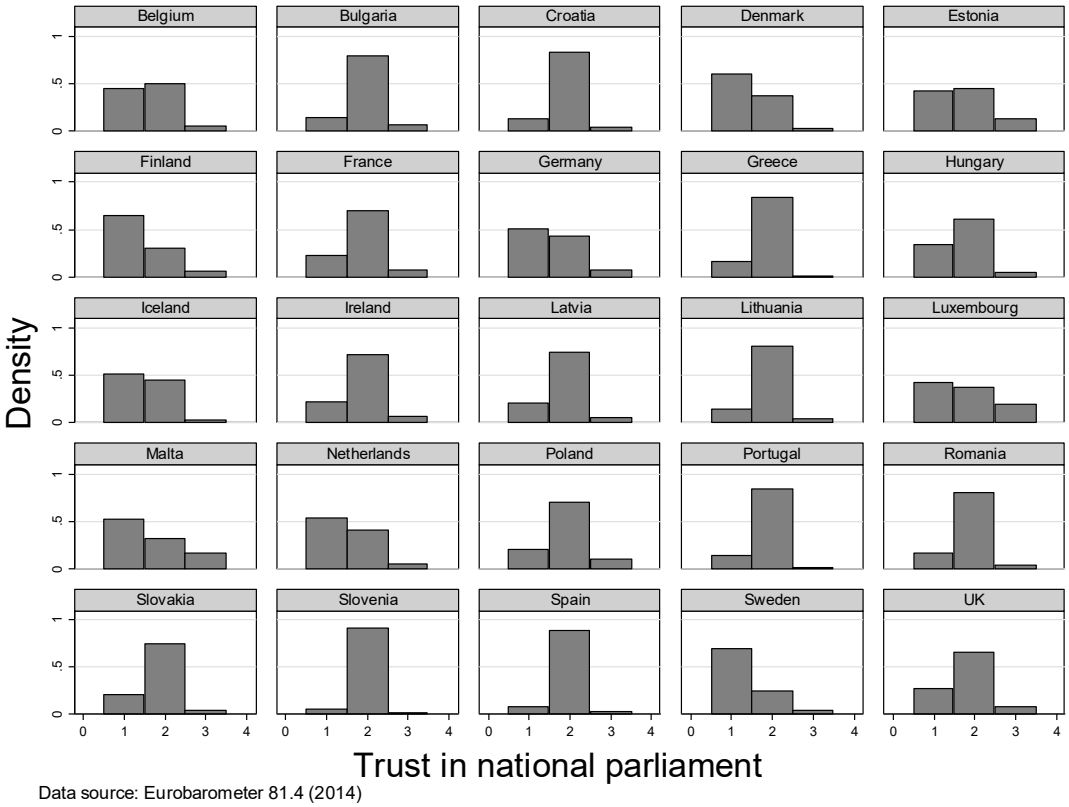
Syntax on Computation of the COI Sanction Index with Stata

```
gen sanc=.
replace sanc=0 if ci_cr_sanc==0 &ad_cr_sanc==0  &ci_noncr_sanc==0 &ad_noncr_sanc==0
replace sanc=1 if ci_cr_sanc==0 &ad_cr_sanc==0  &ci_noncr_sanc==1 &ad_noncr_sanc==0
replace sanc=1 if ci_cr_sanc==0 &ad_cr_sanc==0  &ci_noncr_sanc==0 &ad_noncr_sanc==1
replace sanc=2 if ci_cr_sanc==0 &ad_cr_sanc==0  &ci_noncr_sanc==1 &ad_noncr_sanc==1
replace sanc=3 if ci_cr_sanc==0 &ad_cr_sanc==1  &ci_noncr_sanc==0 &ad_noncr_sanc==0
replace sanc=3 if ci_cr_sanc==1 &ad_cr_sanc==0  &ci_noncr_sanc==0 &ad_noncr_sanc==0
replace sanc=4 if ci_cr_sanc==0 &ad_cr_sanc==1  &ci_noncr_sanc==1 &ad_noncr_sanc==0
replace sanc=4 if ci_cr_sanc==1 &ad_cr_sanc==0  &ci_noncr_sanc==1 &ad_noncr_sanc==0
replace sanc=4 if ci_cr_sanc==1 &ad_cr_sanc==0  &ci_noncr_sanc==0 &ad_noncr_sanc==1
replace sanc=4 if ci_cr_sanc==0 &ad_cr_sanc==1  &ci_noncr_sanc==0 &ad_noncr_sanc==1
replace sanc=5 if ci_cr_sanc==0 &ad_cr_sanc==1  &ci_noncr_sanc==1 &ad_noncr_sanc==1
replace sanc=5 if ci_cr_sanc==1 &ad_cr_sanc==0  &ci_noncr_sanc==1 &ad_noncr_sanc==1
replace sanc=6 if ci_cr_sanc==1 &ad_cr_sanc==1  &ci_noncr_sanc==0 &ad_noncr_sanc==0
replace sanc=7 if ci_cr_sanc==1 &ad_cr_sanc==1  &ci_noncr_sanc==1 &ad_noncr_sanc==0
replace sanc=7 if ci_cr_sanc==1 &ad_cr_sanc==1  &ci_noncr_sanc==0 &ad_noncr_sanc==1
replace sanc=8 if ci_cr_sanc==1 &ad_cr_sanc==1  &ci_noncr_sanc==1 &ad_noncr_sanc==1
gen sanc_per=sanc/8
lab var sanc_per  "COI Sanction Index"
```

Abbreviations:

"ci_cr_sanc" stands for criminal sanctions for violations of preventive rules
"ad_cr_sanc" stands for criminal sanctions for violations of disclosing rules
"ci_noncr_sanc" stands for noncriminal sanctions for violations of preventive rules
"ad_noncr_sanc" stands for noncriminal sanctions for violations of disclosing rules
"1" indicates that the sanctions are present; "0" indicates that no sanctions are available.

3.9.8. Appendix H. The Distribution of Trust in National Parliament Across European Democracies



Data source: Eurobarometer 81.4 (2014)

Legend: "1" – tend to trust; "2" – tend not to trust; "3" – "do not know"

Choice of the Data Source: Some recent studies use data on trust to parliament from the European Social Survey (ESS) because trust to parliament is measured there with a broader scale (from 0 "no trust" to 10 "completely trust"). We cannot use these data as the wave 6 was run in 2012 and most of the GRECO reports we code result one or two years after this date. Hence, release of GRECO reports and EB data is more suitable in terms of the timing of the survey. Another reason to use EB is that, at least in the wave we use, it covers most of the European democracies. The wave 7 of ESS conducted in 2014 contains only 13 country reports from our sample (http://www.europeansocialsurvey.org/download.html?file=ESS7e01&y=2014, retrieved 09.12.2016).

In sum, our final data set, based on Eurobarometer 81.4 (2014), covers more than 20940 respondents in 25 countries. The number of observations per country ranges from 372 individuals in Malta to 1,417 individuals in Germany, with ca. 965 individuals per country on average. Note we omit observations with a response option "do not know" for an item ´trust in national parliament´.

Additional Information on Measurement of Control Variables: The control variable capturing difficulties in paying bills can take one of three options: "most of the time", "from time to time", "almost never/never". The dummy for ´political instability´ was coded 1 when a country experienced

the premature fall of government or a major scandal involving political elites beyond individual parties (indicating systemic problems) leading to large-scale public protests or the historical decline of mainstream party support (or combinations thereof). If not, it was coded 0. While a more nuanced measure of 'scandal' or 'crisis' would be preferable, coding a dummy variable based on the given indicators assured clear-cut and unambiguous coding decisions.

3.9.9. Appendix I. Results of Additional Robustness Checks and Endogeneity Tests

We are aware that other control variables like gender, age (as a non-linear transformation), and population size (in absolute values, as a logarithm, and population density) as a proxy for a country size have been used in earlier work. We omit these variables from our final analysis as they did not show any robust significant effects and did not affect the results shown by our three indices when put in the regression models.

The case-wise exclusion of countries also does not affect the overall findings.

Furthermore, we are aware of the potential problem of endogeneity and reverse causality between trust in national parliament and COI regulation. Yet, tests for endogeneity of the COI Strictness Index do not reveal any problems. In particular, had we had the endogeneity problem, difficulties resulting from reverse causation, or third factors affecting simultaneously both trust and regulation, we would have done a regression analysis with the instrumental variable to be able to estimate the effects of interest (as Rosenson 2009, and Whiteley 2014 suggest to do to address similar problems). To decide whether it is necessary to use an instrumental variable model, we estimated a probit model with instrumental variables and clustered standard errors: COI Strictness Index was instrumented with the COI Sanction and COI Transparency Indices. We believe the quality of the instruments used is high as they clearly correlate with the potentially exogenous variable COI Strictness Index but the correlation between the instruments and the dependent variable – trust in parliament - is theoretically impossible otherwise than via COI Strictness Index. For instance, sanctions can hardly have any effect on trust if no requirements to disclose or prevent the conflict of interest is present in the regulatory system as pointed out earlier. The results of the Wald test of the probit model were not significant. We concluded that the application of an instrumental variable model is not necessary.

Additional Regression Analyses

Table I1: Results of Multilevel Logistic Regressions with Random Intercept on Trust in National Parliaments omitting ´trust in parties´

	(1) Trust in parliament	(2) Trust in parliament	(3) Trust in parliament	(4) Trust in parliament	(5) Trust in parliament
Controls:					
Age	0.006***	0.006***	0.006***	0.006***	0.006***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Family status: married	0.061	0.062**	0.061**	0.062**	0.062**
	(0.036)	(0.036)	(0.036)	(0.036)	(0.036)
Life satisfaction	0.674***	0.673***	0.674***	0.674***	0.674***
	(0.055)	(0.055)	(0.055)	(0.055)	(0.055)
Political knowledge	0.247***	0.246***	0.247***	0.247***	0.246***
	(0.026)	(0.026)	(0.026)	(0.026)	(0.026)
Personal economic stability	0.182***	0.181***	0.182***	0.182***	0.181***
	(0.032)	(0.032)	(0.032)	(0.032)	(0.032)
Employment expectations	0.642***	0.641***	0.642***	0.642***	0.641***
	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)
Safe neighborhood	0.180***	0.179***	0.180***	0.179***	0.179***
	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)
Self-placement in the society	0.203***	0.202***	0.203***	0.202***	0.202***
	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)
Years of Democracy	0.021**	0.007	0.021**	0.019**	0.008
	(0.007)	(0.008)	(0.008)	(0.007)	(0.008)
IVs:					
COI Strictness Index		-2.088**			-2.272*
		(0.719)			(0.751)
COI Sanction Index			-0.133		0.050
			(0.073)		(0.066)
COI Transparency Index				-1.088	
				(0.613)	
BIC	21112.0	21114.7	21121.9	21119.0	21124.1
Chi2	1376.1	1389.8	1376.2	1381.3	1391.1
Log Likelihood	-10501.3	-10497.7	-10501.3	-10499.8	-10497.7
Individual observations	20940	20940	20940	20940	20940
Countries	25	25	25	25	25

*Log-odds; standard errors in parentheses; * p< 0.05, ** p< 0.01, *** p< 0.001*

Table I2: Results of Multilevel Logistic Regressions with Random Intercept on Trust in National Parliaments Capturing Effects of COI Sanction and COI Transparency Indices and with Political Instability as a Macro Control Variable

	(1) Trust in Parliament	(2) Trust in Parliament
Controls		
Age	0.003**	0.003**
	(0.001)	(0.001)
Family status: married	0.158***	0.158***
	(0.041)	(0.041)
Life satisfaction	0.489***	0.490***
	(0.062)	(0.062)
Political knowledge	0.168***	0.168***
	(0.031)	(0.031)
Personal economic stability	0.165***	0.166***
	(0.037)	(0.037)
Employment expectations	0.507***	0.507***
	(0.029)	(0.029)
Safe neighborhood	0.174***	0.174***
	(0.026)	(0.026)
Self-placement in the society	0.167***	1.167***
	(0.033)	(0.033)
Trust in parties	2.942***	2.943***
	(0.051)	(0.051)
Political Instability	-0.590	-0.648*
	(0.309)	(0.272)
COI Sanction Index	-0. 462	
	(0.543)	
COI Transparency Index		-1.426*
		(0.583)
BIC	16756.5	16751.8
Chi2	3976.8	3981.0
Log Likelihood	-8313.0	-8311.3
Individual Observations	20940	20940
Countries	25	25

Log-odds; Standard errors in parentheses * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

4. Conflict of Interest Regulation in European Parliaments: Studying the Evolution of Complex Regulatory Regimes[106]

Abstract

The growing complexity of parliamentary ethics regulation adopted over the last decades makes the systematic examination of its nature and the rationales underpinning regulatory choices an important endeavour. In this paper we introduce conceptualizations and measurements of conflict of interest (COI) regulation directed toward assuring the impartial and unbiased decision-making of national parliamentarians. We distinguish the strictness of rules, the nature of enforcement, sanctions, and transparency requirements as core elements defining COI regimes. Applying our framework to 27 European democracies, we select two cases for in-depth analysis in which legislators chose very different solutions in response to growing pressures to regulate themselves, to inductively explore the drivers underpinning the choice of COI mechanisms: the United Kingdom, which adopted a highly transparency-oriented regime, and Belgium, which adopted a highly sanction-oriented COI regime. Echoing neo-institutionalist perspectives, the longitudinal analyses indicate how the two democracies' different institutional environments shape distinct answers to similar functional pressures.

Keywords

conflict of interest regulation, cross-national indices, longitudinal case study, parliament, regulatory reform

4.1. Introduction

Contemporary democracies have adopted a variety of accountability mechanisms for assuring that officeholders act in the public interest (Olsen 2017, p. 30).[107] Trying to prevent the misuse of political power, they aim to establish trust and bolster the legitimacy of representative democracy, which is widely perceived to be in decline (Dalton 2004; Rosanvallon 2008). Mechanisms applicable to elected

[106] This is the authors´ accepted manuscript of the article Bolleyer, N.; Smirnova, V.; Di Mascio, F.; Natalini, A. ´Conflict of Interest Regulation in European Parliaments: Studying the Evolution of Complex Regulatory´ Regimes first published online on the 04th of October 2018 as the version of record in Regulation & Governance [2018] John Wiley & Sons Australia, Ltd, which can be accessed at https://doi.org/10.1111/rego.12221. This article is the result of a common undertaking and the authors equally contributed to the coding and compilation of the cross-national 'Conflict of Interest Regulation Dataset'. However, Di Mascio took the lead on writing the discussion section, Natalini on the Belgian case study, Smirnova on the cross-sectional analysis, while Bolleyer was in charge of the remaining parts of the paper, including its theoretical and conceptual foundation and the UK case study, as well as the overall set-up of the paper.

[107] Accountability mechanisms are understood as a set of behavioural rules and organized practices, according to which office holders have to justify their behaviour and performance and face sanctions for misbehaviour and power abuse (Olsen 2017: 30).

officeholders have gained particular prominence as the "rule makers" are also the "rule takers" (Streeck and Thelen 2005, p. 13), that is, officeholders often regulate themselves in sensitive areas, such as the setting of Member of Parliament (MP) salaries, regulation of expenses, parliamentary grants, or funding for political parties (e.g. Demmke and Henökl 2007, p. 35; van Biezen and Kopecký 2008; Allen 2011; Casal Bértoa et al. 2014; Clark 2015). Declining trust in traditional democratic institutions in conjunction with the rising complexity of regulation trying to remedy this problem makes research on newly adopted accountability mechanisms paramount (Olsen 2017).

This paper conceptualizes and empirically investigates (cross-nationally and longitudinally) conflict of interest (COI) regulation[108] applied to parliamentarians in European democracies, an area traditionally characterized by self-regulation that has become less and less acceptable, leading to what Williams has called an "ethics eruption" (Atkinson and Mancuso 1991, p. 475; Williams 2006, p. 29; Allen 2008a; Saint-Martin 2008). The striking expansion of ethics regulation – including COI regulation – has been the subject of much debate. Meanwhile, the growing diversity of different combinations of COI mechanisms (e.g. Demmke and Henökl 2007; Nikolov 2013; Rose-Ackerman 2014) raises an equally important puzzle about specific regulatory choices that has received less attention – namely which mechanisms different democracies choose to develop their COI regimes and why.

To address this question, we draw on comparative law to define COI regulation broadly as all formal-legal mechanisms directed toward either preventing or disclosing those situations in which public officials' impartial and objective exercise of professional duties might be compromised (Nikolov 2013: 412; Messick 2014: 114–115). Importantly, this definition captures bans and incompatibility rules on the one hand and disclosure requirements on the other, that is, the full spectrum of COI mechanisms, which contrasts with existing cross-national studies that tend to focus on financial asset disclosure (e.g. Djankov et al. 2010; Van Aaken and Voigt 2011).

Drawing on historical institutionalist theory, we expect the choice of COI mechanisms to be shaped by institutional contexts emerging out of long-term path-dependent processes rather than by functional considerations of how best to solve the problem at hand (Thelen 1999; Fioretos et al. 2016). More specifically, we draw on the strand of literature focusing on the institutionally determined variance of national administrative traditions and styles of regulation (Knill 1998; Adam et al. 2017). Based on an analytical framework capturing the multidimensionality of this complex area of regulation, we comparatively assess core dimensions of COI regimes across 27 European democracies with the help of three newly developed indices. This grounds our selection of Belgium and the United Kingdom (UK)

[108] Following James (2000: 327), regulation is defined as directed toward "achieving public goals using rules or standards of behaviour backed up by sanctions or rewards of the state," that is, only rules for which compliance is compulsory are considered (Streeck & Thelen 2005: 10).

as “extreme cases” in terms of reform choices to longitudinally explore different paths of COI reform and their institutional drivers.

To propose tools for cross-national and longitudinal analysis of core elements of COI regulation and to explore whether and how institutional features shape the particular choice of COI mechanisms adopted is central to understand the working and evolution of increasingly elaborate and diverse ethics regimes applied to public officeholders. The insight that choices of COI mechanisms are shaped by internal institutional factors has central implications for debates around regulatory innovation understood as processes that seek to encourage the development of domestic regulation according to “best practice” standards provided by external organizations (Lodge 2005, p. 650): if the choice of different COI mechanisms as qualitatively different responses to the same problem is driven by the nature of the institutional setting in which parliamentarians operate, the scope of regulatory convergence through transnational communication is considerably restricted (Lodge 2003; Holzinger and Knill 2005, p. 790). This is highly salient in light of widespread attempts of international organizations, such as the Organisation for Economic Co-operation and Development (OECD) or the Council of Europe, to promote the adoption of specific COI mechanisms as “good practices” (e.g. Organisation for Economic Co-operation and Development [OEDC] 2005; Group of States Against Corruption [GRECO] 2014a). Similarly, as far as the adoption of specific (and possibly particularly effective) COI mechanisms is unlikely because of their “misfit” with the given institutional environment, ethics reforms are less likely to resolve the problems they are – at least officially – supposed to address.

The paper is structured as follows. We first specify our research puzzle on the distinctiveness of regulatory choices used to address COI problems in the parliamentary arena, which we expect – in line with historical institutionalist theory – to be shaped by institutional factors that generate internal regulatory dispositions. We then present concepts and measures that allow us to assess the complexity of COI regimes comparatively across 27 European democracies, which, in turn, ground our selection of two cases for in-depth study. The longitudinal analyses of UK and Belgian COI regulation reveal how entrenched institutional features structuring the political process constrain the choice of COI mechanisms when parliamentarians are pressured to adopt stricter ethics rules. We conclude by summarizing our findings and suggest avenues for future research.

4.2. Regulatory Dispositions and the Choice of Conflict of Interest (COI) Mechanisms: Theoretical Expectations

The expansion of COI regulation raises two fundamental questions. Its growth points to the puzzle why parliamentarians adopt and expand COI regulation that increasingly constrains their own behaviour. The growing diversity of COI mechanisms across democracies (e.g. Demmke et al. 2008; Nikolov 2013;

Rose-Ackerman 2014) points to the puzzle of what leads parliamentarians in different settings – when adopting stricter regulation – to choose such distinct COI mechanisms to strengthen their parliamentary ethics regimes, despite numerous parallels in the problem pressures parliamentarians are exposed to. This paper deals with this second puzzle from an historical–institutionalist perspective.

According to this perspective, COI regulation can be understood as a set of formalized rules "that assign normatively backed rights and responsibilities to actors" – in our case parliamentarians – whose stability is not solely reliant on the self-interest of those involved but is a matter of "public interest" (Streeck and Thelen 2005: 10–12). In many democracies, the reform of COI regulation is best characterized as "displacement:" as the traditional configuration – that is, the self-regulation of parliamentary ethics – has been discredited, alternative institutional solutions are cultivated (Streeck and Thelen 2005: 19–20). While COI regulation has generally been pushed into a more constraining direction, we expect the nature of the particular responses to be shaped by regulatory dispositions, which follow particular institutional logics. As institutions are perceived as arising out of long-term processes shaping historical development along a specific "path" (Mahoney 2000; Pierson 2004), the same functional pressures are unlikely to generate cross-national convergence of reform choices. Instead, the effects of problem pressures are expected to be mediated by institutional features of the setting in which a reform takes place (Clift and Fisher 2004; Pollitt and Bouckaert 2017). Those institutional features (dis)favor the adoption of specific regulatory solutions depending on their (mis)fit with the respective domestic environment, thereby leading to different answers to the same problem (Knill 1998; Maggetti 2012: 45).

To examine how institutional features shape our outcome of interest in European democracies requires us to move beyond the assessment of cross-national variation in current regulation toward tracking the long-term evolution of COI regimes with a focus on the institutional factors that influence the choice of COI mechanisms (Thelen and Mahoney 2015: 3). However, a systematic overview of cross-national differences is still essential to select suitable cases for in-depth study that have adopted (similarly) strict parliamentary COI regulation, while having done so through different types of COI mechanisms.

In the following we present the analytical tools that are used to explore the core elements of COI regulation, first across 27 European democracies and second over time within two case studies.

4.3. Comparative Study of COI Regulation

4.3.1. Defining COI Regulation: Preventive Versus Disclosing Mechanisms

To capture the diversity of COI mechanisms, we define COI regulation broadly as the range of legal mechanisms directed toward either preventing situations (e.g. through bans and incompatibility rules)

Table 4.1. Four elements of COI regimes, COI mechanisms, and their purpose

Core COI regulation	Regulatory dimension	Purpose of COI mechanisms	Specification of COI mechanisms covered
Strictness of rules	Preventive	To prohibit biased behaviour of parliamentarians	Bans or restrictions on public and private accessory activities, assets, contracts with state authorities, employment offers (or cooling off regulations), income, liabilities, third party contacts, use of confidential information, handling of COIs in legislative decision-making*
	Disclosing	To reveal biased behaviour of parliamentarians	Requirements to disclose public and private accessory activities, assets, contracts with state authorities, employment offers (or cooling off regulations), income, liabilities, third party contacts, use of confidential information, handling of COIs in legislative decision-making**
Enforcement	Preventive	To officially detect violations of preventive COI rules	Regulation of enforcement body (its mandate and independence) monitoring implementation of preventive COI regulation
	Disclosing	To officially detect violations of disclosing COI rules	Regulation of enforcement body (its mandate and independence) monitoring implementation of disclosing COI regulation
Sanctions	Preventive	Define costs for the violation of preventive COI rules	Non-criminal (e.g. fines) and/or criminal sanctions
	Disclosing	Define costs for the violation of disclosing COI rules	Non-criminal (e.g. fines) and/or criminal sanctions
Transparency	Preventive	To facilitate third party control (media, societal actors, or citizens) of the impartiality of parliamentarians	Requirements to disclose information; scope of publicly available information; requirements to release information on violations of preventive rules (“shaming through transparency”)
	Disclosing	To facilitate third party control (media, societal actors, or citizens) of the impartiality of parliamentarians	Requirements to disclose information; scope of publicly available information; requirements to release information on violations of preventive rules (“shaming through transparency”)

*This contains two categories of regulation: those that obligate Members of Parliament (MPs) to declare that they are affected by a conflict of interest (COI) (while still being able to participate) or provisions that require MPs to excuse themselves. **The 11 regulatory areas were identified based on Djankov et al. 2010; Nikolov 2013 and Mattarella 2014.

or disclosing situations (e.g. through transparency requirements) where public officials' impartial and objective exercise of professional duties might be compromised (Nikolov 2013: 412; Messick 2014: 114–115). This distinction allows us to systematically map out distinct types of constraints imposed on the officeholders across central substantive areas of COI regulation (e.g. the receipt of gifts or the holding of ancillary posts; see Table 4.1 for all areas covered) and allows us to consider the compensatory nature between them: preventive mechanisms that restrict politicians in what they can legally do (e.g. through incompatibilities, rules, or bans) decrease the need for disclosure requirements, essential to arrive at unbiased cross-national measures of COI regulation.

4.3.2. Core Elements of COI Regimes, the Range of COI Mechanisms, and Their Purpose

Drawing on previous research (Allen 2008b: 56–57), we distinguish four basic elements of COI regimes reflecting distinct ways of constraining the behaviour of the officeholder they apply to (i.e. reflecting the distinct purposes regulatory mechanisms are directed toward): the strictness of rules and the enforcement structures underpinning them capture aspects in the regime that should increase the likelihood that formal COI violations are officially detected and notified; COI sanctions capture the costs imposed on parliamentarians when COI violations are detected; and transparency requirements capture the institutional conditions for third party control. Table 4.1 categorizes the range of COI mechanisms according to the analytical distinctions introduced so far.

By definition, if COIs remain unregulated, parliamentarians cannot violate any rules. Vice versa, the higher the number of areas in which COI mechanisms are adopted (e.g. regulation of gifts, accessory posts, assets), the stricter and less ambiguous these rules are (e.g. the complete ban of certain behaviours), the more likely rule violations occur and become visible. We consequently assess a COI regime's rule strictness by capturing the type of COI mechanism employed (preventive and disclosing) and rank the respective regulatory configurations according to the constraints they imply for parliamentarians in each of the core areas of COI regulation listed in Table 4.1.[109]

The logic underpinning our COI Strictness Index is illustrated by the example of the regulation of gifts: Score "zero" indicates the absence of constraints (neither preventive nor disclosure mechanisms are in place), meaning all gifts to MPs are allowed and there is no need for declaration. Score "one" indicates a relatively more constraining regime that requires disclosure but again does not prohibit the receiving of gifts. This configuration is followed – in terms of constraints – by two configurations that combine preventive and disclosing elements – a partial prevention of gifts (i.e. gifts above a certain size are banned) without the permitted gifts being declared (assigned a "two"), followed by a partial prevention of gifts where all permitted gifts need to be declared (assigned a "three"). Finally, we can

[109] For more details on data, methodology and the construction of the index on rule strictness see appendix.

think of regimes that regulate this area through a purely preventive strategy by banning all gifts, which is assigned a score of "four," indicating the highest level of constraint. The interplay of the two logics – prevention versus disclosure – is visualized in Table 4.2.

Table 4.2. Combinations of legal mechanisms and rule strictness scores

Prevention on COI	No rules	No rules	Restrictions	Restrictions	Total ban
Disclosure of COI	No rules	Disclosure	No rules	Disclosure	-
Overall COI strictness score	0	1	2	3	4

Note: The darker the colouring, the higher the level of constraint in the combination of mechanisms.

If COI rules are monitored and their violation investigated and confirmed by enforcement structures formally in charge of implementing COI rules, the official detection of rule violations is most likely (Rosenthal 2006: 158; Allen 2011: 213; see also Gay 2006). If such COI-specific monitoring bodies or units exist, we assess the nature of these bodies (or body – some countries use the same body for both types of COI rules, others use separate ones) considering their motivation and capacity to monitor. Regarding the motivation to monitor, we assess whether enforcement bodies are independent from parliament and not affiliated with any political party (Nassmacher 2003: 13; Clark 2017). Regarding monitoring capacity, we assess whether the body can examine the accuracy of information provided by parliamentarians in relation to preventive or disclosing COI rules or not.

A strong enforcement structure for the implementation of regulation is usually associated with the capacity to sanction rule violations (e.g. Nassmacher 2003; O'Halloran 2011; Mattarella 2014). We nonetheless treat the sanctions underpinning COI rules as a separate element. First, COI sanctions impose a different type of constraint on public officeholders. While strict rules combined with strong enforcement structures make it less likely that parliamentarians can hope for violations not to be officially detected, sanctions shape the relative costs of rule violations once they are detected. Second, the assumed link between COI sanctions and enforcement structures is only partial: not all sanctions attached to violations of COI regulations are attached to or controlled by enforcement structures established for dealing with COI issues. We might have a COI regime that does not contain any enforcement structures specifically in charge of COI regulation. Yet COI violations might be underpinned by criminal sanctions controlled by courts. Focusing on sanctions as controlled by enforcement structures in charge of COI monitoring (rather than on the full range of sanctions underpinning COI rules) would lead to misleading comparative evaluations of the properties of COI regimes. The costs of rule violations as defined by COI sanctions vary with the type of sanctions. In line with earlier work (Casal Bértoa et al. 2014; Mattarella 2014) criminal sanctions are treated as more

constraining than non-criminal ones (e.g. fines). Thus, we differentiate between sanction regimes using non-criminal sanctions, criminal sanctions, or both.[110]

Rather than mere intra-institutional disclosure to a monitoring body, public transparency requirements (usually releasing information online) can provide the basis for "third party control" by the media, interested organizations, or individual citizens (Djankov et al. 2010). We consider whether information is disclosed publicly (whether no public access is possible, information is provided on request, or there is free access via printed or online mass media); the scope (or completeness) of information that is made publicly available (whether the institutions that release information to the public present all or only part of the information they receive about the parliamentarian); and finally, whether information about rule violations by MPs is released or not, a form of "shaming through transparency."[111] Transparency measures are sometimes considered as a possible substitute for a strong institutional enforcement structure or as a complement to the latter (Nassmacher 2003: 10–12). As with sanctions, we treat transparency measures separately from COI enforcement. Indeed, the mere release of information on MPs' activities to the public might allow for third party control but does not necessarily contribute to the capacity of the COI regime to detect officially recognized noncompliance with COI rules – the theoretical underpinning of COI enforcement. While problematic practices might be occasionally picked up by the media and thereby generate reputational costs for the individual MP concerned (Krambia-Karpadis 2013: 46), this is not equivalent to the systematic monitoring of rule compliance by a public body detecting formal misconduct (Allen 2011: 213).

4.3.3. Developing Cross-national Measures to Capture the Multidimensionality of COI Regimes

To measure the four COI elements across a wider range of democracies, we compiled a new dataset on the properties of parliamentary COI regulation based on the evaluation reports released by the Group of States Against Corruption (GRECO), which applies the collaborative practice of peer review to assess the performance of its member states (De Francesco 2016: 354). More specifically, we drew on data from the 4th GRECO round on "Corruption Prevention in Respect of Members of Parliament, Judges and Prosecutors," which provides the most encompassing and standardized information on COI

[110] For our COI Sanction Index, we use the following coding categories: a country gets the lowest sanction score ("0") if it does not have any sanctions for either violations of preventive or disclosing mechanisms. It is followed by regimes that have non-criminal sanctions for both types of rules, which is followed by those that add criminal sanctions either to back up preventive or disclosing rules. The highest score means the regime has criminal and administrative sanctions to address both the violations of preventive and of disclosing rules, respectively ("8"). Finally, the index was standardized from 0 to 1.

[111] A COI regime has a transparency rank of "11" if all of the transparency options are coded as present, which indicates the maximum possible level of transparency with regard to both preventive and disclosure rules and a "0" if none are present. Rank "5" is assigned to regimes that, for instance, have transparency requirements in relation to both preventive and disclosing rules, yet in either case the scope of the information published is limited, while no information on rule violations is released. Note this is only one possible institutional constellation that might receive a rank "5".

regimes in place in European democracies in the years 2012–2015.[112] We restricted our sample to fully consolidated European democracies to assure basic unit homogeneity in terms of the centrality of parliamentary institutions, rule of law, and of the basic administrative capacity to implement the regulation. This left us with a sample of 27 countries.

Based on the specification of COI mechanisms detailed in the section above, we constructed an index for each core element: rule strictness, enforcement, sanctions, and transparency. For each index we made use of rankings and a linear aggregation method. This choice is important, as we are interested in capturing constraints across several COI dimensions with various predictors on an ordinal scale. As with most composite indicators (OECD 2008: 31), our indices are based on equal weights, emphasizing equal importance of indicators inherent in COI regimes. All indices are standardized from zero to one.

How do the four dimensions relate? The Spearman test indicates that rule strictness and strictness of enforcement positively, highly, and significantly correlate ($n = 27$, $\rho = 0.73$, $p < 0.01$). We therefore use one "COI Strictness Index," encompassing these two dimensions, capturing – in line with our conceptualization – the likelihood that formal COI violations are officially detected and notified. The other elements, in contrast, constitute separate dimensions. The "COI Sanction Index" and the "COI Transparency Index" moderately correlate with the COI Strictness Index ($\rho = 0.53$, $p < 0.01$ and $\rho = 0.42$, $p < 0.05$, respectively). The Spearman test between the COI Sanction Index and the COI Transparency Index is not significant, indicating the two dimensions' independence ($\rho = 0.2$, $p > 0.31$). Consequently, the multidimensional nature of European democracies is best analysed along three dimensions.[113]

4.4. The Diversity of COI Regimes in Europe: Selecting Cases for In-depth Study

Figure 4.1 visualizes the distribution of the three COI indices across the 27 democracies covered, grouped into old versus new democracies, as previous research points to substantial regulatory differences between these two groups (e.g. van Biezen 2008, 2012; Casal Bértoa et al. 2014).[114] It shows that new democracies, on average, tend toward stricter COI regulation than old democracies. The Wilcoxon–Mann–Whitney test indicates that the difference between the new and old democracies on the COI Strictness Index and on the COI Sanction Index is statistically significant ($z = 2.99$, $p < 0.01$

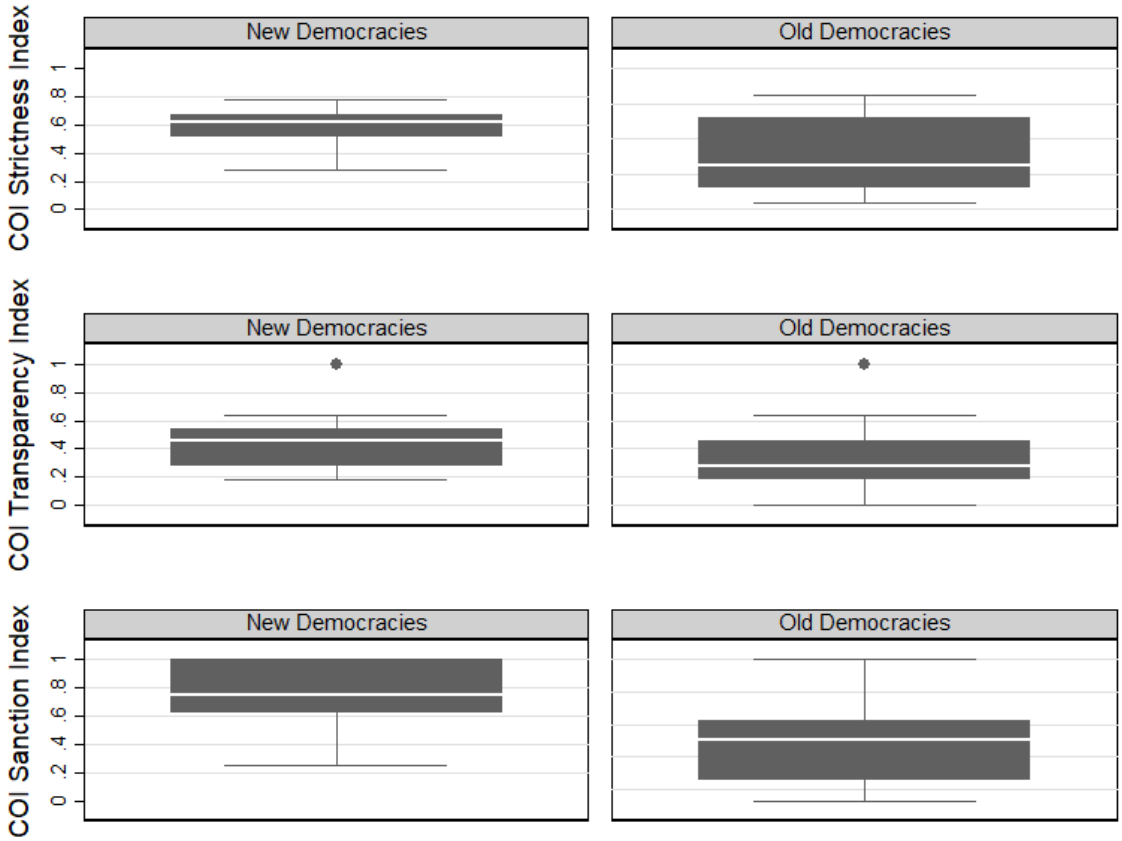
[112] Although the ethics regulation adopted for first and second houses of parliament (or national and regional chambers) can differ, we focus on the regulation of members of the first house of parliament as the central legislative decision-making body in a democracy that is bound to attract most attention and be subject of most concern.

[113] See 4.8.1. Appendix A for country scores for all indices across the sample. See Bolleyer and Smirnova (2017) for a more detailed assessment and a quantitative application of the indices.

[114] In line with earlier studies we categorized democracies stable since WWII plus Malta and Cyprus as old democracies and the Southern democracies Spain, Portugal, and Greece plus the Central European democracies as new democracies.

and z = 2.68, p < 0.01, respectively). Furthermore, Figure 4.1 displays the relative variability of each of the indicators within the subsamples, showing that new democracies tend to be less internally diverse.[115] Unlike old democracies, new democracies have been subject to more intense external pressures to adopt ethics regulation as a part of a "good governance agenda" promoted by international actors, such as the European Union or the OECD (Börzel et al. 2008).

Figure 4.1. Distribution of conflict of interest (COI) indices across 27 European democracies



Considering the differences displayed in Figure 4.1, we select two old democracies to carry out a paired comparison of factors driving the longitudinal development of COI regimes, as regulatory choices in these systems can be more unambiguously linked to domestic institutional factors that constrain the selection of reform options according to the historical institutionalist approach (Lodge 2003). Thus, the selection of old democracies (which have developed their current COI regime over many decades) minimizes the influence of conditionality monitoring mechanisms, which in the case of new democracies interact or overlap with external pressures, such as those exercised by GRECO reviews (Borz 2018).

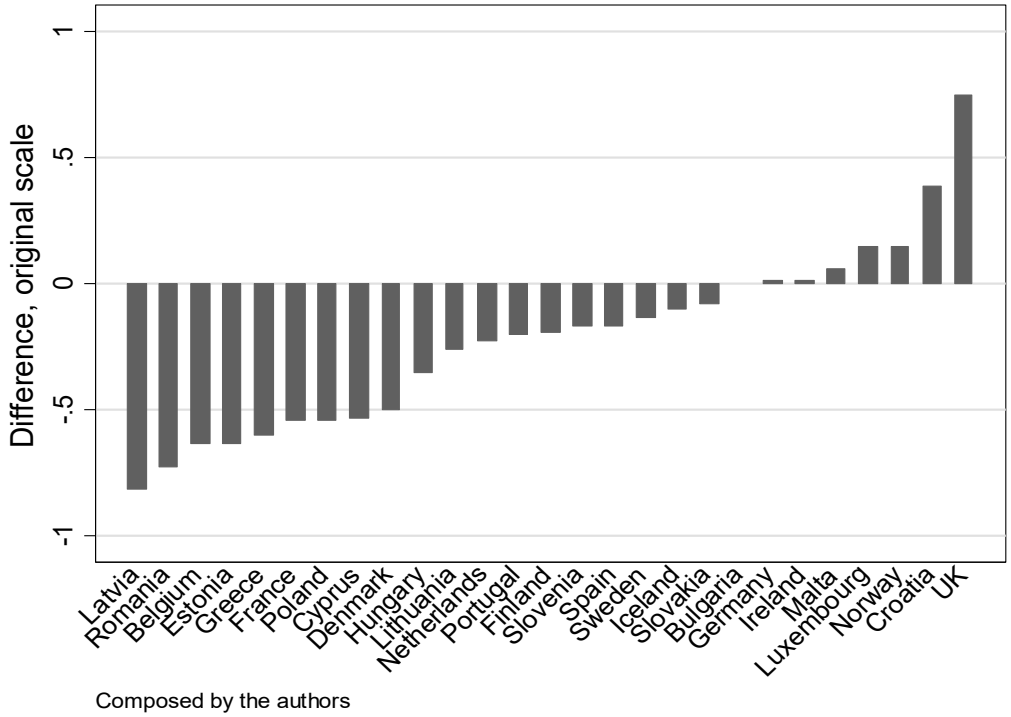
[115] See 4.8.1 Appendix A for the descriptive statistics on the two groups.

Suitable for an exploratory investigation of systemic dispositions shaping COI regulation over time, we moreover choose two extreme cases that maximize differences in the COI regulatory strategies chosen by old democracies.[116] This choice is based on countries' COI Sanction and COI Transparency scores, which – as shown earlier – are independent of each other, that is, they reflect separate regulatory strategies. Figure 4.2 shows the discrepancy between COI Sanction and COI Transparency scores across the 27 democracies, thus, the extent to which democracies develop their COI regime through transparency measures rather than sanctions or vice versa.[117] Most countries put a stronger emphasis on sanctions than transparency. Only one of 13 new democracies stresses transparency over sanctions – Croatia. Importantly, we find greater variation among old democracies: six of them stress transparency over sanctions; eight, the reverse pattern, showing a much more balanced distribution of "regulatory dispositions." We choose the two old democracies with the biggest discrepancy between COI Sanction and COI Transparency scores from our sample for in-depth study, the UK and Belgium.

Consequently, the selection of the UK and Belgium as extreme cases to engage in a pairwise comparison of COI evolution has several advantages. First, it is particularly suitable to explore the trajectories of COI reform as they allow us to distil the drivers underlying the distinct regulatory choices that pushed the nature of the two COI regimes into a transparency-oriented (UK) as opposed to sanction-oriented direction (Belgium) "in especially stark or obvious forms" (Bennett 2004: 40; Seawright and Gerring 2008: 297). Second, they are among the four old democracies with the highest COI Strictness scores (See 4.8.1. Appendix A). Both have repeatedly suffered from serious political crises that pushed parliamentarians to tighten their COI regimes over the last decades, a similarity that allows us to focus on the particular COI mechanisms chosen in these processes, taking the overall trend toward stricter COI regulation as a given. Third, given our interest in the influence on COI regimes of regulatory dispositions underpinning democracies' domestic institutional settings, these can be more easily "isolated" in old democracies less influenced by international pressures.

[116] Matching procedure based on propensity scores is not possible for our small-N sample.
[117] As both indices are standardized between 0 and 1, they could be subtracted from each other. The difference is visualized in Figure 4.2.

Figure 4.2. Discrepancies between COI sanctions and COI transparency across 27 democracies



Composed by the authors

4.5. The Long-term Evolution of COI regimes in the UK and Belgium

As in earlier studies on regulatory reform (e.g. Clift and Fisher 2004; Quack and Djelic 2005; Jones 2007; Little and Stopforth 2013; Hine and Peele 2016), we reconstruct the evolution of COI regimes applicable to national parliamentarians in the UK and Belgium from the introduction of the first COI elements until 2015 using document analysis. The latter combines primary legislation and regulation as well as failed draft proposals, backed up by parliamentary debate and official reports justifying provisions and their amendment or rejection, complemented by secondary literature.

4.5.1. UK: The Evolution of a Transparency-oriented COI Regime

Although conflicts of interest have been long regulated by parliamentary conventions alone, over time, the House of Commons (HoC) has adopted an increasing number of resolutions formalizing those conventions and made existing provisions stricter, usually in the aftermath of scandals in an attempt to re-establish public confidence (Hine and Peele 2016).

The transparency dimension has been strengthened most unambiguously. This began in 1974 with the introduction of the Register of Members' Interests, a compulsory public register to disclose MPs' pecuniary interests, and the formalization of the long-standing convention for MPs to have to declare financial interests in parliamentary debate (House resolution 1974). Both provisions were overseen by

a permanent select committee created in 1976.[118] In the aftermath of the 1972 Poulson bankruptcy hearings, which revealed that MPs took bribes to secure lucrative government contracts, the pressure to create a compulsory register (which had previously been proposed but rejected) had become intense. While the proposal to publish MPs' income tax returns was rejected because of privacy considerations, the new register aimed at protecting the public reputation of the House. The resolution required the register to be "available for public inspection" – annually published in the HoC paper.[119] Transparency was further strengthened by the online publication of the register, introduced as part of the Nolan reforms in 1995 in the aftermath of the 1992 Matrix Churchill affair and the 1994 cash for questions scandal. The proposal to hold evidence hearings of the committee in public, however, was again rejected.[120] As far as "shaming through transparency" goes, initially unresolved disputes about noncompliance – be it regarding asset or COI declarations – would initially go to the select committee overseeing the Members' register without the MP's name being mentioned. Transparency of (suspected or established) noncompliance was eventually introduced in 2010, in the aftermath of the expenses scandal. Since then, information on all inquiries (including relevant evidence) and outcomes (concerning disclosing and preventive rules) is released online.[121] Statistics about complaints identifying Members under inquiry are published monthly (GRECO 2013: 19). These basic steps were accompanied by expanding what ought to be included in the asset declarations, that is, enhanced rule strictness, thereby making transparency requirements more significant. While strongly held notions about popular control of representatives are central to British parliamentary traditions, recent developments took place in a context of strong legal provisions to assure freedom of information that shaped parliamentary regulation generally, as illustrated by the expenses scandal triggered by freedom of information requests.[122]

Comparing the use of disclosing as compared to preventive constraints more generally, the UK system relies much more on the former than the latter. Considering the following much debated preventive measure is indicative of a disinclination to impose actual constraints on MP behavior: in 1996, the newly created Code of Conduct of the House enshrined a pre-existing ban on paid advocacy and

[118] Since 1967 there was a voluntary register established by Liberal MPs, available for public inspection, Aspects of Nolan – Members' Financial Interests, Research Paper 95/62, 16 May 1995, Home Affairs Section, HoC Library, p. 1

[119] Aspects of Nolan – Members' Financial Interests, Research Paper 95/62, 16 May 1995, Home Affairs Section, HoC Library: 4, 6.

[120] Ibid.: 31–2. See also: https://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/parliamentarycommissioner-for-standards/registers-of-interests/register-of-members-financial-interests/, retrieved 14 August 2016.

[121] Parliamentary Commissioner for Standards: Review of the Guide to the Rules relating to the Conduct of Members, Consultation Paper, 19 January 2012: 46.

[122] The Freedom of Information Act 2000 in force since 2005, allows members of the public to request disclosure of information from public bodies.

expanded it. A 1947 House resolution already prohibited the initiation of parliamentary proceedings solely or principally because of a contractual agreement with an outside interest, as such practice would undermine MPs' ability to represent constituency and broader society in favor of sectional interests. After 1992, the regulation was tightened with MPs required to declare their interest in select committees, not only in debate, and stand aside if their pecuniary interests were concerned.[123] The post-Nolan regulations then prohibited ministers or public officials to initiate proceedings or participate in any delegation[124], while introducing rules regulating the use of confidential information (Coxall 2001: 103). A proposed ban on holding consultancies with multi-client lobbying companies recommended by Nolan, however, was not picked up. In 2002, the 1996 regulation was relaxed, allowing initiation and participation in proceedings as long as doing so does not generate "exclusive benefit" to someone the member has a financial relationship with, meaning as long as at least one less dominant provider benefits as well. Despite criticism that this provision de facto legitimizes MPs to "undertake lobbying which might substantially have benefited a dominant presence in a particular market"[125], and renewed debates around it in 2010 and 2012, it has remained unaltered. This was justified by the importance of MPs being able to bring their current outside experience to parliamentary proceedings[126], arguably being incompatible with any effective restrictions on their ability to lobby for the interests they are involved with, as long as they declare their financial interests in the process.

Similarly, resistance against independent enforcement and a more robust sanction regime continues to shape the COI regime today. This is justified referring to reputational costs imposed by the citizens as the ultimate sanction for politicians, while insisting that the House (i.e. MPs) needs to maintain sole jurisdiction over its own matters, including the sanctioning of MPs for breaking House rules. The permanent select committee created in 1976 to oversee the Members' register was only entitled to act when complaints were received, but would "under no circumstances" act as enforcement officer with powers to inquire into the circumstances of members.[127] The Nolan reform in the mid-1990s strengthened COI enforcement. The new commissioner for standards dealing with MP violations of COI regulation, however, was and is still is an officer of the House. He/she has to work with a Committee of Standards (composed of MPs) and – yet again – for a long time had no authority to proactively examine a case without a complaint being issued, although post-Nolan they were allowed

[123] Parliamentary Commissioner for Standards: Review of the Guide to the Rules relating to the Conduct of Members, Consultation Paper, 19 January 2012: 36.
[124] Ibid.: 35–6.
[125] Ibid.: 39.
[126] Ibid.: 38–40. See also: Committee on Standards and Privileges, Ninth Report of Session 2010–2012, HC 654, Volume II, paragraph 733.
[127] Aspects of Nolan – Members' Financial Interests, Research Paper 95/62, 16 May 1995, Home Affairs Section, HoC Library: 7, 9, 25.

to actively check the facts and make enquiries.[128] Meanwhile, the House as a whole remained the ultimate decisionmaker in serious cases of misconduct.[129] Nolan's proposal to create an offence of misuse of public office applicable to MPs failed (Foreman 2002: 280), being in tension with the principle of "parliamentary privilege," which gives MPs immunity for actions or statements made in the course of their legislative duty.[130] Later proposals to strengthen the independence of the Standards Commission, such as by introducing an investigative tribunal with a legal chairman, were also rejected. After the Expenses Scandal in 2009, yet again discrediting parliamentary self-regulation, a House resolution in 2010 broadened the commissioner's scope of review allowing for proactive investigations (without receiving a complaint on a matter first). A report in 2012, however, suggested that the resolution had not been implemented.[131] Since 2013, three lay members have formed part of the Committee of Standards and proposed equal numbers of MPs and lay members on the Committee, which was adopted in 2015. While lay members can issue a "minority report" to Committee publications (a right that to date has not been used), they have no voting rights, thereby leaving MPs in control.[132]

The regulation of COI sanctions underwent the least change. Today the House still controls any penalties for MP misconduct, which conventionally includes reprimands, repayment of moneys, a written apology, an apology to the House, or a period of suspension (with loss of pay and pension rights), and expulsion (last used in 1947). In 1999, a proposal for the introduction of fines as a sanction was made but not realized.[133] The House code of conduct only contains a brief reference that sanctions can be imposed by the House, without specification as to what they are and which violations they apply to.[134] Only recently, the Sixth Report of the Committee of Standards – while recognizing that it is problematic that MPs have a final say over their own sanctions – pointed to "strong constitutional reasons against purely external regulation of standard issues." The committee considered the range of

[128] Ibid.: 30.
[129] Summary of the Nolan Committee's First Report on Standards in Public Life, www.pavs.org.uk/about/documents/TheSevenPrinciplesofPublicLife.doc, retrieved 14 August 2016. Committee on Standards - Sixth Report -The Standards Systems in the House of Commons –Committee on Standards, 10 February 2015, (point 71) http://www.publications.parliament.uk/pa/cm201415/cmselect/cmstandards/383/38305.htm, retrieved 12 August 2016.
[130] http://www.lawcom.gov.uk/wp-content/uploads/2016/01/ape_previous.pdf, retrieved 14 August 2016. See also Committee on Standards in Public Life (the Wicks Committee), Sixth Report, January 2000, recommendation 9.
[131] Parliamentary Commissioner for Standards: Review of the Guide to the Rules relating to the Conduct of Members, Consultation Paper, 19 January 2012: 46.
[132] See: https://www.parliament.uk/business/committees/committees-a-z/commons-select/standards/lay-members/, retrieved 30 May 2018.
[133] Ibid.: 5.
[134] The Standing Order of the House only refers to possible sanctions (withdrawal from the House, suspension from the services of the House) for grossly disorderly behavior or disobedience (Art 44, 45), http://www.publications.parliament.uk/pa/cm201011/cmstords/700/700.pdf, retrieved November 20, 2016

sanctions "appropriate and sufficient" and stressed the reliance of the system on "reputational costs,"[135] which again highlights the centrality of the normative foundation of British democracy, whose basic functioning relies on notions of popular control exercised by citizens, rather than institutional checks and balances between institutions.

4.5.2. Belgium: The Evolution of a Sanction-oriented COI Regime

Although some COI mechanisms date back to the 1930s, the development of the COI regime as it exists today began in the 1990s. Since the 1991 election, in which alienation between citizens and established parties triggered the national breakthrough of the extreme right Vlaams Block party, the Belgian political system has been confronted with major governance crises. The Augusta–Dassault affair[136], a corruption scandal, as well as policy failures like the Dutroux pedophilia case, exacerbated the crisis in the late 1990s. Belgium scored relatively low on the level of perceived corruption and almost no MPs were convicted of corruption in connection with their mandates (GRECO 2014b: 4). Meanwhile, Belgium was one of the countries with the highest level of party patronage in Western Europe (Müller 2000: 151). Thus, the overall legitimacy of the system rather than the failures of particular MPs fueled reform debates (Maesschalck and Van de Walle 2006). COI regulation became a part of wider statutory reforms of public governance (inter alia federalization, public management reform, anticorruption) launched to restore public trust, with COI regulation applicable to public officials (including parliamentarians) aimed at curbing partisan control of the Belgian state (De Winter and Brans 2003; Van de Walle et al. 2005; Transparency International 2012).

Among the core COI elements, sanctions have been reinforced most unambiguously, while transparency measures were only reluctantly adopted. In the late 1980s, calls for disclosing mechanisms emerged to complement long-existing preventive rules, such as restrictions on the concurrent holding of public offices introduced by the Belgian Constitution of 1831 and reinforced in the Law of 6 August 1931, which also contained the requirement of a "cooling off" period for MPs before being appointed to other paid public positions. Calls for transparency gained further saliency in the 1990s as consociational bargaining between major government parties was increasingly considered dysfunctional (Peters 2006) and MPs were suspected of serving hidden interests.[137]

[135] The Standards Systems in the House of Commons – Sixth Report- Committee on Standards, 10 February 2015, http://
www.publications.parliament.uk/pa/cm201415/cmselect/cmstandards/383/38305.htm, retrieved 12 August 2016, sections 72–4; 150-7.

[136] The scandal broke in the early 1990s over bribes that had been paid for the procurement of helicopters for the military. Several high-profile politicians, including several government ministers from the Walloon and Flemish Socialist parties, resigned as a result of the scandal.

[137] Senate de Belgique, Doc. Parl., 1994–1995, n. 1,334/3: 3, 21.

The first set of laws introducing the disclosure of declarations of interests (covering appointments, activities, and professions) was passed on 2 May 1995. Parliamentary debates predating this reveal MPs' reservations. Such declarations – so the argument – would provide incentives for politicians to no longer take on outside positions crucial for the development of technical skills and competences[138] (an argument used in the UK to fend off stricter rules on paid advocacy). More significantly, the initial legislative proposal of 1993 planned to make asset declarations public as well, to let citizens decide whether MPs are subject to COIs. This was substituted in the 1995 legislation by a requirement to provide an asset declaration in a sealed envelope to the Court of Accounts that could only be opened in the event of a criminal investigation for illicit enrichment. MPs justified this provision following recommendations of the Belgian data protection authority, which indicated that publicly open declarations restrict MPs' privacy and might lead to harmful consequences for MPs, their spouses, and relatives.[139] Instead of publishing MPs' declarations, the 1995 laws required the publication of a "black list" of those MPs who failed to submit declarations of interest or asset declarations to publicly shame non-compliant MPs.

Already watered down, this legislation existed only on paper for many years. In a country like Belgium, the Rechtsstaat administrative tradition requires that the procedural details of rule application and enforcement are codified by law. The broad scope of COI regulation encompassing thousands of individuals across different categories of public office holders at the national and local levels further heightened the already high costs for passing operational provisions in the fragmented consociational Belgian system because of struggles over how to apply the same framework to such a diverse range of officials. Meanwhile, some MPs pushed for delays given the uncertainty over when and how declarations should be lodged and reviewed.[140] Consequently, operational provisions were only adopted in 2004, leading to the publication of the first "black list" in 2005, nine years after the initial law had been passed.[141] At the same time, the 2004 legislation added a "procedure of resolution" that allowed non-compliant MPs to appeal to the parliamentary commission deciding about the inclusion of MPs in the "black list," thereby allowing parliament to prevent the public shaming of noncompliant MPs. It further allowed for corrections to be made to declarations at different stages, including after noncompliance had been detected, reducing instances in which noncompliance are openly publicized (GRECO 2014b: 21).

[138] Ibid.: 4.
[139] Ibid: 29; Chambre des Representants de Belgique, Doc. Parl., 1995–1996, 457/6: 15; Senate de Belgique, Doc. Parl., 1997–1998, 621/12: 39–40, 48.
[140] Senate de Belgique, Doc. Parl, 1997–1998, 621/12: 15–78.
[141] Ordinary and Special Laws of 26th June 2004.

The publication of declarations of interest in the official gazette was delayed even longer (17 years after the 1995 law, eight years after the 2004 operational provisions) as disagreement over its content persisted until 2012.[142] Proposals to disclose compensation for public jobs were presented in 2006 and 2010 and for all jobs in 2015 (along with a new call for the publication of asset declarations), complemented by recommendations by GRECO to enhance public disclosure (GRECO 2017: 3–4). All of them were rejected, reflecting parliamentary tradition to not grant extensive rights to access information about the legislature in a context where privacy is constitutionally protected (Article 22). Freedom of information applies only to the administrative functions of parliament as an institution, while MPs enjoy the same protections of privacy as ordinary citizens.[143]

In the meantime, long-standing preventive measures were strengthened. The Law of 4 May 1999 prohibited MPs to become board members of public companies, reinforcing the long existing provisions included in the Belgian Constitution and in the 1931 Law (see above). Moreover, parliamentary mandates could not be combined with more than one paid executive office and a cap was set on the remuneration that could not exceed the equivalent of half of the parliamentary allowance (De Winter and Brans 2003: 61).

A deep political crisis a decade later presented another window of opportunity for reform. The coalition agreement of October 2011 suggested major state reform to overcome tensions between different segments of Belgian society (Brans et al. 2016: 453), and contained a chapter on ethics (Di Rupo 2011: 5–7). It proposed Codes of Deontology for both houses of parliament that were adopted on 17 and 19 December 2013, respectively, including preventive and disclosure measures. In the case of the Chamber of Representatives, the code required MPs to orally declare any COI in parliamentary proceedings and prohibited them from receiving any financial or material benefit in return for acts performed in connection with their parliamentary mandate, including any gift that exceeded a symbolic value. The code also prohibited MPs from sharing confidential information.

To enforce the new code, the Law of 6 January 2014 established a Federal Ethics Committee. Its composition and the appointment procedure resemble those of the Constitutional Court to enhance the body's independence – although the complexity of the appointment procedure, requiring the qualified majority of two thirds, delayed the appointment of its members until May 2016.[144] That said, independent enforcement had already replaced parliamentary self-regulation by 1995 when MPs entrusted the Court of Accounts as an actor outside parliament trusted by MPs and the public to keep both declarations of interests and assets. However, its ability to operate was curtailed as long as

[142] Chambre des Representants de Belgique, Doc. Parl., 2005–2006, 2,652/001: 9–20.
[143] Chambre des Representants de Belgique, Doc. Parl., 2014–2015, 0951/001: 4.; Global Right to Information Ranking, www.rt-rating.org, retrieved July 14, 2017.
[144] See Chambre des Representants de Belgique, Doc. Parl., 54 1828/001, May 19, 2016.

operational provisions had not been adopted (see above). Concerns were raised about the ability of the Court of Accounts to manage the excessive workload resulting from a declaratory system applicable not only to MPs but also to thousands of officeholders at the central and local levels. The 2004 Law therefore streamlined the submission procedure. Nonetheless, concerns remain that the Court of Accounts is not able to accurately verify the declarations it receives[145] and is reluctant to enforce the consequences of an inaccurate/incomplete declarations, which undermines the transparency of the system (GRECO 2014b: 20–21; Cour des Comptes 2015: 21–29).

In contrast, the sanctions underpinning COI disclosing mechanisms introduced in 1995 were severe and little contested as they signalled the credibility of reform efforts in a context marked by severe dissatisfaction in the face of an extensive level of party patronage (De Winter et al. 1996).[146] Article 6 of the 1995 law penalizes the non-submission of both declarations with a fine between 600 and 6,000€. It also postulates that criminal sanctions are applicable to public officeholders in case of forgery and use of falsified documents (Article 194 of the Criminal Code) with 10–15 years' imprisonment plus incidental penalties (Article 31 of the Criminal Code). Regarding sanctions underpinning preventive mechanisms, the anticorruption Law of 10 February 1999 introduced criminal penalties for any person holding public office who acquired interests unlawfully (Transparency International 2012: 49).[147] This already extensive arsenal of sanctions was complemented by the new Rules of Procedure of the Low Chamber in 2014. They introduced political sanctions (exclusion from confidential proceedings, possibly all proceedings) and pecuniary sanctions (withholding of emoluments) for the misuse of confidential information.[148]

4.6. Discussion

Table 4.3 reports the key findings of the case studies, identifying four institutional features as central for shaping the choice of COI mechanisms in line with our theoretical expectations (e.g. Knill 1998; Lodge 2003; Clift and Fisher 2004). In essence, the nature of executive–legislative relations, as well as the nature of administrative traditions, fundamentally shaped the "fit" of transparency measures and formal legal sanctions in the two institutional settings analysed. This finding is coherent with previous research that drew on historical institutionalist theory to assess the impact of politico-administrative structures upon cross-national variation in reform choices (Pollitt and Bouckaert 2017).

[145] This explains several proposals for further simplification of the declaratory system in the post-2004 period. See Chambre des Representants de Belgique, Doc. Parl., 2008–2009, 1,507/001: 5.
[146] Debate Senate 6 April 1995, Doc. Parl., 1994–1995, 1,334/3: 16.
[147] Article 245 of the Criminal Code carries a prison sentence of one to five years and/or a fine and/or exclusion from office, separating taking an interest while holding public office from instances of corruption.
[148] Legal Department of the Belgian House of Representatives, Rules of Procedure of the Belgian House of Representatives, Rule 67, October 2014.

With regard to the nature of executive–legislative relations, our analysis confirms that majoritarian systems (as in the UK) facilitate rapid and large-scale reform, whereas incremental decision-making takes place in consensual systems (as in Belgium) (Lijphart 2012; Pollitt and Bouckaert 2017: 47). It also shows that majoritarian systems generate an appreciation of transparency, as their accountability processes are based on popular control that apportions blame to individuals or groups (McCarthy-Cotter and Flinders 2018: 201). Accordingly, UK parliamentarians – to a considerable extent – were able to fend off demands for independent enforcement and sanctions to start with, referring to long-standing notions of parliamentary privilege and sovereignty. Conversely, consensual systems, such as that in Belgium, are built on a notion of keeping the process of elite bargaining secret, with little direct intervention by the public at large (Peters 2006). This gave elites some latitude to accommodate fragmented interests by means of patronage but it raised credibility issues that were dealt with through independent enforcement and sanctions.

As for the nature of the administrative tradition, Rechtsstaat systems like Belgium's are stickier and slower to reform than "public interest" systems, as in the UK (Pierre 1995: 8). This is because reform choices and their implementation do not require statutory action in the latter (Pollitt 2013). Conversely, a codified body of law regulates any action of public officeholders in Belgium where the judiciary assures that legal procedures are being followed. Differences between administrative traditions are amplified by broader variations in societal values, such as differences in power distance and uncertainty avoidance (Hofstede 2001). Belgium scores a lot higher than the UK on both indices and this widens the gulf between the legalist and the flexible approaches to reform, which are embedded in the two administrative traditions, respectively (Pollitt and Bouckaert 2017: 63–66).

Furthermore and also in line with institutionalist accounts of path dependency (Mahoney 2000: 528), the link between COI and state reform (Bezes and Parrado 2013: 45) played an important role. Whereas in the UK COI reform has been developed on an ad hoc basis, in Belgium it has been part of comprehensive state reforms. This link has broadened the scope of COI reform, thus multiplying veto points as well as exacerbating legalist intricacies of implementation. Finally, pre-existing legal provisions shaping the rights and the obligations of parliamentarians fed into debates on whether to adopt disclosing or preventive COI measures, respectively. Sensitivity toward the downsides of transparency measures has been higher in Belgium with its stronger protection of MP privacy, whereas in the UK strong freedom of information provisions supported their adoption instead.

Importantly, our case studies have highlighted the importance of types of reform sequences that can be reactive or self-reinforcing (Mahoney 2000; Pollitt 2008; Howlett 2009).

Table 4.3. Differences in COI reforms and their implications

Institutional Factors	Belgium	United Kingdom
Nature of Executive–Legislative Relations	High number of parties working in oversized coalition governments bridging ideological and territorial divides Implications: • Blurred lines of accountability and secrecy facilitating agreement between multiple partners creating resistance against transparency measures • Decision-making costs of negotiating/passing reform proposals high	Alternation between ideologically narrow, single party governments Implications: • Clear lines of accountability enhancing the suitability of transparency as a disciplining mechanism • Decision-making costs of negotiating / passing reform proposals low
Administrative Tradition	"Rechtsstaat" System Implications: • Demanding legal procedures for changing COI machinery • Involvement of state authorities outside parliament (e.g. courts) in rule implementation • Broad cultural climate of high uncertainty avoidance and power distance strengthening the legalist approach	"Public Interest" System Implications: • No need for statutory change to change COI machinery • No involvement of state authorities outside parliament (e.g. courts) in rule implementation • Broad cultural climate of low uncertainty avoidance and power distance sustaining the flexible approach
Interaction Between COI and State Reform	COI reform linked to broader reform efforts tackling wider systemic crises Implications: • Broad scope of the reforms encompassing multiple public offices beyond Parliament • Increasingly stricter reforms, but delayed implementation because of the scope of regulation	COI reform not linked to other reform efforts Implications: • Narrow scope of the reforms confined to Parliament • Reforms as short-term responses to specific scandals allowing for policy reversals when salience decreases
Pre-existing Legal Provisions on Parliamentarians' Rights/ Obligations Affecting COI Regulation	Weak freedom of information provisions applicable to parliamentarians/strong provisions to protect MPs' privacy Implications: • Resistance against transparency measures	Strong freedom of information provisions applicable to parliamentarians/weak provisions to protect MPs' privacy Implications: • Underpinning transparency measures

Note: COI, conflict of interest; MP, Member of Parliament.

COI regimes in both the UK and Belgium have become more constraining over time, as is visible in their high strictness scores. Yet once attention on parliamentary ethics died down in the UK, provisions were partially relaxed – mostly justified by practical difficulties in implementation or by the undesirable side effects of overly strict regulation that was quickly adopted in the aftermath of a crisis. These reactive "cycles" reflecting the salience of COI issues echo not only the majoritarian character of British executive–legislative relations with the government (usually) able to rely on stable parliamentary support, but also the fact that COI reform is implemented through changes to intra-parliamentary rules, as statutory action is not required by the "public interest" model of administrative tradition. The lack of interaction between COI reform and other areas of state reform contributed to keeping the reform process flexible, allowing for COI mechanisms to be designed as a narrow response to scandals involving MPs. As a response to scandals, transparency measures were expanded for citizens to punish the government in office as "alternative enforcement mechanisms," mechanisms unsuitable in the Belgian setting with its oversized government coalitions and its strong protection of privacy.

In the Belgian context, the embeddedness of COI reform in wider state reform sequences operates in conjunction with the consensual nature of executive–legislative relations and the Rechtsstaat tradition. By extending the scope of COI regulation to a wide array of public office holders, this factor has increased the political costs of reform, as well as making legal procedures for implementing change more demanding. The "spillover" effect produced by the inclusion of COI reform into a broader agenda of administrative modernization contributed to the reproduction of an institutional pattern in which COI rules are changed through statutory reforms implying independent enforcement by state authorities that are equipped with severe sanctions. Legal provisions have proliferated over time in a "self-reinforcing" fashion but they have become increasingly complex, reflecting Belgium's legalistic tendencies toward rigid legal procedures associated with Napoleonic legal traditions (Beck et al. 2003; Heirbaut and Storme 2006: 648–649) that parliamentarians exploited to delay implementation.

4.7. Conclusion

Over the last decade, the diversity of COI regulation applied to national parliamentarians (as well as other public officials) has grown significantly in many democracies. Defined as the range of formal legal restrictions to assure parliamentarians' impartial or unbiased decision-making (Nikolov 2013: 407), COI regulation embraces diverse mechanisms, such as requirements for asset disclosure, but also incompatibilities of parliamentary office with other private or public roles. This growing diversity creates a major challenge for cross-national research: the development of measures capturing the different components of increasingly complex ethics regimes in an unbiased fashion, able to "travel" a wider range of democracies, as well as understanding the rationales behind often very distinct regulatory choices in this contentious area of regulation.

This paper conceptually distinguished core dimensions of COI regimes and developed cross-national indices to capture the nature of COI regimes currently in place in Europe empirically: COI Strictness (covering the strictness of rules and enforcement), COI Sanctions, and COI Transparency. Based on a new dataset covering 27 European democracies we showed that these three indices capture empirically separate dimensions, stressing the importance of systematically exploring and studying the sources of the diversity within COI regimes applied to national parliamentarians. Studying the empirical variation allowed us to select two extreme cases in terms of the particular choices of COI mechanisms – Belgium (a sanction-oriented regime) and the UK (a transparency-oriented regime) – to explore the institutional drivers of these regulatory tendencies over time.

Our case studies revealed how the nature of the institutional settings constrain the choice of reform measures chosen to address the same problem, by making the same arguments more or less effective depending on the environment parliamentarians operated in. Measures imposing reputational and political costs on MPs through public disclosure were applied in both systems as alternative to external enforcement and formal legal sanction mechanisms, but were much more effectively employed in the majoritarian democracy of the UK than in consensual Belgium, underpinning a focus on transparency measures in the former. Similarly, privacy considerations fed into debates on COI transparency measures in both settings, yet were much more effectively used against the adoption or to weaken the COI transparency measures in Belgium. The functioning of the latter fundamentally rests on often secretive negotiations between party elites, lowering expectations toward the clear-cut responsibility of individual political actors and raising sensitivity toward the downsides of transparency measures.

These findings are of particular relevance for old democracies, which, unlike new democracies, are less affected by external pressures; hence, where reform processes are most exposed to domestic institutional factors highlighted by historical institutionalist accounts of cross-national variation of reform choices (Pollitt and Bouckaert 2017). This is especially the case for countries like France or Norway with similarly strong tendencies toward sanctions or transparency mechanisms, respectively. Although the study of extreme cases allowed us to distil the drivers of highly distinct regulatory choices with particular clarity, to avoid overgeneralization (Bennett 2004: 40–41) future research needs to complement our findings with the study of cases that have adopted constraining COI regimes by combining both types of mechanisms. Ideally, such a study would include not only old but also new democracies, and contrast internal institutional constraints as explored in this paper with external pressures pushing COI regimes in new democracies increasingly into similar directions. While these challenges need to be addressed in future research, the cross-national assessment provided here can provide a systematic foundation to address them.

Finally, our findings point to the institutional constraints that are involved in processes of regulatory innovation, such as those promoted by GRECO evaluations. If COI regimes are shaped by institutional factors, we can expect limited effectiveness of collaborative peer reviews to promote the implementation of those measures that require far-reaching changes in existing institutional arrangements (Holzinger and Knill 2005: 791). This scenario applies to the evolution of the Belgian case after the GRECO evaluation, in which the reform process remains at an "embryonic stage" (GRECO 2018: 15) with regard to the implementation of recommendations on transparency measures. The comparative analysis of developments triggered by GRECO evaluation is a promising avenue for future research, which can draw on our set of institutional factors to investigate how international standards are adopted in countries with different historical trajectories.

4.8. Appendix

4.8.1. Appendix A. The Distribution of COI Indices Across 27 European Democracies

	New Democracies				Old Democracies			
	Min	Max	Mean	St.Dev.	Min	Max	Mean	St.Dev.
COI Strictness	0.28	0.78	0.58	0.16	0.42	0.65	0.31	0.23
COI Sanction	0.25	1	0.77	0.23	0.13	1	0.48	0.29
COI Transparency	0.18	1	0.45	0.21	0	1	0.36	0.26

Source: Own data

Figure A1: Variation across COI Strictness Index on Old vs. New Democracies

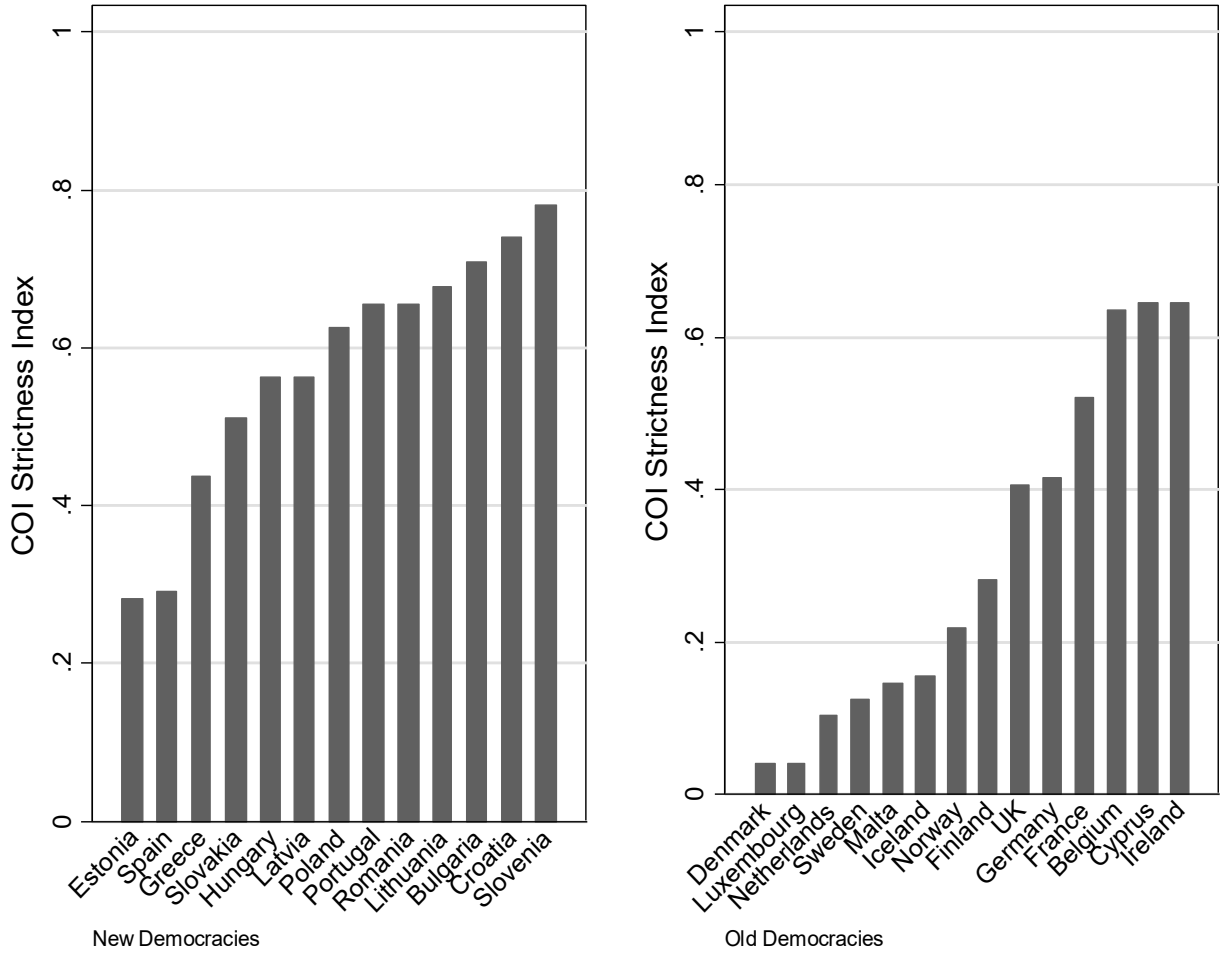


Figure A2: Variation across COI Transparency Index on Old vs. New Democracies

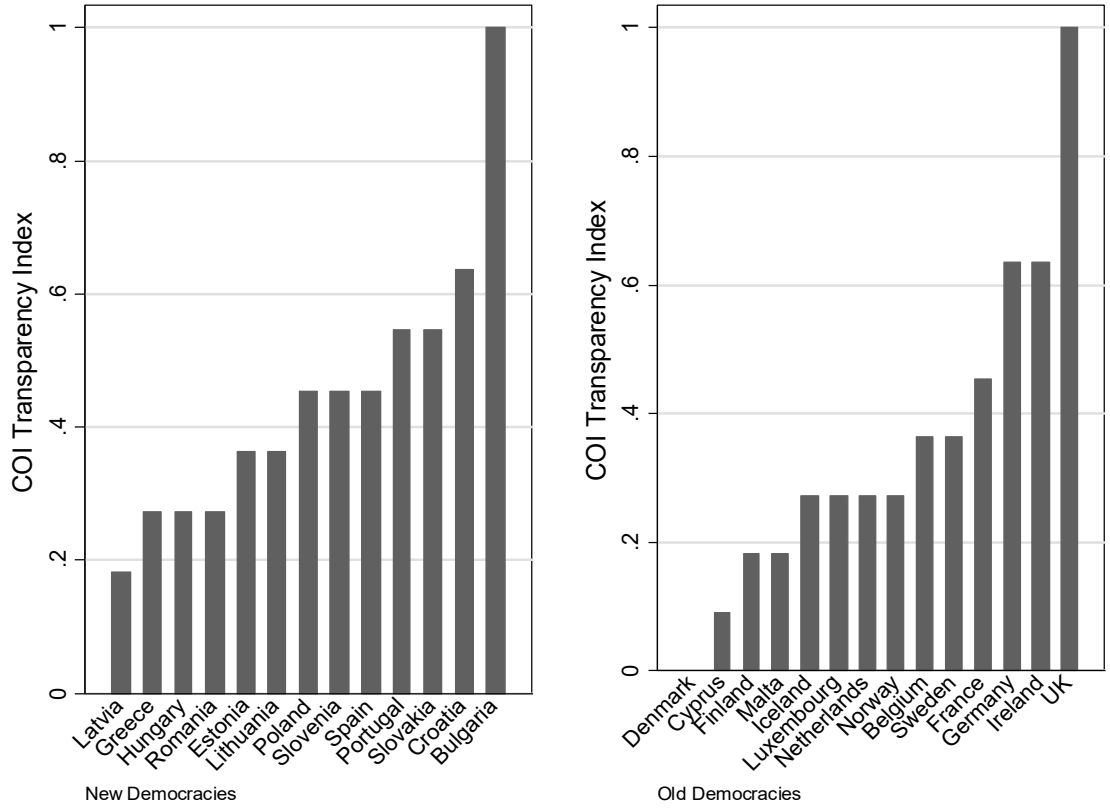
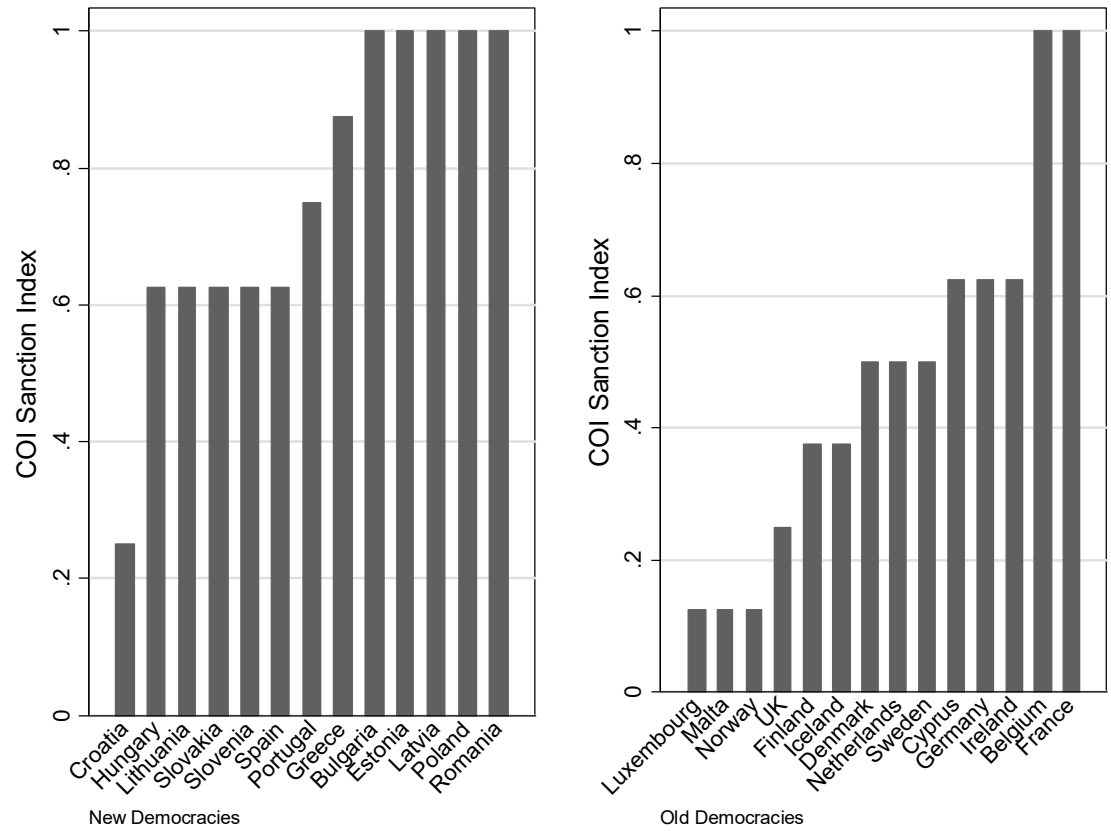


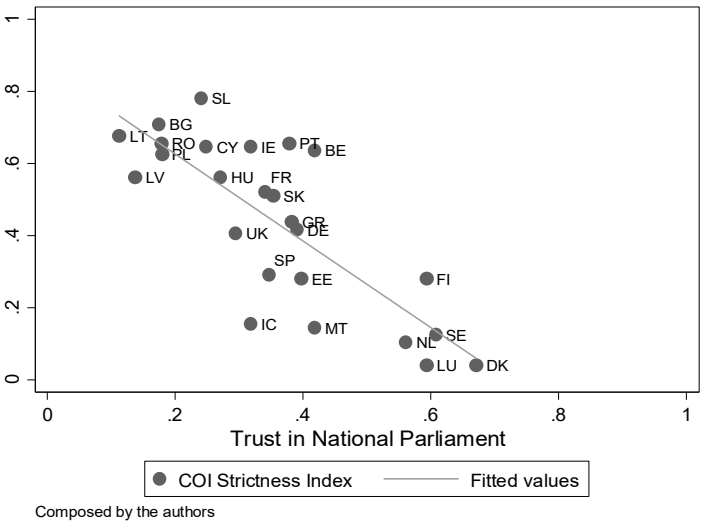
Figure A3: Variation across COI Sanction Index on Old vs. New Democracies



4.8.2. Appendix B. Validation of the COI Strictness Index

Even though COI regulation and anti-corruption measures are analytically distinct, they are related as they are concerned about assuring the impartial or unbiased decision-making of public office-holders. Consequently, we also find practitioners discussing COI regulation as one type of 'anti-corruption' measure and actively pushing – especially new – democracies or transition countries to adopt tighter COI regulation in their attempts to fight corruption (e.g. Transparency International 2010; European Union 2015). If our measurements of COI regulation are valid and such regulation constitutes an attempted response to the above problems, we should find a negative correlation between levels of trust in national parliament and COI regulation on the one hand and a positive correlation between COI regulation and perceived corruption on the other. Figures B1 and B2 explore this argument with regard to our *COI Strictness Index*.

Figure B1: Trust in national parliaments and COI Strictness in 25 European Democracies[149]



Composed by the authors

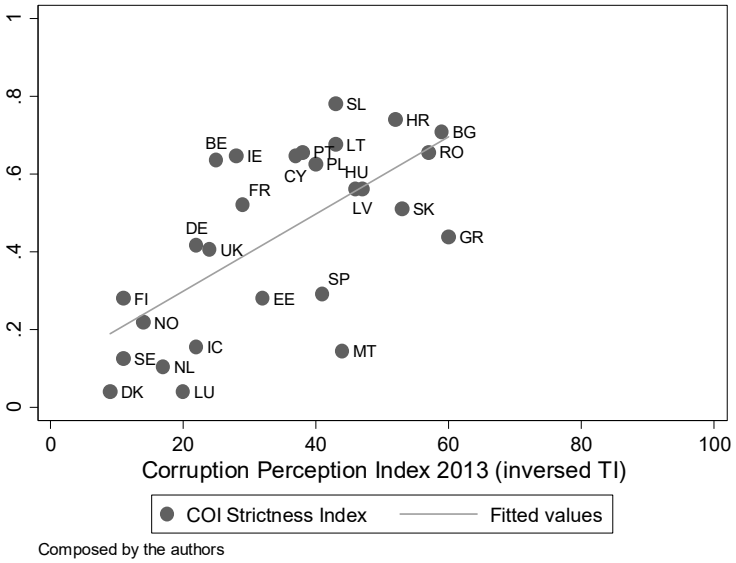
Data: Data on Trust come from Eurobarometer 81.4 (2014)

As expected, Figure B1 shows that the higher the mean trust levels in national parliament in a democracy, the lower our COI Strictness index. Countries such as Denmark, Sweden, Finland, Luxembourg and Malta score particularly high on trust and low on COI Strictness, while Slovenia,

[149] Note we lose Croatia and Norway because the data on trust in national parliament on them is not available.

Bulgaria, Lithuania and Cyprus show opposite patterns, with countries such as Germany, UK and Spain in the middle. Vice versa, Figure B2 shows (although the relationship is somewhat weaker) a trend in the opposite direction: the higher the level of perceived corruption is, the higher our COI Strictness index. We find similar country clusters as perceived corruption is associated with trust.

Figure B2: Perceived Corruption and COI Strictness in 27 European Democracies



Note: Data on Corruption Perception Index come from Transparency International

Figures B1 and B2 point to, as one would expect, a systematic difference between old and new democracies when it comes to COI regulation. As both patterns are in line with what we know from earlier qualitative research and, thus, enhance confidence in our measure.

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Curriculum Vitae

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Civil Status

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Nationality

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Distinctions

Scholarship for distinguished female scholars from the Heinrich-Heine-University Düsseldorf 2020
DAAD Research grant 2019
Scholarship for distinguished female scholars from the Heinrich-Heine-University Düsseldorf 2017
PhD-Scholarship for talented students from the Konrad-Adenauer-Foundation 2014-2016
Peter Mair Prize for the best paper 2015
Master-Scholarship for distinguished students from the Konrad-Adenauer-Foundation 2011-2013
Scholarship for talented students from the Moscow City Mayor 2009-2010

Research Interests

Comparative Politics, Anti-Corruption Policy, Political Finance, Transparency Regulation, Intra-Party Democracy, Policy Change, Morality Policy, Digital Democracy

Peer-Reviewed Journal Articles

Tonhäuser, V.; Stavenes, T. (forthcoming): Why change party finance transparency? Political competition and evidence from the 'Deviant' case of Norway. In: *European Journal of Political Research*. DOI: 10.1111/1475-6765.12369

Smirnova, Valeria (2018): Why make political finance transparent? Explaining the Group of States against Corruption (GRECO)'s success in reforming national political finance regulation. In: *European Political Science Review, 4(10), 565-588*. DOI: 10.1017/S1755773918000103

Bolleyer, Nicole; Smirnova, Valeria; Di Mascio, Fabrizio; Natalini, Alessandro (forthcoming): Conflict of interest regulation in European parliaments: Studying the evolution of complex regulatory regimes. In: *Regulation and Governance*. DOI: 10.1111/rego.12221

Bolleyer, Nicole; Smirnova, Valeria (2017): Parliamentary Ethics Regulation and Trust in European Democracies. In: *West European Politics, 40(6), 1218-1240*. DOI: 10.1080/01402382.2017.1290404

Bolleyer, Nicole; von Nostitz, F.- Ch., Smirnova, Valeria (2017): Conflict regulation in political parties: An account of tribunal decision-making. In: *Party Politics, 23(6), 834-847.* DOI: 0.1177/1354068816642804

Education

University of Cologne (Germany)	01.2014-
PhD-project on transparency regulation of political finance and conflict of interest	03.2020
University of Konstanz (Germany)	10.2011-
Master of Arts in Politics and Public Administration	10.2013
Specialisation: Management and Public Administration	
University of Vienna (Austria)	10.2012-
Research project „Parties before national elections“ (ERASMUS)	03.2013
Moscow City Government University of Management (Russia)	07.2006-
Diploma with honours in international relations	07.2011
Specialisation: International Integration and International Organisations	

Teaching Experience

Political Finance in International Perspective,	04.2020-
Heinrich-Heine-University Düsseldorf	07.2020
Data Analysis with Stata,	04.2020-
Heinrich-Heine-University Düsseldorf	07.2020
Introduction to Political Philosophy,	10.2019-
Heinrich-Heine-University Düsseldorf	01.2020
Policy-Analysis and Regulation of Political Finance,	10.2016-
Heinrich-Heine-University Düsseldorf	02.2017
Data Analysis with Stata,	10.2016-
Heinrich-Heine-University Düsseldorf	02.2017
Political System of Germany: *Political Parties and Electoral Systems*,	07.2016
Heinrich-Heine-University Düsseldorf	
Comparative Analysis of Political Institutions: Political Representation,	10.2016-
University of Cologne	02.2017
Political System of Germany in a Comparative Perspective,	10.2015-
University of Cologne	02.2016

Conference Presentations

Tonhäuser, V.; Kynev, A. Regulation of Political Finance in Russia. The Eastern European Centre for Multiparty Democracy (EECMD), Kiev, Ukraine	12.2019
Smirnova, V.; Stavenes, T. Why Change the Rules of the Game? Regulation of Party Finance Transparency and Evidence from Norway. The European Consortium for Political Research (ECPR) 2017, Oslo, Norway	09.2017
Smirnova, V. Regulation of Party Finance Transparency. The International Political Science Association (IPSA), the Standing Group R20 on Political Finance and Political Corruption, Valencia, Spain	07.2017
Smirnova, V.; Bolleyer, N. Regulation of Conflict of Interest of National Parliamentarians. The Russian Political Science Association (RPSA) and IPSA, Sankt-Petersburg, Russia	06.2017
Bolleyer, N.; Smirnova, V. Regulation of Conflict of Interest and Trust in National Parliaments. The Elections, Public Opinion and Parties (EPOP), Cardiff University, the UK	09.2015

Additional Qualifications

NRW-Teaching Certificate (advanced level) University of Cologne	04.2017

Research Stays

Researcher at the European University Institute (EUI) Badia Fiesolana, Via dei Roccettini 9 50014 San Domenico di Fiesole, Italy - Work on party funding literature, preparing of the article on party finance in Norway for its resubmission	04.2019- 06.2019
Researcher at the State Duma of the Russian Federation Georgievsky Pereulok 2, 125009 Moscow, Russian Federation - Conducting expert interviews with deputies, other experts on research purposes	02.2015- 03.2015
Researcher and intern in the Bureau of the Vice-President of the European Parliament ASP 10 E 130, Rue Wierz 60, 1047 Brussels, Belgium - Data management and statistical analysis of electoral data; - Reviews of the meetings and public relations	10.2013- 12.2013
Intern and researcher In the Department for international cooperation in the Moscow City Council Tverskaja Str. 13, 125032 Moscow, Russia	01.2011- 03.2011;

- Collecting data for the diploma-thesis titled “International cooperation between subnational units: prospects for foreign policy”, qualitative analysis of the official documents, expert interviews	05.2010-07.2010; 02.2009
Intern and researcher in the Department for children, youth and family of the Cologne City Council Ottomar-Pohl-Platz 1, 51103 Cologne, Germany **-** Conducting the comparative analysis on the youth policies in cities of Moscow and Cologne (Published in Russian)	08.2009-09.2009

Language Skills

Russian	Native
German	fluent Test DaF 2011: 4454
English	fluent Toefl 2013, 98 points; Cambridge Certificate of Proficiency in English (Council of Europe Level C2) 2011, Grade C)

Technical competences	MS Office (advanced user), Stata (advanced user), R (intermediate user)

Düsseldorf, March 23th, 2020