MONEY IN ESTABLISHED DEMOCRACIES:
EXPLAINING THE VARIATION IN PARTY FUNDING REGIMES

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Abstract

This paper will deal with why party funding regimes in established democracies differ. It examines the variation of funding in two ways: the new trend towards more public funding and the growing tendency for state intervention in party finance regulations. By using new, comprehensive data, it is hoped to contribute to the field of political finance. The data set is used with a large-n research strategy with a cross-sectional design on up to eighty-nine democracies. The empirical findings in this paper will demonstrate that the structure of the party funding regimes i.e. a country's source of funding and its regulation to some extent depend on the electoral system and the political system. The result will show that when a country's democratic institutional arrangement are characterised by a proportional electoral system with a presidential form of government it is more likely that it will use public funding as a source of money to political parties and have a higher amount of regulation on political finance. In addition, the age of a democracy appears to have had some impact on source of funding, but limited impact on the regulatory party funding regime.

KEY WORDS: *POLITICAL PARTIES, PARTY FUNDING REGIME, POLITICAL FINANCE*

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1   Introduction

James Kerr Pollock argued that: *"the relation between money and politics has come to be one of the great problems of democratic government. Healthy political life is not possible as long as the use of money is unrestrained"* (Pollock 1932: 328). Pollock concluded then what is as true today: that political finance has a crucial role in the political system. Since then, two major trends can be seen in political finance: direct public funding to parties has become normal in the political systems and political parties have developed from being seen as a threat to liberal democracy to becoming a requirement for the effective function of government of this tenure (Van Biezen 2008: 349). Today, the state plays a dualistic function in relation to political parties: as a provider of funds and as a regulator. Pinto-Duschinsky's research has argued that, despite the great variation in political finance between states, money in politics is an essential resource for the continued, effective functioning of both competitive democracies and their governments (Pinto-Duschinsky: 2002). This in turn raises questions as to the nature of the circumstances under which different types of party funding regime develops. Hypotheses about why this differs and its origins have not kept pace with the new emerging cross-sectional data on political finance, which provides an opportunity for the focus and analysis of this thesis (Van Biezen 2008: Scarrow: 2007).

Political finance is a multifaceted political phenomenon and has in recent years attracted a growing interest in how parties and candidates are and ought to be financed due to successive waves of democratization, an increase in the complexity of the electoral systems and with a growing awareness of the risk of corruption (Casas-Zamora 2005: 1). An increase in political finance regulation has generated evidence on difference regime patterns that has in turn given researchers new opportunities to explore the origins and explanations for different funding systems. This general interest and fascination with money and politics have led to a global debate supported by governmental and non-governmental organizations such as: the Council of Europe, the Organization for Economic Co-operation and Development (OECD), the Institute for Democracy and Electoral Assistance (IDEA) and Transparency International (TI).

Despite the existence of some research on the matter, political finance remains an area on which little systematic scholarly attention has been generated. The existing literature on the subject has a number of shortfalls. Research has as a start, been preoccupied with descriptive analysis with a focus on national details. Cross-national generalization has long been a problem, mainly, due to the lack of collected data and the parochial view of the area of political finance within the wider discipline of political science (Koss 2008: 283; Casas-Zamora 2005: 3); partly, because of its lack of general agreed-on classifications given the wide range of funding and regulatory options.

Recently, new data sets have emerged, the most comprehensive of which, has been developed by the non-governmental organization IDEA (2012). This new data set on the subject of political finance has enhanced its potential to increase the middle-range theories and to fulfil the procedure of carrying out statistical hypothesis tests (Scarrow 2007: 195).

What political parties do varies in different systems, in short, we can argue that parties do four things; parties are as mentioned the key actors in the operation of parliament and most individual representatives don't have time to go in-depth on every issue whereas they vote as their party and follow their judgement, so even if they are individual candidates they fall back on their political party, parties recruit and socialize the political elite, parties provide a linkage between the civil society and the state, and parties aggregate interests and manifests (Gallagher 2012: 327). By looking at the political party as the most important actor in explaining the difference in party-funding regimes, this paper will try to outline how source of funding and regulation are created in the political system.

If we are to identify the current research on party funding regimes, it can broadly be summoned in two ways: firstly, it emphasis different causal relationships. The emerging contemporary research developed from the first descriptive small-n studies on party funding have evaluated its possible effects in terms of corruption, public policy or the institutional change that parties have gone trough when transforming from private associations to semi-public entities. An evolutionary process, due to an increase in public funding: a transformation mostly recognized as the cartel party theory (Sachs: 2013; Kunicova & Rose-Ackerman 2002; Van Biezen 2009; Katz & Mair: 1995). By contrast, some scholars have made some attempts to outline its origins with hypotheses on why these party funding regimes differ (Heidenheimer: 1963; Mulé: 1998): an approach that has been further developed by, the contemporary scholars, Michael Koss and Susan E Scarrow. Instead of treating party funding as the independent variable, i.e. studying the effects of party funding regime, it can be treated as the dependent variable i.e. studying the cause for party funding regime. With this approach, these researchers have started to develop a framework that incorporates other stands of political science literature (Koss 2008: 283; Scarrow 2004: 654). Secondly, most research on political finance has been covering and focusing on national and regional analysis, with some few exceptions (IDEA: 2012; Pinto-Duschinsky: 2002; Ohman: 2011).

This paper will, as Koss and Scarrow, treat party funding regime as the dependent variable and have the ambition to provide important factors that can explain the cause of funding reform under which parties might become reliant on certain types of funding and regulation. This reversed method will give a better opportunity to incorporate other fields of study, like research on electoral -and political systems. In contrast to the scope of small-n studies, this paper will try to enrich the framework of political finance with a large-n research strategy occupied with the main goal to generalize possible findings.

1.1   Purpose

The purpose with this thesis is to better understand and explain why there is a variety of party funding regimes, which the phenomena of political finance seems to be creating. By carrying out different hypotheses on promising areas concerning the main institutional rules of established democracies, such as the organization and the operation of the political system. The hope is to integrate those theories with the research on political finance (Casas-Zamora 2005: 3). A causal approach to party funding regimes may help us to understand the features of the regimes funding controls: a certain type of funding or regulation might prove to be workable in one country, but not meet the condition of another system.

In a matter of fact, previous research hasn't overlooked general assumptions on cause. The problem has been that lack of data that has led to research strategies with a small-n design, which has kept the hypotheses in the periphery of their work. New emerging global data should make it possible to take on a generalizing approach by tracing potential explanations as independent variables, which could give answers to why party funding regimes differ today. The interest lies in, at a very general level, identifying the similarities and differences among the established democracies in the analysis. This approach will have the ambition to bridge theory to empirical findings to enhance the under-theorized field of political finance (Scarrow 2004: 654).

The subject is of great importance, since the different conceptions on the issue of funding leads, obviously, to different prescription on the appropriate legal funding and regulations of political parties, which raise questions on how they are financed and why. The position of the political parties plays a crucial role, in respect of funding and regulation, because the parties themselves are principal agents of their own regimes. (Von Biezen 2008: 345). Given this, it is still very unlikely that this study will reveal universally explanations; optimistically it can recognize trade-offs between interests caused by certain factors in the political system that can increase and guide further studies on the subject.

1.1.1   Research Question

- *How can we explain the variation in party funding regimes in established democracies?*

1.2 Outline

The structure of this thesis will start with an overview of what is already known about the topic of political finance, what concepts and theories that have been applied, with what methods and the key contributors to its field. The theoretical overview will serve another important function: it will identify important variables that could explain why some countries make funding reforms and why some do not. The chapter of theory will work as a stepping-stone for the formulation of hypotheses. The theory and the hypotheses will then guide the process of the gathering of relevant data that will be tested on the features of party funding regimes. The final chapter will conclude the results. Its main focus will lie on the generation of new knowledge, which can contribute and enrich the existing studies in this research field.

2   Theory

This theoretical overview will consist of two parts: it will first explain and build a conceptual framework of political finance and then precise the definition of party funding regime, as understood in this thesis. The second part will deduct hypotheses from the literature on political finance that scholar in political finance have started to develop, by using other stands of the political science literature.

A framework, which the phenomena of political finance can be understood after is constructed with the political party as the central actor in the political system. This is a consequence due to the normalization of the political party during the 20ᵗʰ century. The political party, as being the central actor in the political system, is an actor whom alters the rules for themselves, and the internal affairs of the political parties could serve as a key difference to how the party funding regime in a country is structured.

Key contributors, to the field of political finance argues that this field is under-theorized and is in immense need of more middle-range theories i.e. bridging a growing gap between theory and empirical findings in the attempt to understand and explain the limited aspect of political finance. (Bryman 2012: 22). This chapter will try to approach this gap by incorporating the concepts of political finance with theories from the political science literature.

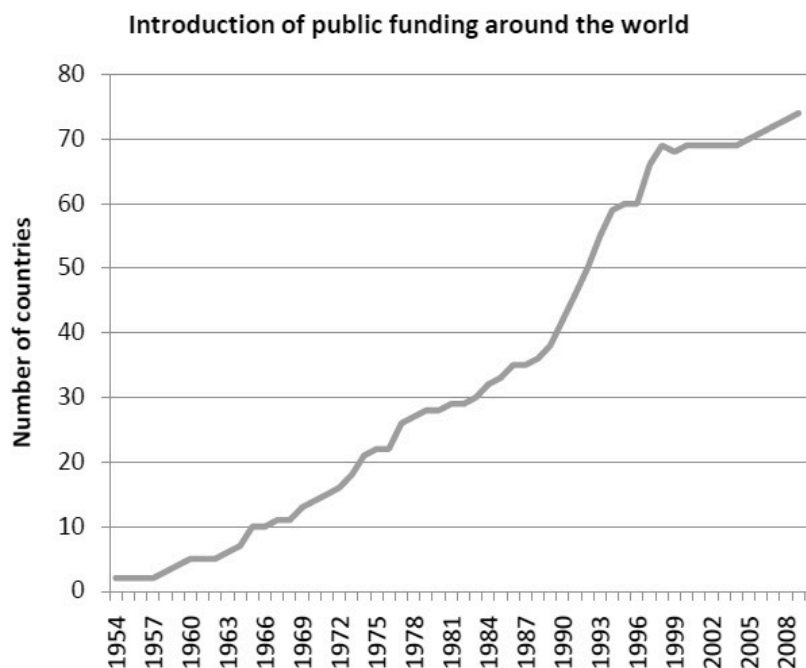## 2.1   Political Finance and Party Funding Regime: A Framework

Political finance can most narrowly be defined as the money spent on an election and in the broadest term go beyond the financing of both the parties and the campaigns and also include money circulating within partisan newspaper and media, the political foundations of allies such as unions and the cost of political lobbying. Although, in this paper, the concept employed is party funding and its definition will be position in-between these two i.e. the political funding will be defined after both the financing of the campaigns and the overall cost for a party to maintain permanent office (Pinto-Duschinsky 2002: 69-71).

Since political finance is an extremely complex political phenomenon it is important to clarify how it has been defined in previous research and what areas that is included in the concept of party funding regime and most important, clarify how it will be defined in this thesis. When looking at existing ideas and empirical implications, funding has not one distinct definition that includes its many channels of money circulating in the political landscape. In an ambition to generalise, the definition of party funding could be in danger of conceptual stretching, which means that a broad interpretation of the concept could deplete

the value of the result. The question lay in what the inquiry is a case of and what literature that is used and applied to answer it. The bottom line is that the same subject could be researched from different perspectives and in this analysis the perspective will primarily be on what variables in the political system that creates variation in party funding regimes, carried out with a large-n research method (Sartori 1970: see Teorell & Svensson 2012: 237).

Public funding, as a source of money to the political parties, has increased during 20th century: a trend that has been outlined by Ohman, see **Figure 1**. The increase of public funding is a trend that historically has been described as a result of the interest of the party. Heidenheimer (1963) described that the general picture of party organisations could be divided into two polar models on how political parties are financed: mass party and cadre-party. The mass-party model is dependent on funding from members and their goal is to remain the same status while the cadre-party model is dependent on large-scale contributors. Cadre-parties attempts to turn themselves into membership parties, when this evolution began it led to the cadre-parties change of source of funding, which started the diversification of the funding system. Today this have started to change, when public funding has been introduced in more countries, the old models of mass-party and cadre-party generalizations are becoming less significant, which have made room for the cartel party theory. The cartel party theory describes the interest of a party as less reliant on memberships and therefor turns to the state for funding (Katz & Mair: 1995). The move away from the mass-party model has been accounted as a change of funding patterns (Hopkin: 2004). This link is still uncertain, when so many factors influence political competition: Nassmacher & Nassmacher argues in the opposite to Katz & Mair that public funding is a consequence of the decline of memberships and increased need for professionalism (2002).

Figure 1. Increase in public funding as a source of funding in the world during the 20th century**.**

Source: Ohman (2011)

Walking alongside the conceptual ladder of political finance (1), see **figure 2**, party funding regime (2), the dependent variable, will be measured after two empirical indicators (3) sources of money and (4) Regulations. Party funding regime is originally a term that is derived from the theoretical concept of 'Institutional regimes' that defines party funding regimes after three areas: the legitimate sources of income for the political parties, their legitimate areas of spending and the extent to which parties have to publicly declare the income and expenditures (Casas-Zamora 2005:17). In this thesis, the legitimate areas of spending and the extent to which parties have to publicly declare the income and expenditure are measured together and are referred to as regulations in order to make two ideal models of party funding regimes: countries that have public funding and they who have not and those who regulate and countries that do not.
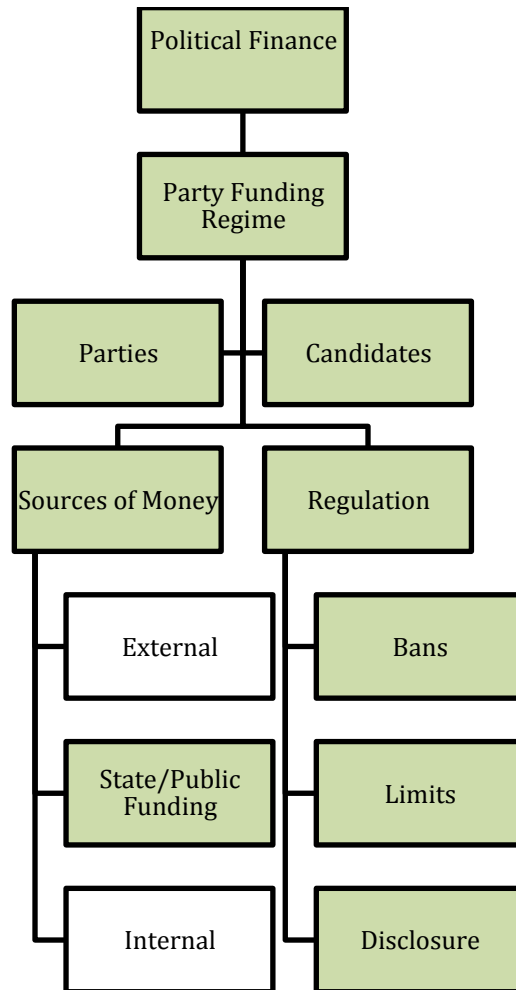
When creating the concept of party funding regime, no difference is made between parties and candidates. It can still be discussed whether parties and candidates can be included in the same concept without being conceptually stretched. Helle for instance, motivates the consolidation by claiming it to be a matter of contextual difference rather than a conceptual problem and this thesis is evoking on that same idea (Helle 2011: 5).

The early examination of sources of funding, made by Heidenheimer, gave evidence to a trend of diverse funding among political parties (Heidenheimer: 1963). Today, Pinto-Duschinsky claims after his global review: first, public funding has become normal; Second, the funding provided varies greatly; Third, since public funding is so wide it's hard to say if funding has increased or decreased; Finally, the impact of public funding in terms of corruption seems to have a smaller value than either proponent or critics where expecting (Pinto-Duschinsky 2002: 79-81).

The typology of source of money consists of several classifications, since scholars studying political finance haven't agreed on a limited vocabulary for comparative purpose, instead several classifications exists in abundance. Byeme (1985) typology is one of the first and most frequently used. In Byemes classification, internal funding includes: dues, donations, contributions and funds generated by party members, office holders and party enterprises; the external funding include donations from non-members, firms, unions and other organizations; state support are classified as both direct and in-direct subsidies. Other used classifications are Nassmacher who have distinguished between grassroots, plutocratic, public and graft funding (2001). Casas-Zamora has distinguished private, public and illegitimate sources of funding (2005) and Hopkins have classified it as clientilistic, external elite, internal elite and cartel funding (2004). Byemes model of internal, external and public funding is used for the conceptual framework. However, external and internal sources of money are fields without global covered statistics: the tools of regulations will instead cover these areas. Even if political parties are seen as necessary in the political system, they are still one of the least trusted democratic institutions, which give reasons for monitoring their effectiveness (Van Biezen 2008: 338). There is no shortage of bans and disclosure laws in party funding: by the mid-1990s all established democracies had some regulations on party funding (Scarrow 2004: 654). The conceptual framework of political finance, built in **Figure 2,** could also be treated two-dimensional, since party-funding regimes in terms on how they are financed and how they are regulated can differ between the electoral campaign period and

their general office holding, but as mentioned in the beginning: the purpose of this paper is to cover both dimensions.

Figure 2. Conceptual Framework on Political Finance as understood in this paper.

Note: Based on the interpretation of Pinto-Duschinsky's definition of political finance (2002), Casas-Zamora (2005) view of a party-funding regime and Byemes classification of sources of money (1985).

2.2   Variations in Party Funding Regimes

Going back to the research question: how can we explain the variation in party funding regimes in established democracies, or more specific: what makes sources of money and regulations differ between countries. This part will deduct hypotheses from the literature on political finance in an attempt to incorporate other fields of study in the literature of political science, such as the electoral system, political system and discourse of democratization. These different areas are in line with what previous research have shown to be of value for the cause of variation in the field of political finance. Some researchers have begun to trace the origin of party funding regimes, which have been the first large strokes of integrating the area of political finance with other existing theories in field of political science. The theoretical framework that has been starting to develop suggests several potential hypotheses. Heidenheimer (1963) offered hypotheses on reasons for variation in spending patterns: the electoral system where seen as one important variable. Others have been Koss (2008) arguing for electoral system, party interest and political context, while Scarrow (2004) mainly have focused on party competition. By building on this research, which on one side has been occupied with small-n strategies, this research will try to translate those into a large-n strategy and find comparable data on a large number of cases in order to find relevant operationalizations on the hypotheses. The hope is that the source of funding and regulations can unveil systematic patterns on what type of party funding regime different factors in the political system creates.

The material from the International IDEA database shows that regulation is as extensive in countries rated as 'free' as they are in countries rated as 'not free', which shows that the level of freedom and democracy seems to be a poor predictor of type of party funding regime: there seems to be no connection between the level of freedom and the probability that the regime will apply direct public funding or regulation to political parties (Ohman 2011: 16). If the level of democracy is of no value on the outcome of party funding regime, Koss argues that the political discourse is an important factor and a trigger of party funding reform. If discourse in this sense is understood in terms of the democratic ideal at the time when a democracy was established, rather than after its level of democracy, could that have an impact on the way it is created? If that is the case, it should be easier for a new democracy to both having the ambition to establish a democracy with public funding, which appears to be on the democratic agenda and having a newly adopted political system, not directly generated with trust, would then employ more regulations concerning bans, limits and disclosure. As an example, post-communist countries have been proven to have parties with low trust and weak links with the civil society. Parties come and go quickly too, which makes it hard to talk about a system. This is explained to be a reason of political parties to be created top-down after 1989 and because they did not, as many other western countries, emerge form social forces in the society (Gallagher 2012: 333). Furthermore, Van Biezen has showed some similarities and some difference among old and new democracies focusing on European countries. She explained that the similarities between the European democracies were that the countries with public funding also had a system of regulation. Van Biezen also argued that the increase in regulation had preceded the increase in public funding in those countries. And what divided

them was that the new democracies in Europe had more regulations than old democracies: (Van Biezen 2008: 342). Could the same conclusion be drawn on the established democracies in the world?

In order to operationalize factors that can determine the likeliness of party funding reform, these are picked after the potential impact it could have on the structure of the political parties, which is the most important actor of party funding reform. Studies have demonstrated that funding reforms hardly can be examine separately form other institutional reforms; in terms of constitutional engineering it could in many way be seen as a variety of attempts to alter the rules of party competition. The electoral systems are often being separated after how it elects representatives to the parliament and are often classified as either a majoritarian system or a proportional system. In short, majoritarian systems use single-member district methods, while proportional system use proportional representation. Other demarcation lines in this respect are different electoral formulas and district magnitudes (Lijphart 2012: 130-1). Research on political corruption conducted by Kunicova and Rose-Ackerman has shown that the effect of electoral rules in democratic systems has impacts on the outcome: proportional representation systems are more prone to corruption than majoritarian systems. In addition, proportional representation is worsening under presidential systems (Kunicova & Rose-Ackerman: 2002). If that research result holds empirically, then we would expect the regulation to be more built-out, if a party funding regime has a proportional electoral system and a presidential form of government. - Considering that Pinto-Duschinsky (2002) is arguing that regulation usually is a response to corruption scandals.

The relationship between the executive and legislative branches' of government is in the comparative literature classified as either presidential or parliamentary forms of government. The difference between the form of government can be described in three ways: in parliamentary systems the executive need the legislatures confident in opposite to the presidential system where the president is constitutional assigned; the second difference is that in presidential systems the president are popularly elected while in parliamentary systems the head of state is negotiated without formal election; and the last difference is that presidential systems have on-person executives when parliamentary systems have collegial executives. (Lijphart 2012: 106-7). Political accountability has extensively been discussed as an important factor to generate good governance. The argument is that accountability allows for the punishment of politicians and that the possibility for this is determined by specific feature of the political system such as: competition in the political system, checks and balance and transparency. Parliamentary systems allow for a stronger and more immediate monitoring of the executive by the legislature because in this case parliament have the power to remove politicians from executive office, if not a single party have a single-majority. A separation of powers creates mechanism to police and punish government officials that misbehave (Lederman 2005: 5-6).

During the 50s Duvergers framed the theory on how the election system affects the number of parties i.e. SMP produce two-party systems and PR list produce multi-party systems. Scarrow predicts that electoral competition is strongest in a two-party competition where it is easier to demand accountability (Scarrow 2004: 658). In a democratic system one accepted generalization about party funding reforms is made, it states that a rule should reflect the interest of the party or parties that holds office. The character of the party competition is

conditioned by a particular constellation of political parties that differs between any given country. This political division is created from history and have developed from several cleavages creating a frozen state of party politics since 1920s (Lipset & Rokkan 1967; see Gallagher 2012: 289). Party systems can be seen as frozen; as a consequence of the constrains by the electoral system and its funding (Gallagher 2012: 315). Studies of electoral system have suggested that most parties likely to support 'principle' reforms, which is likely to decrease the power of the ruler, is in fact small opposition parties (Geddes 1991; see Scarrow 2004: 654). At all levels of the political system, the party system and the structure of the opposition are of major importance for the functioning. With Geddes argument we would have to presume that the competition in the political system have to be high i.e. have a strong opposition to create some kind of reform capacity towards change of source of funding in terms of public funding and regulations. Just as Koss hypotheses on policy-, vote- and office-seeking strategies for parties, Scarrow (2004) argues that regulation on party funding are structured to help a country's strongest parties. Scarrow defines, instead of Koss three-variant, the structure in two ways as either revenue maximizing or as a electoral economy. If we assume that parties want to maximize its overall revenue or have short-term electoral success: the first view explains why economically healthy parties are willing to enhance their revenues like cartel parties and the second view explains why parties which have good private support are reluctant to public financing and that's why many opponents to public subsidies have been conservatives. If the party competition is high it is likely that the government in office not to push trough reforms that only is in favour for themselves if they once could be in opposition. Therefor, party-funding reform would be more likely to occur when the political system have a strong opposition. When we talk about the element that defines the party system we don't only talk about the effective number of parties but also the size of the competing parties.

To summon it seems like the arrangement of the established democratic institutions: the interest aggregation and the political culture during a countries democratization age are important variables in the search for the explanation of variation in party funding regimes. In the light of the deducted hypotheses, a remake can be made on the impact democratic institutions have on each other: the majoritarian system favours a two-party system; favours a presidential system and that a large disproportionality decreases the effective number of political parties. These circumstances are taken into account in the concluding chapter discussing the statistical result, but will be treated separately in the test of hypotheses.

2.2.1 Hypotheses

H1 Party funding regimes with public funding are more regulated.

H2 The electoral system: proportional, mixed-member proportional or majoritarian systems have effect on the party-funding regime: Proportional systems employ public funding to a larger extent hand are more regulated.

H3 The political system: presidential systems employ public funding and have more regulation than parliamentary systems do.

H4 The democratic system: Young established democracies employ public funding to a larger extent and have more regulations than old established democracies, since the democratic context has an impact on the implementation process.

2.3   Limitations

This thesis is limited to established democracies. There are a number of indices of democracy formulated in different ways both in concept and methodology. However, Freedom House Index is used as a measurement because it is widely used in the subject of political finance. The consequence of this choice leaves some patterns of regional diversity: countries rated as free are most dominant in western Europe were all 24 states are rated as free, also 11 countries in east-central Europe and 22 countries in the Americas and 18 in the Asia-Pacific region. A less significant level of freedom can be found in Africa where only 9 out of 53 countries are included and in the Middle Eastern where only one country is included. For a detailed description of countries included in the statistics, see **Appendix 1.**

Even if a lot of countries in the world are removed with this limitation and, in fact, that the International IDEA database confirms that both 'partly free' and 'not free' countries have political finance regulation; such a global view could still be of some value when portraying large strokes on similarities and differences in the world. The argument for the limitation in this thesis is still inducing on the fact that, political finance is a field, when in fact the principal regulate itself. This circumstance makes the "not free" and "partly free" countries to be of great risk of unreliable data especially in countries rated as "not free". Furthermore, there is a wide range of data sets on the independent variables concerning established democratic countries and these are therefor more suitable to test hypotheses on and are more adequate as a group to make generalisations on, when it comes to the structure of the political system.

The dependent variable, party funding regime, will be measured after source of funding and with a regulation index. The measurements are created from an interpretation of

Casas-Zamora's previous definition of party funding regime and the measurement are tapped from question from the International IDEA database on up to eighty-nine countries.

In the conceptualization of party funding regime, the choice has been to include both parties and candidates and weather to threat the party funding regime both during the campaign period or only evaluate the party funding regime when they hold office. Firstly, a separation of parties and candidates could be effective when studying money as spending *per see*, especially in countries with intraparty competition like Japan, Ireland, Brazil and Belgium (Scarrow 2007: 200), but less when studying the cause of party funding regime quantitatively, since the main goal with a large-n design is to generalize rather than generating detailed descriptions. Secondly, the same argument holds for the inclusion of both a party's funding during election and the period where they have to hold office: the intention is to cover the overall funding and regulation.

2.4 Data

In this section the concepts from the chapter on theory will be operationalized into measurable variables collected from statistical databases. When the employed concepts in this large-n research strategy are being measured they are formed into independent and dependent variables. The variables will be used in the research method for the estimation of the relationship between up to eighty-nine democracies. The requirements for the data is that it is suppose to frame what the variables really should measure i.e. have as high reliability and validity as possible. To sustain those requirements, the main criteria for the selection of data is to use a well-known source that corresponds well with what is being measured and analysed in order to answer the research question. The cases included in the large-n strategy rely on the Freedom House index, which is a well-known measure for level of democracy and freedom. The index is frequently used in previous literature on the topic of political finance.

Indicators for a party funding regime will be direct public funding and a regulation index. This material is picked from the International IDEA database on political finance originally created in 2003 and re-made in a new updated edition for 2012, which is the year used in this paper. The International IDEA database is one of the first materials that covers as many countries and as many questions on the subject of political finance today and there is no competing source to be found that measures the same range of political finance questions.

Data used for the independent variables of the institutional structure of the political system are taken from Gothenburg University Quality of Government (QoG) Standard Database. This database is a collection of databases that concerns issues of governments. The choice of the independent variables used from this standard database is further described in the method chapter.

3 Choice of Methods

The biggest methodological decision is usually described as the choice between the quantitative and qualitative research design or what is also currently described as a decision between a small-n and a large-n design. For many scholars this distinction has different epistemological foundations. From that distinction, the choice of research strategy has different intrinsic trade-offs concerning its relationship with validity and reliability that needs to be acknowledged as important criteria's for the research process (Bryman 2012: 35). As mentioned before, much of the previous research in the field of public funding has been conducted with a qualitative or small-n research strategy, since the field of party funding have been a field without large amounts of reliable data. In the absence of available data on political finance it have been hard to test relevant hypotheses and to generalize, because results from small-n research is seen to be limited when it comes to generalisations. Now, new data from the International IDEA database offers a large amount of statistics on both many cases and on a wide range of questions. This development gives a great opportunity to move to a large-n research strategy, which Heidenheimer stated as well as an opportunity as soon more statistics was available (Heidenheimer 1963: 793). Even if statistical material from the official stories can be viewed with some kind of scepticism, in a cross-sectional perspective where big strokes of difference and similarities are more important than details, it's of less important (Scarrow 2007: 206).

The International IDEA database enables a cross-sectional research design and lends itself to the formal testing of hypotheses, when a hypothesis is to be tested, a relationship holds between the dependent variable of party funding regimes and the independent variables of possible explanations. Variables are essentially measured at a shallow level, explaining to some degree of confident that some relationship exist between variables, but it doesn't mean that it will give us the whole nature of the relationship, which is why scholars argues for a mixed-method approach, putting epistemological and ontological beliefs to the side for a more pragmatic approach (Bryman 2012: Ch. 27). The use of a large-n research strategy, in this thesis, will then serve as a good addition to the big scope of already conducted small-n studies on the subject. The selection of a large-n research strategy also have great effects on the ability to ascribe causality to the findings, but cross-sectional design have an ambiguity about the direction of causal influence in data concerning variables: in the way that we can't say what variable that precedes the other, instead we have to assume that one cause the other. Instead, it will infer on the theoretical idea on the proceeding likeliness. (Bryman 2012: 175-76). The relationship between theory and empirical findings are studied with a cross-sectional design. The indicators on the dependent variable, party funding regime, are tested on the deduced hypotheses that have created a set of independent variables. The choices of variables from other stands of the political science literature are considered as important aspects and

mentioned i previous research on political finance. Inferring on the previous hypotheses conducted with small-n research methods, this will have one impact on the transformation to a large-n method conducted in this paper: without time-series on the dataset of party funding regimes the thesis wont explain the evolution of the variation in party funding regimes, but on the variation we can see in the political system today.

When the dependent and independent variables are determined, the next step in the research process takes place. Methods of bivariate analysis are used to trace the potential relationship between two variables at a time. The analysis is examining a variation in one variable that coincides with the variation in another variable. When we speak of a relationship or a correlation between variables, it explains whether the correlation is positive or negative, or possible none at all. The goal with the choice of analysis is to show if there is a statistical relationship between variables that can explain the variation of funding regimes we experience today (Bryman 2012: 339). What method to use in the bivariat analysis depends on the type of variable: for the description of the relationship between variables in this research: crosstabs, contingency tables and scatter plots are used.

3.1 Independent Variables

The independent variables serve as a guideline for the material. The choice of independent variables is operationalized after the hypotheses from the chapter on theory:

- **Years of Democracy (t_demyrs):** Years of democracy are supposed to describe the discourse of values and trends that a particular time, when a political system emerged, represents. Years of democracy are measured as in an interval describing the number of consecutive years since 1930 the system has been democratic, as of 2000. The variable is computed into a dichotomous variable in the analysis when it is to be tested with the variable of public funding. The computed variable is divided after two democratic waves that occurred during the 70 years in the material: 1930 – 1980 and 1980 – 2000 (Ohman 2012: 5-6).
- **Electoral System Type (gol_est):** The electoral system is measured nominally after the three basic types of electoral systems: majoritarian, proportional and mixed.
- **Regime Type (dpi_system):** Regime type is a nominal measure after presidential, strong president elected by assembly and parliamentary regime.
- **Electoral Formula (gol_pr):** Electoral formula used in an electoral tier.

3.2 Dependent Variable

The central concept in this paper is party funding regime and the purpose with its definition is to frame the variation of political finance we can perceive in a given country. It is already stated that public funding has started to become normal and that regulation has increased. The concept of party funding regime will be two-dimensional and include the source of funding, which will be measured by direct public funding and the amount of regulation measured with a regulation index. Together these two indicators will portray different outputs of type of regime as either a regime with public funding or without and a regime with high regulatory or low regulatory rules of funding. The independent variables will be tested on each indicator of the party funding regime separately in order to distinguish the possible significance each hypothesis have on each dimension. Source of funding will focus on public funding, which is the type of funding that many scholars have argued to be the most growing type of funding during the 20th century and appears to have caused most systematic change to the political parties, theoretically.

Source of funding
- Direct public funding (Idea_pfp): public funding to political parties is measured with a dichotomous variable that only answers wheatear public funding exist of if it's not.

Regulation Index
- Ban on Anonymous Donations to Candidates (idea_bdac)
- Ban on Corporate Donations to Candidates (idea_bdcc)
- Ban on Trade Union Donations to Candidates (idea_bdtc)
- Ban on Government Corporate Donations to Candidates (idea_bdgcc)
- Limit on Donation to Candidate (idea_ldc)
- Limit on Candidate spending (idea_lsc)
- Ban on Anonymous Donations to Political Parties (idea_bdap)
- Ban on Corporate Donations to Political Parties (idea_bdcp)
- Ban on Trade Union Donations to Political Parties (idea_bdtp)
- Limit on donation to Political Parties (time-period and campaign) (idea_ldp)(idea_ldpc)
- Limit on Political Parties Spending (idea_lsp)
- Ban on Government Corporate Donations to Political Parties (idea_bdgcp)
- Bans on other form of Donations (idea_bdo)
- Information from Political Parties and Candidates have to be made Public (idea_rip)
- Political Parties and Candidates have to reveal identity of donors (idea_rdid)
- Candidates and have to Report their Finances (Campaigns)(idea_frcc)
- Political Parties have to Report their Finances (regularly and campaigns)(idea_frpr)(idea_frpe)

4 Results

In this body of research, the chapter on result will be presented after the two-dimensional concept of party funding regime. The statistical result will describe and outline the relationship between the independent variable and the dependent variables. The relationship between the independent variables and the dependent variables will be tested separately in order to distinguish likely diverse patterns. This chapter will start off by presenting the relationship between the dependent variables of electoral system, political system and the age of democracy and the independent variable of public funding. The second part will further show the relationship between the same dependent variables and the regulation index. Even if threated separately, it is still clear that there are a positive relationship between public funding and regulation. The observation Van Biezen made on European democracies seems to hold for the democratic countries in the world: The relation between the use of public funding in democracies and amount of regulation between sixty-nine established democracies has a positive Pearson correlation of ,0548, significant at the 0.01 level (2-tailed).
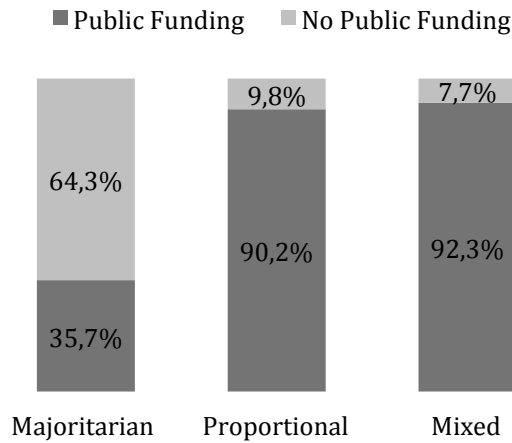
4.1 Public Funding

Describing the features of the eighty-nine democratic party-funding regimes today: 64 (71,9 %) countries employ public funding to political parties and 25 (28,1%) employ no public funding to the political parties. How these countries vary in terms of how its democratic institutions are built concerning the electoral system differs in any given country. We can conclude that 28 countries (31,5 %) are majoritarian, 41 (46,1 %) are proportional and 13 (14,6 %) are mixed in the statistical material. How the electoral system is related to the source of funding is clear. The electoral system type does show a certain pattern when it comes to the extent it employs public funding. Countries with a proportional or a mixed electoral system type employ public funding to a greater extent than the majoritarian. 92,2 % of the proportional systems and 92,3 % of the Mixed-systems use public funding as a source of funding. Majoritarian systems in the opposite only employ public funding in about a third of its cases see **Figure 3.** The relationship between the type of electoral system and the source of funding can be traced down and also be described and be divided after the electoral formula: systems that use Hare quota or D'Hondt formulas use public funding in a larger extent than system that employ Single-Member-District-Plurality (SMDP).

Type of political system, is divided into 24 (33,3 %) countries with presidential systems, 3 (4,2 %) with an assembly-elected president and finally 44 (62 %) countries with a parliamentary system. The result in **Figure 4** shows that most countries that has a presidential

system applies public funding, more precisely 91,7 % of the cases, while around two thirds of the assembly-elected president and the parliamentary system applies it.

Figure 3: Wheatear a country with a certain electoral system type employ public funding or not

Electoral System Type

■ Public Funding   ■ No Public Funding

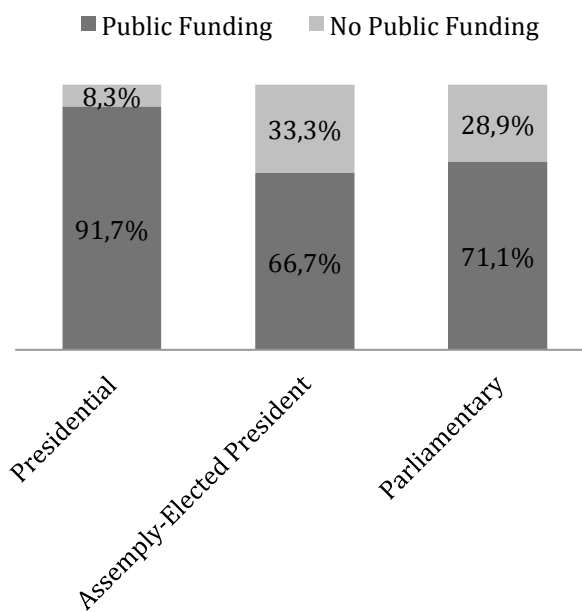|	Majoritarian	Proportional	Mixed
No Public Funding	64,3%	9,8%	7,7%
Public Funding	35,7%	90,2%	92,3%

n=82

Figure 4: Wheatear a country with a certain political system type employ public funding or not

Political System Type

■ Public Funding   ■ No Public Funding

	Presidential	Assembly-Elected President	Parliamentary
No Public Funding	8,3%	33,3%	28,9%
Public Funding	91,7%	66,7%	71,1%

n=71

Table 1. Years of democratization after two waves of democratization

Direct Public Funding	Old 1930 - 1980	New 1980 - 2000	Total
Yes	34 (70,8 %)	21 (91,3 %)	55 (77,5 %)
No	14 (29,2 %)	2 (8,7 %)	16 (22, 5 %)
Total	48 (100 %)	23 (100 %)	N=71 (100 %)

Public funding in relation to the number of years a country have been a democracy, separated after an old and a new wave of democratization, are demonstrated in **Table 1**. The table described the amount of democracies that have public funding after its democratic age. The old democracies, established between 1930 – 1980, use public funding as a source of funding in 70,8 % of the cases while the new democracies, established between 1980 – 2000, use it in 91,3 % of the cases. The results shows that the age of an established democracy, if old, then the probability is higher for it not to be using public funding as a source of money than if the democracy is newly established.

4.2 Regulation

The regulation index, it contains sixty-nine countries with a value ranging from 0,05 to 1,16 with a mean of 0,5706 and standard deviation of 0,30988. The relation between the regulation index and the electoral system and political system can be viewed in **Table 1** and **Table 2.** The tables are bivariat analysis comparing the means of different types of systems.

Table 2. Relation between the regulation index and the electoral system type

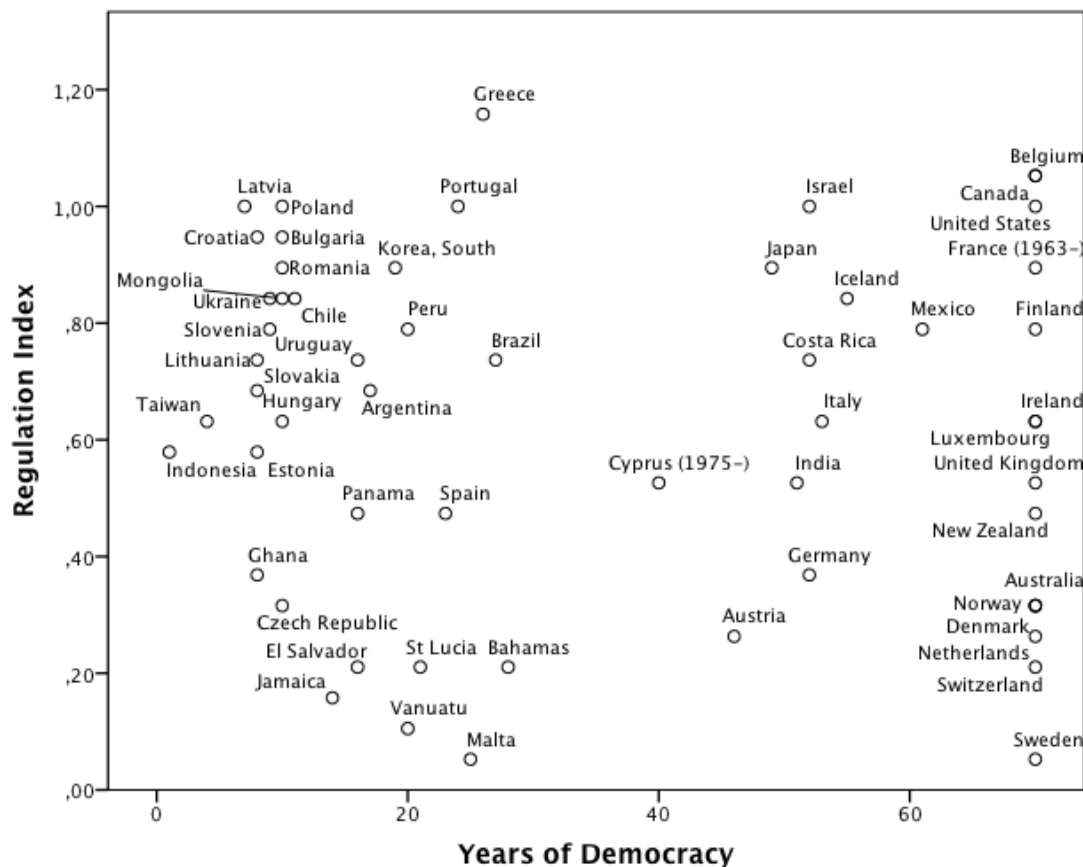| Electoral System Type	N	Mean	Std. Deviation
Majoritarian	19	,4100	,30768
Proportional	35	,6120	,29666
Mixed	13	,7166	,23979
Total	67	,5750	,30680

Table 3. The relation between the regulation index and the political system type

Political System type	N	Mean	Std. Deviation
Presidential	19	,7064	,20408
Assembly-Elected President	1	,5789	,
Parliamentary	37	,5846	,33236
Total	57	,6251	,29624

In **Table 1** the relation between regulation and electoral system type shows that majoritarian electoral system types do have less regulation than both proportional and mixed-electoral systems: measuring 0,41 and 0,612. In **Table 2,** means are compared to the political system type. A presidential political system has higher amount of regulation than a parliamentary and assembly-elected president.

To illustrate the relationship between the variable of regulation and the amount of years that a country has been a democracy; the relationship between regulation and years of democracy is portrayed in a scatterplot, see **Diagram 1.** Considering the democratic context as an important variable for a country's type of democratic institutional arrangement i.e. the amount of years a country have been free, doesn't seems to be of significant value for the amount of regulations a country employ. Instead, what the scatter diagram seems to show is two distinctive waves of democratization that have occurred during the past 70 years, as stated by Ohman. Although, these different waves of democratization doesn't show that the new democracies have more regulation. Instead, the amount of regulation differs greatly between both the new and the old democracies.

Diagram 1. Relationship between amounts of regulation measured with an index and the number of years that a country has been a democracy.

5   Conclusion

In this thesis a number of possible explanations that could explain the variation in source of money to political parties and the amount of regulation among party funding regimes have been researched. As a start it has concluded that the two indicators for party funding regimes, public funding and the regulation index, are positively correlated (**H1**). This paper has tried to build and test hypotheses, derived from different areas of the political science, such as the electoral system, political system and the age of democratization, conducted with a large-n research design. The relation has demonstrated some interesting correlations with the concept of party funding regime and has provided some large strokes of generalizations, which has been in line with the framework that other scholars have started to build on in the search for the cause of variation. The variation in party funding regimes can be traced and can to some degree be explained by the factors used in this thesis. One important notification is that party-funding reforms seems to be caused by the structure of the institutional system.

What this paper has presented is that there are certain factors that, to some degree, determine the outcome of which type of ideal model of party funding regime that is created in a given country. Party funding regimes are in this thesis divided into two ideal models of how they vary in terms of public funding and regulation. Public funding and regulation is a trend that have been rising during the 20th century, while a big part of the democracies employ public funding and implement more regulation, a number of them doesn't. This study has showed that the electoral system or more precisely: that democracies with a majoritarian electoral system are less prone to adopt public funding as a source of money to political parties. From the electoral system, we can make the conclusion that public funding seems to be dependent of the electoral system type, since a change from a majoritarian to a proportional system would decrease the likeliness that a country employ public funding. The results show that mixed -and proportional electoral system types also show a higher mean in amount of regulation than the majoritarian democratic counterparts, a result that is in line with the hypothesis that suggests that proportional systems employ public funding to a larger extent and implement more regulation (**H2**).

The relationship between the executive and the legislative branches of government, whether a democracy have a presidential or parliamentary system, doesn't show as strong correlation with party funding regimes as the electoral system type did. The presidential system type presents a weak positive correlation towards more public funding and more regulation than the parliamentary system, which still is in line with the hypothesis (**H3**). The argument made by Pinto-Duschinsky, that regulation in political finance many times where an effect of corruption scandals. In the light of this, Rose-Ackerman and Kunicova argued that these scandals where more likely to occur in proportional presidential systems types. These two theoretical arguments are then supported by this study; since this thesis argues that both parliamentary and presidential systems, apart, employ public funding and are more regulated than each systems type counterparts.

The impact that the age of democracy has on the party funding regime appears to be dual. The relationship towards public funding seems to be positive: with less newly established democracies not using public funding as a source of funding. When it comes to regulation, the results is much more unclear. There is no relation between the age of democracy and the amount of regulation seen in the scatterplot, see **Diagram 1.** Even if more countries' implement both public funding and regulation there is still a big variation both during the first wave of old democracies and as well as during the second wave of new democracies. What Van Biezen recognized in her research result, that new European democracies had more regulation, might not be true for new democracies in the world. Or, at least does it need further studies. The last hypothesis show different results **(H4)**, since its true that public funding seems to be dependent on the age of democracy while the regulation doesn't.

5.1   Further Research

The data from International IDEA on political finance gives new opportunities for cross-national research with a large-n strategy, which haven't been possible before. The emerging data will eventually be a collection of historical data that can contribute to further understanding and insight in changes over time. The conceptual framework portrayed in this paper has the opportunity to grow and incorporate different channels of sources of funding that is relatively unexplored: such as the impact of research agencies and think thanks in the political process and its impact on the outcomes of policy and funding patterns. There is also potential to focus on a narrow particular aspect of the conceptual framework for the purpose of go in-depth in certain questions in the data set. The statistical models in this thesis have been kept simple and further studies could therefor include more advanced statistical tests.

The result does create more question on what impact the party competition has on the outcome of variation. Does party funding regimes with parliamentary electoral systems with a presidential form of government use public funding and have more regulation due to impact of the party system or are those systems more prone to corruption, which leads to funding reforms? Or what effect does a strong opposition have in a political system, is it more likely for reform when it is more possible for the party in office to agree on change when they could be out of office in the future?

Another field of research, in contrast to the established democracies, would be the emerging democracies. The typology and classifications are in most part shaped and measured after the western context, emerging democracies is therefor an interesting field by itself and could in comparison to the established democracies be facing completely different financial structures.

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7   Appendix 1

Freedom House - Freedom in the World 2013 – Democratic countries rated as "Free"

Andorra	Guyana*	Peru
Antigua and Barbuda	Hungary	Poland
Argentina	Iceland	Portugal
Australia	India	Puerto Rico *
Austria	Indonesia	Romania
Bahamas	Ireland	Samoa
Barbados	Israel	San Marino
Belgium	Italy	São Tomé and Príncipe
Belize	Jamaica	Senegal
Benin	Japan	Serbia
Botswana	Kiribati*	Sierra Leone
Brazil	Latvia	Slovakia
Bulgaria	Lesotho	Slovenia
Canada	Liechtenstein	South Africa
Cape Verde	Lithuania	South Korea
Chile	Luxembourg	Spain
Costa Rica	Malta	St. Kitts and Nevis
Croatia	Marshall Islands	St. Lucia
Cyprus	Mauritius	St. Vincent and
Czech Republic	Micronesia	Grenadines*
Denmark	Monaco	Suriname*
Dominica	Mongolia	Sweden
Dominican Republic	Montenegro	Switzerland
El Salvador	Namibia	Taiwan
Estonia	Nauru	Tonga
Finland	Netherlands	Trinidad and Tobago*
France	New Zealand	Tuvalu
Germany	Northern Cyprus *	United Kingdom
Ghana	Norway	United States
Greece	Palau	Uruguay
Grenada*	Panama	Vanuatu

* No data available and therefor not included in this paper