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## Running out of oxygen: The financial condition of Italian political parties

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**Abstract.** Electoral competition is quite expensive. The prevalent idea in Western countries is that public funding may contribute to and preserve the system's fairness and pluralism, defending political parties from the influence of big money. However, the Italian reform of political funding approved in 2014 appears to move in an opposite direction, encouraging political players to extract private sources while discarding public support. Such a choice entails hazards associated with several current phenomena, including system transparency, financial appeals from competing players and the rising personalization of politics. This article describes the financial status of the major Italian political parties in 2013 and 2018, with an emphasis on the allocation of private funds. Unfortunately, political parties' responses to the new regulation came late, resulting in significant variations and disparities. Private money needs regulation and restrictions before being established as the primary source of revenue for political competition. At present, Italian political parties are left with few guidelines and appear to be navigating by sight.

**Keywords:** Political Financing; Party's Organization; Personalisation; Private Political Financing; Financial Appeal

### 1. PRELIMINARY CONSIDERATIONS

How are Italian political parties dealing with the end of the era of public financing? A significant revision of the political financing system that started in 2017 has drastically altered the way political parties should seek funding, restoring the primacy of individual donations and direct linkages with civil society. So far, little proof has been provided about the true state of political actors' wallets.

In the United States, considering the relationship between money and politics entails comprehending and acknowledging the dominance – or better, the hegemony – of private donations. The majoritarian system and the large number of elected offices emphasise the importance of individual players and personalised campaigns supported by private contributions. Political parties and candidates have traditionally managed their own campaigns with the help of organisations, committees and networks of private actors. The regulation established by national and federal legislation provides several ways to assist – directly and indirectly – a selected candidate's political activ-

ity (see Hasen 2009; Ewing *et al.* 2012). Transparency is ensured by the high degree of disclosure, strict rules, and supervision by an *ad hoc* authority – the Electoral Commission – which demands the continual release of financial accounts and declarations revealing the source of money – as well as the identification of expenditures. Furthermore, lobbying activities by corporations and economically powerful players – the ‘big money’ – are highly regulated and thoroughly organised at all representational levels.

On the contrary, in the EU framework, financing political competition has typically been seen as a public obligation. To minimise the impact of private funds, legislators broadened the public funding system and limited the availability of private funds.

The Great Recession of the late 2000s raised the issue of the state’s cost of politics. Major countries saw a shift in their approach to providing financial support to political players (see Ignazi and Fiorelli 2022). In Italy, the re-evaluation of public funding has resulted in a significant and radical change in the logic of resource acquisition. Since 2017, political parties have been relying on their ability to collect private financial support from civil society, with very little assistance from the state. However, adapting to the new regulations takes time and an organisational strategy.

This research contributes to clarifying the current status of Italian political parties in order to focus academics’ attention on the allocation of private money inside the party system. The Italian political system is not accustomed to the fundamental role of private donations; rather, it is sceptical of them. For political parties, collecting money from private donors means establishing – or exploiting – their networks in civil society and their ability to extract resources and trust from their political base. From an organizational perspective, political parties should re-activate the role of the party on the ground (POG) and the attractiveness of the party in central office (PCO). This article describes the financing situation of Italian political parties during the transition to a new financial regime. Data from the 2013 and 2018 elections, in particular, allow us to illustrate the disparities between major political parties, as well as the hazards connected with their financial appeals to individual contributors and corporate donors. We should expect to find political parties in a difficult situation with regard to adapting to the new rules and logic of private financial support.

The article is structured as follows: It first provides a reconstruction of the literature available on the relationship between money and politics, emphasizing the theoretical aspects (Section 2). Then, the interests and logic

that can move donors are discussed (Section 3). The Italian new regulation is explained in Section 4. The data and analysis are described in Section 5. Finally, conclusions regarding how Italian political parties have adapted are formulated in Section 6.

## 2. MONEY, POLITICS AND PARTIES

The link between the funding of politics and the flow of private money has always been one of the most enigmatic issues to be examined in public and scholarly discourse (Fischer and Eisenstadt 2004; Melchionda 1997). A look at the main literature can be useful to understand the need to focus the empirical research on what is a neglected topic in the European context.

For Pinto-Duschinky (2002), political finance is commonly defined as ‘money for electioneering’, but it also includes operations such as maintaining permanent offices, polls, policy research, political education, public campaigns and voter mobilisation. However, the essential relevance of the election moment is acknowledged among consolidated democracies.

As Alexander remarked, ‘politics is big business and has become a major industry’ (Alexander 1992: 78); therefore, the importance of money is self-evident. The role of members in providing resources was traditionally emphasised by mass parties, but with the crisis of this type of political organisation, things have changed, and parties may now require other sources of income to compete on the political scene. Money, according to Alexander (1989), is an aspect of political power, since it buys what cannot or will not be volunteered, and thus, it is able to replace the lacks created by shifts in the party model (such as from the mass party to the cartel party).

Politics is becoming increasingly expensive. Three distinct processes can be identified as the foundations of the growth in political expenses: the strengthening of electoral competition, the introduction of new technology and the necessity for increased professionalisation and more employees (see Farrell 2006, Norris and Van Es 2016). The progressive commodification of politics and the increasing importance of party financing are outcomes of phenomena first identified by Kirchheimer (1966), such as the decline of social roots and an ideological basis; reduced importance of party members; increased influence of leaders and professionals; sclerosis of party systems; and programmatic flattening. These characteristics suggest a growing withdrawal of parties from civic society and its original conflict lines. They also support a move from labour-intensive to capital-intensive campaigns due to a drop in volunteer work and

the use of new technology (Norris 2000; Sorauf 1988). As Melchionda observed, in such circumstances, companies and interest groups cannot influence policymaking through the usual lobbying directed at legislative assemblies, leaving the major parties in control of the electoral scene. Instead, they might try to actively influence the electoral process by selecting candidates with the help of money (Melchionda 1997: 173).

Political parties in almost all modern democracies have undergone, and in some cases have been encouraged to undertake, organisational adjustments to become electoral-professional parties (Panebianco 1988). Political parties have become 'more centralised and more professionalised' (Farrell and Webb 2000: 123) as a result of progressive cartelization, which has seen political parties become increasingly reliant on public resources for decades (Katz and Mair 1995) and an increase in management costs due to the widespread use of technologies (Melchionda 1997). The change process has been followed by a gradual and progressive drop in membership, leaving political groups without their primary sources of funding and support.

With this in mind, the introduction of direct and indirect forms of public funding to politics has had an impact on the main European democracies since the 1960s, raising the financial capacity of parties while diminishing incentives for their electorates to engage in self-financing activities (Nassmacher 2003; Hopkin 2004).

This is reflected in party organizational models. According to Katz and Mair (1994), political parties, understood as organisations, have three distinct faces that cover significantly different roles and positions: the party on the ground (POG), which concerns the party's relations at the grassroots level, its basic structure, inclusion activities and, obviously, membership campaigns; the party in central office (PCO), which corresponds to the executive centre, to the central offices; and the party in public office (PPO), which represents the party in public and elected arenas.

The geographical articulations of a party and its members on the ground, thus the POG, constituted the fulcrum of the organisation's strength and political power during the period of the dissemination and domination of the mass party model. Even at the subsistence level, the function of membership and the membership fees derived from it were a reliable, more or less consistent source of funding and legitimacy. With the introduction of public funding, which corresponds to new social and political dynamics that lead the electorate to ever-increasing volatility, the balance of power within the various facets of the party was altered, favouring a

type of centralization that sees its distinctive character as a horizontal relationship between the PCO and the PPO. Public funds were transferred to the PCO based on the power and numbers of the PPO. The electoral results, and thus the representation in parliamentary arenas, were fundamental to calculating the number of public resources for each competitor. The cartel party, with its emphasis on the need to grab public resources, upholds the centrality of the PPO in the subsistence of the organisation (see Katz and Mair 1995; Ignazi *et al.* 2016). These processes are relevant in all the main European democracies, including Italy, but with crucial contextual distinctions (Katz and Mair 1994; Scarrow *et al.* 2017). All of Europe's main democracies have been touched by the problem of the party as a popular organisation (Ignazi 1996). The supporting role of the POG has been replaced by the PPO.

### 3. PRIVATE MONEY AS INTERESTED MONEY

Knowing the source of political money is critical for understanding other facets of a political system, such as interest representation, power distribution, decision-making processes, election procedures, the party system and political communication (Melchionda 1997). The motivations of external contributors are critical in determining why a private actor would invest in a political actor given that money distorts political equality and that larger financial resources typically lead to greater political power (Fischer and Eisenstadt 2004). In general, an external donor may opt to contribute money to a political actor's campaign for one of two reasons: to gain influence or for an electoral purpose (Vanberg 2005). The influence or service motive describes an exchange of favours between a donor who is pursuing their own goals and a political candidate who may adjust their policy stances to suit the specific needs of their funding base (see Ashworth 2006; Gorssman and Helpman 1996; Prat 2000). The electoral motive, on the other hand, is merely tied to the donor's desire to raise the odds that a political actor will win an election, with no expectation of any favour in return (see Baron 1994; Coate 2001). A scientific controversy has erupted about how electoral donations influence the behaviour of politicians and political parties, as well as the outcomes of elections (see Vanberg 2005).

The language of money can be either pragmatic or ideological (McMenamin 2012). Pragmatic money is money donated to a political actor to achieve specific goals, whereas ideological money is donated to promote the public good by sponsoring parties and candidates

regarded as the best alternative for achieving collective goals (McMenamin 2012). The overall production system of a society can influence its financial dynamics. Liberal economies tend to favour pragmatic money, whereas coordinated economies tend to favour ideological money (McMenamin 2012). Furthermore, liberal markets typically use a majoritarian system, which leads to pragmatic strategies based on the likelihood of wholesale government changes, whereas coordinated economies typically use consensual institutions, which leads to less dramatic political changes and more ideologically motivated donations (McManamin 2013).

According to the political economy perspective, political divisiveness and extreme liberalisation in a globalised environment place pressure on corporations that want to retain the present set of institutions rather than risk rapid changes. Predictability within institutions is valued. Donating across the political spectrum is a logical approach for contributors in a problematic environment (Goerres and Höpner 2014). Italy is seen as having a mixed economy, balancing liberal and coordinated characteristics (Iversen 2005; Soskice 1999). Furthermore, between 1995 and 2006, polarisation in the Italian system went from 0.6 to 0.82, and the effective number of electoral parties expanded from 4.6 in 1987 to 5.6 in 2006 (Bardi 2007). Given the aforementioned economic perspective, these features of the Italian political system should contribute to destabilising political competition and increasing unpredictability and should cause private funders to adopt pragmatic tactics.

Scarrow (2007) criticised the scarcity of cross-national research on the character and motives of political players in this regard. In terms of systemic determinants, the ideological orientation of political actors may serve as a shortcut for donors, particularly in fragmented contexts, while the type of electoral structure may impact the amount of attention devoted to parties. In the United Kingdom, Ewing (2006) conducted the first study on private donations to political parties and politicians. Until 1997, political income disclosure was entirely voluntary on the side of the parties. Since the Political Parties, Elections and Referendum Act of 2000, parties have only been required to report contributions in excess of £5,000 to the Electoral Commission. In Ewing's study, the Conservative Party received significant contributions from corporations and corporate owners, whereas the Labour Party received funding from labour unions. Samuels (2001) investigated sources of financing for Brazilian elections and discovered that the bulk of the money originates from the private sector, but not for left-wing politicians, who are often barred from this cash pool. The same applies to endorsements in the United

States, where individual financial capacity appears to be directly connected to politicians' conservative beliefs (Ensley 2009).

Other studies have focused on the logic of personalization, emphasizing how electoral rules can impact the degree to which candidates capture the attention of contributors at the expense of parties (Johnson 2008). Candidates acquire popularity in open-list systems, in which voters can vote for their preferred candidates but are excluded in closed-list (CLPR) systems in which parties issue organised candidates (see Carey and Shugart 1995). Candidates' personalities, in addition to these structural characteristics, have a vital influence in attracting funders' attention. Donors, as goal maximisers and rational agents, typically vote for political actors who, if elected, would pursue comparable interests. As a result, programmatic agreement and the chance of victory might be significant external variables. Many studies have been conducted to investigate the link between the interests of government actors and those of donors. Donors frequently provide money to politicians who are sympathetic to their own interests, are likely to modify their policy ideas, and are predicted to win a seat, according to Mueller (2003). Magee (2002), on the other hand, proposed that, rather than providing funding to influence politicians, interest groups should refer to candidate policies. According to programmatic consensus, professional organisations and businesses prefer to give to political parties that they feel have a high chance of attaining a majority of seats (Brunell 2005; Koger and Nicoli Victor 2009). Vonnahme (2014) developed a model to investigate whether some parties receive large amounts of money from many donors, while others do not. Donations, according to the model, may be viewed as a type of connection between contributors and candidates, based on loyalty and common viewpoints (Vonnahme 2014). By researching city council elections in two significant cities in the United States, Krebs (2001) revealed that in addition to other crucial elements, such as party endorsement and the competitive atmosphere, successful fundraising is a result of incumbency and past political experience. Esterling (2007) strengthened the incumbency argument by outlining how hard money—large corporate donations—is directed towards members with a demonstrated capacity to design successful policies. Brunell (2005), on the other hand, established that incumbents at the state level obtain less money; therefore, their re-election is less dependent on funding. Non-incumbents, on the other hand, must struggle to raise finances to successfully campaign against incumbents (Baker 2015). The level of personalisation connected with personal campaigns, on the other



hand, depends on the broader environment. Newcomers may be interested in showing their party ties in a party-centred campaign, while incumbents may prefer a more personalised and autonomous campaign (Crisp and Desposato 2004).

Overall, the incumbency advantage is a disputed idea that generally refers to single-member district systems (see Mayhew 1974) or closed-list multi-member district systems, which, because of the increased degree of intra-party conflict, are feasible strategies for parties to pursue (Moral *et al.* 2015).

#### 4. THE ITALIAN REGULATION ON POLITICAL FINANCING

Scholars generally agree that political finance regulations and reforms reflect the interests of the parties in power: a revenue-maximizing party is focused on increasing its revenue, even beyond what is required, whereas an electoral economy party is more concerned with the policy process, in accordance with public opinion demands (Scarrow 2004).

In Italy, the dynamics associated with political finance regulation have always taken on an emergency dimension (Teodori 1999; Pelizzo 2004). The history of the discipline that governs the use of public funding may be split into five separate periods, according to the temporal subdivision employed by Pizzimenti and Ignazi (Pizzimenti and Ignazi 2011; Pizzimenti 2018).

The first period covers 1948 to 1973. It can be seen as a regulatory void (Pizzimenti, 2018), a period of significant immobility in which the Legislator opted not to engage in the regulation of political funding. The Italian parties' imprecise and ambiguous legal existence (as defined in Article 49 of the Constitution) did not provide a clear definition of their political role as collective actors (see Musumeci 1999; Verzichelli 2016).

The 1973 Petroleum Union scandal and the subsequent attention of public opinion to the subject of corruption opened the way for the quick parliamentary procedure that resulted in the ratification of Law 195 on May 2, 1974. The introduction of public funds to guarantee the ordinary activities of parties and reimbursements for electoral expenses due to national political elections should have represented, in the Legislator's opinion, an additional source of income in addition to self-financing and liberal donations, discouraging the use of illicit funds (Melchionda 1997; Pasquino 1982).

The annual payment was assigned to the PPO – via the relevant parliamentary group – but was ultimately allocated to the PCO. The balance between the different

sides of the party was altered, increasing the importance of the relationship between the PPO and PCO, to the disadvantage of the POG.

The regulatory establishment occurred between 1974 and 1981. Law 422 of August 8, 1980, increased public funding for elections to regional councils and the European Parliament. Law 659 of November 18, 1981, altered the distribution percentages of yearly contributions and, most importantly, added standards for financial transparency and the requirement of joint disclosure for donations above 5 million Lire (around 2.5 thousand Euro).

Between 1982 and 1992, Italian political parties attempted to enhance their resources, for example, by increasing the overall sum for reimbursements for regional elections, without addressing the difficult issue of accounting and transparency (Pasquino 1982).

A period of regulatory segmentation can be identified between 1993 and 2006. With the emergence of the Mani Pulite inquiry and the Tangentopoli scandal in February 1992, the necessity to legitimate political parties in the eyes of citizen-voters became critical. Financing for ordinary party activities was abolished in an abrogative referendum held on April 18 and 19, 1993, with 90.3% of ballots cast in favour. The following period was characterised by regulatory instability on the issue of funding (Pizzimenti and Ignazi 2011).

By establishing the concept of a 'political movement', the new legislation expanded the audience of potential beneficiaries for reimbursement of election expenditures. Furthermore, the contributions had to be computed by multiplying a predetermined quota, which varied according to electoral level, by the number of residents, substantially raising the overall amount to be provided in comparison to the years before the Law 515/93. The requirements for accessing the distribution of money were set differently for the Chamber and the Senate: 3% of votes on a national level for the Chamber and 5% of votes on a regional level for the Senate.

The Legislator began to look at private money with Law 2 of January, 1997, in an attempt to encourage liberal donations from citizens-taxpayers. This legislative instrument defined the creation of two funds in favour of the parties: one derived from the capacity of private citizens to donate 4 x 1000 of their taxable earnings in favour of all eligible political parties and movements, up to a total of 110 billion Lire/year; and the other based on tax deductions on donations, up to a total of 50 billion Lire/year.

Law 157 of June 3, 1999, expanded compensation for costs related to referendum campaigns as well. The payment for election expenditures was increased further by

modifying the per capita share and multiplying it by the number of persons enrolled on the electoral lists, and was distributed in several phases during the legislative term. The amount was adjusted to the value of the euro, and the size of the total contribution was raised with Law 156 of July 26, 2002. Furthermore, with Law 51 on February 23, 2006, the allocation of reimbursements was created for the entire duration of the legislature, even if the legislature was terminated early.

According to Pizzimenti (2018), the period between 2007 and 2014 reversed the previous decades' pattern of increasing money and coverage. In fact, in recent years, direct financing to political parties has been reduced (Legislative Decree 231 of 21 November 2007; Laws 122 of 30 July 2010 and Law 111 of 15 July 2011), altered (Law 96 of 6 July 2012), and then abolished (law 13 of 21 February 2014).

The deepening of the financial crisis, as well as the escalation of government insecurity, has prompted rationalisation reviews. With Law 96/2012, the Monti administration revised the allocation of public funds to parties in an attempt to promote a push towards self-financing. Seventy percent of public resources destined for political organisations were distributed through electoral reimbursement, while 30% of the total amount was categorised as co-financing and was directed to parties that exceeded the 2% of votes. In direct contrast to the other European democracies, less than two years after the rationalisation reform, Law 13/2014 (previously Legislative Decree 149/2013) authorised the progressive elimination of all types of direct state contributions. Since 2017, liberal donations have been the primary source of revenue for political parties (with a maximum limit of 100,000 euros per year for each donor). Furthermore, the creation of the Register of Political Parties, as stated in Law 13/2014, provides the access to the collection of the 2x1000 Irpef that taxpayers can choose to give to specific political groups.

In the context of a financial crisis and highly critical public opinion in 2013, the main political parties with parliamentary representation voted unanimously in favour of financing reform, despite opposition from the more extreme parties (from both the right wing and the left wing).

As previously stated, the regulatory evolution of political funding in Italy has been marked by an emergency situation, with reforms that are frequently insufficient to address the actual demands of sustenance and the legitimacy of the players involved. In terms of organisational structure, the direct interaction between the PCO and the PPO in the collection and administration of financial resources has left little place for the POG.

This centralization of financial power, as well as access to resources normally reserved for parties with parliamentary representation, is consistent with the Italian party system's tendency towards cartelization. Nonetheless, the explicit political competition, as well as the constant emergence of new political actors, make the Italian situation an example of non-exclusive and *sui generis* cartelization (Pizzimenti 2018) throughout the period of public financing domination.

In comparison to the recent reform in Law13/2014, important issues relating to transparency (see Tarli Barbieri 2016), the increasingly influential but hidden role of political foundations (Diletti 2018) and, above all, whether and how the new financing dynamics will determine a significant organisational rebalancing between the various faces of the party remains to be clarified.

## 5. THE FINANCIAL SITUATION OF ITALIAN POLITICAL PARTIES

This article examines the financial statements of central political parties, as well as private donations disclosed by party national headquarters and candidates running for national office in 2013 and 2018. These years are important to understand the shift that occurred after the reform was adopted in 2014, comparing the last election with substantial public financing and the first one without financial public support. The research focuses on the following main political parties<sup>1</sup> running in Italy in the 2018 general elections: Fratelli D'Italia (FdI; 4% of votes); Lega Nord (LN; 17%); Forza Italia (FI; 14%)<sup>2</sup>; Movimento 5 Stelle (M5S; 33%); and Partito Democratico (PD; 19%). Financial disclosures are published on official party websites, and the Treasury of the Chamber of Deputies provides a list of private donations declared by political parties and candidates.

The financial conditions of the main Italian political parties are illustrated in Table 1. The total sum declared plainly shows that PD is the wealthiest party, reporting approximately 12 million euros in 2018, followed by LN (11 million), FI (7 million), FdI (3 million) and M5S (1 million). The differences in income between 2013 and 2018 indicate that PD and FI suffered the greatest damage (-68% and -56%, respectively). The LN party lost just 15%, while FdI and M5S increased their income by +21% and +58%, respectively. The new financial tools for

<sup>1</sup> Only those parties reaching more than 4% of votes according to available data sources were selected.

<sup>2</sup> The People of Freedom party running in 2013 was considered FI in the 2018 elections.

**Table 1.** Total income of major Italian political parties, variation 2013-2018 and share of sources in 2018.

	Total Income (Euros)	Δ 2013- 2018 (%)	2% <sub>o</sub> (%)	Private Money (%)
Fratelli D'Italia	2.602.575	21%	27.7	68.5
Lega Nord+Lega Salvini	10.556.455	-15%	28.1	71.0
Forza Italia	6.638.606	-56%	9.6	61.0
Movimento 5 Stelle	1.162.191	58%	*	100.0
Partito Democratico	11.974.493	-68%	58.5	40.8

Source: Parties' official financial reports. Author's elaboration.

liberal donations enacted in 2013 (the 2x1000of taxable earning from citizens) apply to political parties properly registered on a formalised national list. This type of revenue – formal indirect public funding – is very important for PD (58% of total revenues). The LN and FdI parties receive around 28% of their total revenue from state assistance, while FI accounts receive just 10%.

Private contributions, which constitute the majority of the new political financing system, are critical for FdI and LN (accounting for approximately 70 % of their total income, respectively), followed by FI (60 %) and PD (accounting for less than half of its income).

A particular point should be made in relation to M5S. The financial accounts of M5S are difficult to discern due to their organisational peculiarities: no membership fee is required, and it is articulated in several distinct national structures: the 'official' M5S movement, the Electoral Committee for National, Sub-national, and European elections and, since 2016, the Rousseau Association, which presents separate financial reports. Most crucially, the M5S refused to register in the new national list of political parties (established by the 2014 reform), so it could not benefit from the 2x1000 tax discount, which was only available to registered parties. Furthermore, a significant portion of the members' salaries are sent to a special fund – *Fondo per il micro-credito* – which redistributes resources to non-partisan and non-political initiatives. For these reasons, M5S is a one-of-a-kind political organisation in the Italian and European contexts, making comparisons with other traditional organised political players problematic.

Given the real benefits of the 2014 financial reform, it is critical to begin focusing on the role of private money in Italian political competition and the variations that may characterise the financial power political parties express through it. According to official party financial disclosures (Table 2), LN appears to be the richest actor in terms of private donations in 2018 (approximately 7.5

**Table 2.** Distribution of private money, variation 2013-2018, number of donations declared and share of donations from elected officials in 2018.

	Private Money (Euros)	Δ 2013- 2018 (%)	n Private Donations	Δ 2013- 2018 (%)	Dona- tions from Elected (%)
Fratelli D'Italia	1.783.360	13%	101	2.3	42
Lega Nord+Lega Salvini	7.491.274	91%	338	0.6	87
Forza Italia	4.046.381	-73%	281	27.1	69
Partito Democratico	4.879.712	-58%	202	-0.6	91

Source: Parties' official financial reports. Author's elaboration.

million euros reported from private sources), followed by PD (approximately 5 million), FI (approximately 4 million) and FdI (approximately 1.8 million). The allocation of private funds partly reflects the electoral power of the political parties. A comparison with the 2013 scenario reveals the following dynamics: While PD and FI – the two most powerful parties in the bipolar competition between 2008 and 2013 – suffered losses in the shift to private funding, the right-wing parties of LN and FdI showed a positive trend, with LN more than tripling its private earnings. The number of financial contacts behind the resources accounted for as private can be seen by looking at the number of private donations disclosed by the parties. When we investigate the nature of the donors and the connections with specific interests that might support the political organisation, financial relations, such as private and voluntary donations, help define the relationship between political actors and civil society, the foundation of their legitimacy (see Fiorelli 2021). According to political party donations revealed in 2018, LN has more financial links than other parties. However, the differences between 2013 and 2018 show that the number of donations did not grow in terms of the amount of private money reported, suggesting that the average amount of donations rose, but not the number of donors at stake. The PD reports a negative trend, showing that both the amount collected and the number of donations decreased between 2013 and 2018. The FI party had a positive change in the number of reported donations but a negative quantity of private revenue because the party's founder (and owner), Silvio Berlusconi, contributed significantly with his own funds in 2013 (15 million Euro) but not in 2018.

However, to appreciate the importance of private money in the Italian party system, we must distinguish between external private sources of money (from civil society, either people or businesses) and internal sources.

In particular, the internal source of private money correlates with payments made to a political party's central structure by its elected officials, known as the 'party tax'. According to Bolleyer and Bytzek (2014), taxing the salaries of European political parties is a common strategy. Different political parties acknowledge the necessity of supporting party organisational expenditures through direct contributions from MPs and parliamentary groupings in the statutes of their respective parties. In Italy, nearly all political parties control this transfer of funds, which amounts to about 23% of MPs' salaries on average (Bolleyer and Bytzek 2014). However, unlike in Germany and France, where the party tax is reported as a distinct item in the party's budget, these funds in Italy are formally considered private donations and are not segregated from other private donations. As a result, the evaluation of private money in the party's finances is skewed. As long as the party tax is an informal but widespread practise by which political parties receive state resources indirectly, it should be tracked and assessed independently. Except for the FdI (42%), the percentage of private earnings generated by Italian political parties from internal sources in 2018 accounts for half or more of the total number of private donations declared. Previous research (see Fiorelli 2022) has shown that after the end of the public finance era, all political players, particularly the PD, increased their reliance on the party tax. The internal structure of Italian political parties' private earnings vividly illustrates their challenges in attracting financial assistance from civil society.

Additional complexities arise when we consider the quantity of corporate donations reported by parties and candidates. Corporate contributors are commonly regarded as the most essential component of a private political finance system. Businesses directly participate in the political process by funding political parties and/or individual candidates. Controlling and monitoring private money originating from companies, as well as its dynamics among actors, is critical to ensuring transparency and avoiding unclear financial relationships. Table 3 shows the allocation of private corporate donations disclosed by political parties and candidates in 2018. We can clearly distinguish two categories based on the overall number of corporate donations given to political parties and candidates: FdI and LN, which have few reported donations, and FI and PD, which have a considerable number of financial supporters declared. The difference between the elections in 2013 and 2018 is negative for all the actors evaluated. This can be attributed to the economic situation (private donations are extrinsic to economic wealth and growth), but it can also be considered to be due to internal political factors, such as the level of

**Table 3.** Donations from corporations to political parties and candidates in 2018.

	Donations from corporations (n)	$\Delta$ 2013-2018 (%)	to Political Parties (n)	to Candidates (n)
Fratelli D'Italia	8	-64%	5	3
Lega Nord+Lega Salvini	5	-64%	4	1
Forza Italia	51	-32%	15	36
Partito Democratico	71	-35%	1	70

Source: Parties' official financial reports. Author's elaboration.

uncertainty in the electoral competition or the presence of challengers such as M5S, who caused political turmoil during the formation of the 2013 government.

The most significant element to address is how political players recruit corporate contributors. The minimal private donations disclosed by FdI and LN are largely aimed towards each party's central office. In contrast, FI candidates have double the potential to receive corporate donations in comparison to their national party's headquarters, whereas PD appears to rely nearly entirely on its candidates for this source of money. Consistently, FI and PD indicate a personalization of fundraising ability in 2018, as seen by longitudinal patterns dating back to 2013 (see Fiorelli 2017).

## 6. REMARKS FOR A RESEARCH AGENDA ON PRIVATE FINANCING

The issue of political financing in Italy has a long and storied history, as discussed in this study. Previous changes and adjustments saw public finance play a dominant role, with the illusion of avoiding external influence within political competitions while maintaining the system's plurality. The crisis of legitimacy that collective political actors such as political parties are facing in most long-established democracies across the Western world has taken unexpected turns in Italy: the 2014 financing reform abolished, de facto, direct state support for political parties, leaving the organisations to rely on their own capacity to extract resources from civil society.

This preliminary research reveals that Italian political parties are struggling for financial survival: they are, as predicted, substantially poorer than previously, and they are attempting to resist as organisations by exploiting their financing resources – mostly internal. There are significant discrepancies among the most prominent actors in the Italian system, which are directly tied to their electoral capacity: PD is the favoured actor,



whereas FdI has fewer financial resources due to its poor electoral appeal. The M5S party, as previously stated, is an exception. However, the institutionalisation process that it must undertake may result in a changing viewpoint inside this party and a re-evaluation of the instruments offered to support its actions.

Variations across actors are focused on the major source of money that was permitted after 2014: the private one. All political parties, notably PD, appear to rely on internal donations provided by their political representatives. Unfortunately, the preponderance of internal sources of financing implies that political players do not go out to activate the financial network in civil society, highlighting their longstanding dilemma. On the one hand, with the exception of PD, which appears to be popularly appealing, the instrument of 2% only accounts for a small share of the overall revenue of parties. Private donations, on the other hand, are not expanding as planned – in terms of quantity and amounts – and when they are significant, they mostly pertain to internal sources (from elected officials). Business donations, albeit small, revealed another issue: Corporate contributors appear to be more interested in individual candidates than in the central organization of political parties. The personalization of political financing dynamics may result in an imbalance in the distribution of financial power within a party, causing intra-party competition and/or conflict.

Private support of political groups in Italy, as in other systems, such as the United States or the United Kingdom, has crucial implications that researchers should analyse, understand and evaluate: There are risks associated with the influence of wealthy donors who may use financial support to influence the political agenda in their favour; there are risks associated with the long-term stability of political organisations, as private donations tend to fluctuate according to economic conditions and electoral predictability; and there are risks associated with the transparency of all actors involved: political parties, candidates and associations. For example, the existence and role of political foundations, which are often closely tied to specific individual candidates or previous politicians, are unclear. In this regard, the Law.3/2019 (anti-corruption law) attempted to equate the transparency obligation of associations with that of registered political parties, but it left a lot of room for interpretation and escape strategies.

Scholars have long been interested in political funding dynamics. When private sources are acknowledged as dominant, certain considerations about the accountability and responsiveness of political actors must be addressed to comprehend the logic of money transfers and the

grounds of legitimacy that political parties prioritise. The Italian political system is not accustomed to this, and political actors currently appear to be navigating by sight.

From an organisational perspective, the desire to reinvigorate the function of the POG through a search for liberal donations is still secondary to the role of the PPO in transferring money to the PCO utilising elected internal donations as the primary private source of funds. In spite of the drastic reform in political finance, the organisational balance among the many faces of the party has not changed at all.

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