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**PARTY FUNDING REGIMES AND  
CORRUPTION IN WESTERN EUROPE: A  
COMPARATIVE STUDY OF GREAT BRITAIN  
AND DENMARK**

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A thesis submitted for the degree of Doctor of Philosophy

University of Sussex

November 2017

**Declaration**

I hereby declare that this thesis has not been and will not be submitted in whole or in part to another University for the award of any other degree.

Signature:

## **Abstract**

There is an almost Europewide trend that party funding regime change – or proposed regime change – manifests itself in a move from private to public subsidisation. There are a number of drivers that have been identified as a reason for this such as institutional proximity to other states enacting reform, explicit financial/electoral strategy and wider party organisational change. In recent years, however, it has generally been accepted that corruption is an increasingly important variable in explaining this change. In this sense the change from a system of private funding to state subsidisation is seen as a remedy against corrupt practice. As an almost necessarily less corrupt form of party financing. Research shows that the empirical evidence on this is both patchy and unclear. This thesis considers whether different types of corruption are prevalent in different types of party funding regime (i.e. those that are predominantly privately financed and those that are predominantly state financed). The analysis utilises the elite interview, extensive documentary research and operationalises the logic of appropriateness to answer the central research question: does the amount of state subsidisation in a country have an effect on the type of corruption? Drawing on evidence from a comparison of Great Britain and Denmark, this thesis argues that the level of state subsidy is, in fact, unrelated to the type of corruption that we find, perceived or otherwise. Thus, if subsidies are to be introduced or sustained they must be done so for other reasons – they are not a cure for corruption, or importantly, perceived corruption. They can, however, be justified on public utility grounds. Anti-corruption measures should focus on other regulations, but even then we should not expect such measures to impact on perceptions of corruption.

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### **List of abbreviations**

ACoBA	Advisory Committee on Business Appointments
AFSPP	Act on Financial Support to Political Parties (1986)
APPA	Accounts of Political Parties Act (1995)
BAME	Black, Asian and Minority Ethnic
CD	Centre Democrats
CDU	Christian Democratic Union of Germany
CEO	Chief Executive Officer
CES	Council of Europe
CIPPA	Corrupt and Illegal Practices (Prevention) Act (1883)
CPI	Corruption Perceptions Index
CPS	Crown Prosecution Service
CSES	Comparative Study of Electoral Systems
CSPL	Committee on Standards in Public Life
DA	Dansk Arbejdsgiverforening
DF	Dansk Folkeparti
DI	Dansk Industri
DKK	Danish krone
DV	Dependent variable
EL	Enhedslisten
ERS	Electoral Reform Society
ESS	European Social Survey
EU	European Union
FDP	Free Democratic Party
FrP	Fremskridtspartiet
GCB	Global Corruption Barometer
GGGI	Global Green Growth Institute
GMB	General, Municipal & Boilermakers Union
GPPCA	Grants to Political Parties (Consolidation) Act (2006)
GRECO	Group of States Against Corruption
HoLAC	House of Lords Appointments Commission

IDEA	Institute for Democracy and Electoral Assistance
IPSA	Independent Parliamentary Standards Agency
IV	Independent variable
KD	Kristendemokraterne
KF	Konservative Folkeparti
KPMG	Klynveld Peat Marwick Goerdler
LA	Liberal Alliance
LGBTQ	Lesbian, Gay, Bisexual, Transgender and Queer
LO	Landsorganisationen I Danmark
LRC	Labour Representation Committee
MEAI	Ministry for Economic Affairs and the Interior
MP	Member of Parliament
MPT	Money, Politics and Transparency
NGO	Non-Governmental Organisation
NIS	National Integrity Survey
OECD	Organisation for Economic Cooperation and Development
PAC	Political Action Committee
PC	Plaid Cymru
PEB	Party Election Broadcast
PETS	Public Expenditure Tracking Surveys
PFD	Political Finance Database
PGG	Party Group Grant
PLME	Party Law in Modern Europe
PMQs	Prime Ministers Questions
PPDB	Political Party Database
PPEA	Political Parties and Elections Act (2009)
PPERA	Political Parties, Elections and Referendums Act (2000)
PwC	PricewaterhouseCoopers
QoG	Quality of Governance
RPA	Representation of the People Act (1983)
RV	Radikale Venstre

SD	Socialdemokraterne
SF	Socialistisk Folkeparti
SMI	Smoothed Mean Income
SNP	Scottish National Party
TDTUA	Trade Disputes and Trade Unions Act (1927)
TI	Transparency International
TUA	Trade Union Act (1913)
TULO	Trade Union Liaison Office
UK	United Kingdom
UKIP	United Kingdom Independence Party
UN	United Nations
USA	United States of America
V	Venstre
WGI	Worldwide Governance Indicator

## **1. Introduction: party funding and corruption in advanced industrial democracies**

Politics, it is said, is not what it used to be. Recent earthquake elections including that of Donald Trump and the triumphant leave campaign in the 2016 ‘Brexit’ referendum have been the cause of much navel gazing amongst politicians, political commentators and, indeed, political scientists. This was highlighted at the end of 2016, when a widely publicised paper in the *Journal of Democracy* found that ‘citizens today express less of an attachment to liberal democracy, interpret the nature of democracy in a less liberal way, and have less hope of affecting public policy through active participation’ (Foa and Mounk, 2016: 11). Furthermore, citizens have ‘become more cynical about the value of democracy as a political system’ and are ‘more willing to express support for authoritarian alternatives’ (ibid.: 7). This seeming anti-political malaise should serve as the proverbial canary in the coal mine for democratic politics and the surrounding institutions of advanced industrial democracies, the authors warned.

Of course, even a tremor feels like an earthquake at the time, and findings such as this are not uncontested. Erik Voeten suggests that in actuality there is very little evidence that those in consolidated democracies have soured on the idea of it and, furthermore, it is not the young but the elderly whose trust in democratic institutions has declined (Voeten, 2016). Scarrow and Webb suggest that ‘publics have remained committed to democracy as a concept’; it is just that they seem increasingly ‘wary of the political parties that seem central to the operation of electoral democracies’ (Scarrow and Webb, 2017: 2). If these earthquakes, then, did highlight something deeper, it was more a slow shifting of the tectonic plates than a sudden shock. The electorate, and the way we understand how and why people vote the way they do, may have changed.

Initial work attempting to understand how to interpret the apparent rise in unexpected electoral outcomes – and more explicitly the rise of populist-authoritarian parties – has found that the primary issue may well be one of cultural insecurity rather than either an economic insecurity, or a general disdain for liberal democracy (Inglehart and Norris, 2017).<sup>1</sup> These voters have been described as those feeling ‘left-behind’ not just on issues such as race, sex and gender; but also on order, stability and tradition (see Ford and Goodwin, 2014). In contextualising the 2016 vote leave campaign the same authors concluded that across Western democracies we are increasingly seeing that ‘divides between nationalists and cosmopolitans, liberals and conservatives, and cultural traditionalists and multiculturalists cut

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<sup>1</sup> Though Inglehart and Norris are quick to point out this may not be a case of either/or.



across old divisions and present established parties with new and difficult challenges’ (Ford and Goodwin, 2017: 29).

This challenge to established political parties – and established democratic institutions – strikes at the heart of another discussion of what political parties are for, and what their place in a democracy is. This has been the mood music surrounding the writing of this thesis. The broad themes of disenchantment, cultural shifts and public perceptions of the way in which democracy ought to work are weaved implicitly throughout the analysis. Democracy costs, and political parties need money. Therefore, any discussion of the way in which political parties are funded, and the types of corruption that might flow from this, are intrinsically interlinked with these more fundamental considerations about attitudes towards democracy. Moreover, if their role is changing and they are widely mistrusted, must political parties play a role in democratic politics?

### **1.1 Are political parties essential in a representative democracy?**

Understanding public dissatisfaction with political parties is by no means a recent branch of academic study; there have been many reflections on how political parties should exist, in what form, and their value within the general confines of a representative democracy. In the introduction to their article in *West European Politics*, Russell Dalton and Steven Weldon (2005) present a roll-call of well-trodden interpretations of the necessity of political parties to representative democracy. They cover the work of James Bryce who wrote that ‘parties are inevitable’ as ‘no one has shown how representative government could be worked without them’ (Bryce, 1921: 11). They describe how Giovanni Sartori wrote that ‘citizens in Western democracies are represented *through* and *by* parties’ and that ‘this is inevitable’ (Sartori, 1968: 471). They begin, however, with the most cited of all in the study of political parties – ‘democracy is unthinkable save in terms of political parties’ (Schattschneider, 1942: 1).

That is not to say, however, that there are those that have not envisioned what democracy would look like without political parties or, at the very least, in a radically reformulated fashion (see for example Warren, 2002; Steiner, 2012; Kölln, 2015). Indeed, there are those that have further investigated those states in which democracy does seem to be functioning without an established party system (see, for example, Anckar and Anckar, 2000; Veenendaal, 2016). Furthermore, to the general public political parties and democracy may not go hand-in-hand. Scarrow and Webb (2017: 3) highlight figures from the World Values Survey which show that in 21 democratic countries from Europe, the Americas, Asia and Oceania, 81% of

respondents agreed that having a democratic system was a very good or fairly good thing. However, in the same survey, only 19.8% expressed quite a lot, or a great deal of confidence in political parties. Moreover, a 1995 poll in France showed a striking 40% of respondents declaring that ‘it would not be very serious’ if political parties were abolished altogether (Le Gall, 1996; quoted in Knapp, 2002: 115).

If we look at perceptions of corruption amongst democracies in Western Europe, we see a similar picture. Political parties, politicians and the institutions of government are mistrusted by much of the population. The 2014 Eurobarometer Corruption Report found that when aggregated across the 28 European Union (EU) member states 59% of respondents believed the ‘giving and taking of bribes and the abuse of power for private gain was widespread’ among political parties and 56% of respondents believed the same of politicians at the national, regional or local level. As table 1.1 shows, this aggregate figure is not merely representative of newer member states or what might be considered non-advanced industrial democracies, but also of consolidated democracies (Eurobarometer, 2014).

The question, when faced with this degree of cynicism, therefore, is why do parties persist? Whilst much has been said regarding partisan dealignment (see for example Dalton and Wattenberg, 2002) we might also consider that partisanship itself can be extremely robust. This has been demonstrated in experimental research which shows that pre-existing political beliefs affect your opinion of the cat that resides in Downing Street (Ford, 2014) and whether we approve or disapprove of the potential partner of a loved one (Ford, 2016). If we consider the less trivial, although the factors that led to the victory of Donald Trump are numerous and complex, the resilience of partisan alignment in a supposedly abnormal election was remarkable. If strong and weak partisans are combined the 2016 exit polls reported the same 90% level of partisan support in 2016, as in previous elections (Dalton, 2017; see also Jacobson, 2017).<sup>2</sup>

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<sup>2</sup> Partisanship, incidentally, also affects issues such as perceptions of economic improvement. Immediately before the presidential election, 16% of Republicans thought that the economy was getting better, compared to 61% of Democrats. Post-election, the Republicans who thought the economy was improving had tripled to 49%, whereas the Democrat figure fell to 46% (Levitz, 2016).

**Table 1.1 Do you think that the giving and taking of bribes and the abuse of power for personal gain are widespread among the following?**

<b>Country</b>	<b>Political parties (%)</b>	<b>Politicians at national, regional or local level (%)</b>
Austria	60	59
Belgium	57	52
Bulgaria	41	42
Croatia	65	66
Cyprus	52	38
Czech Rep.	73	69
Denmark	34	38
Estonia	61	52
Finland	43	51
France	70	58
Germany	51	49
Greece	68	66
Hungary	51	49
Ireland	56	57
Italy	68	63
Latvia	54	41
Lithuania	43	40
Luxembourg	45	45
Malta	52	42
Netherlands	47	55
Poland	39	42
Portugal	59	59
Romania	46	52
Slovakia	51	49
Slovenia	72	68
Spain	84	72
Sweden	30	46
UK	56	55
<b>EU28</b>	<b>59</b>	<b>56</b>

*Source:* Adapted from Eurobarometer, 2014

It appears, then, that political parties, whilst somewhat mistrusted by a significant portion of the population, hold a peculiar sway. Democracy, whilst perhaps not unthinkable, does seem rather *improbable* without political parties. We might therefore paraphrase Winston Churchill: that no-one pretends political parties are perfect or all wise, that they are, in fact, the worst form of representation – except for all those others that have been tried. Therefore, I would only add one newer definition to the (already noted) totemic quotes of party politics: ‘parties are not necessary for representative democracy in the sense that plants need water to grow’ but that ‘it is implausible that representative democracy could be successful without parties’ (Kölln, 2015: 594).

This holds important ramifications for a continuing discussion surrounding the funding of political parties and corruption. Namely, if political parties have such an important role to play in democratic politics, should they be considered a public utility?

## **1.2 Political parties as public utilities**

There are some that suggest that the widespread dissatisfaction with political parties has arisen due, in large part, to a disenchantment with the way in which they have enacted reforms which essentially mean that established political parties have cartelised the party system in their favour (Katz and Mair, 1995) and are moving increasingly further from their rank and file supporters and members (Mair, 2013). Katz and Mair's 'cartel party thesis' is a somewhat maligned, yet academically resilient concept which has been critiqued on both a theoretical and empirical level (see pages 41-45). Despite these various shortcomings, the notion has endured because of the key argument that the relationship between parties and the state has transformed, such that there is an increased tendency 'towards an ever closer symbiosis between parties and the state' (Katz and Mair, 1995: 6; see also Scarrow, 2006; van Biezen, 2008). An important way in which this has manifested itself is in the almost continent-wide reliance on state subventions, seen as essential for the continued survival of parties in Europe (for more see Chapter 2, in particular table 2.2).

This trend would suggest that although the picture painted above might appear somewhat bleak, there remains (at least on the part of the elite) an important normative concession. An implicit understanding of this continent-wide trend is that although parties (may or may not) be in crisis, the aforementioned Schattschneiderian truism remains. This is further illustrated by the analysis of political parties as 'public utilities', that state subvention is legitimised by the ideational justification that political parties are both necessary and desirable institutions in a democracy (van Biezen, 2004). Furthermore, the acceptance of an increase in state subvention is understood as a rational response to the decline in membership in political parties. Political parties, as a public utility, are essential to the working of democracy, their survival is no longer guaranteed (if it ever was) by voluntary donations, so funding must come from another source. This can, if taxpayers reject the idea of paying for party subsidies, present a classic collective action problem.

Voluntary donations, however, do not offer a neat solution to this collective action problem; to some – indeed, to many – they represent a corrupting influence on the political process, affording some citizens unfair access to politicians and leverage over political decisions. In Great Britain a survey undertaken by the Electoral Commission in 2003 showed that 70% of

respondents thought that private donations could buy political influence, although (and importantly) only 23% of respondents supported even partial state funding of political parties (Koß, 2011: 175). A more recent poll in 2015, carried out by the Electoral Reform Society (ERS), showed that 41% of respondents agreed that a publicly funded political system was fairer than the current regime (Garland, 2015).<sup>3</sup> However, showing that state funding represents a ‘fairer’ system in the eyes of the public is not the same as showing support from the public. For example, if I won £30 million in a lottery it would certainly be fairer if I gave £25 million away to various charities, family members and friends. That does not imply that I support the idea or, given the opportunity, would do it. This irony was not lost on the Committee on Standards in Public Life (CSPL) which, in a report titled *Ending the Big Donor Culture*, stated:

If the public want to take big money out of politics, the only way to do so is a cap on donations. It is unrealistic to expect to be able to do that at a level low enough to achieve the objective without at the same time increasing public support. (Committee on Standards in Public Life, 2011: 10).

This collective action problem also highlights a number of issues with the way we understand the link between party funding and corruption.

### 1.3 Party funding regimes and corruption

The brief picture outlined above suggests two things to consider. Firstly, party funding regime change – or proposed party funding regime change – tends to manifest itself in a move *from* private *to* public subsidisation and not vice-versa (Ewing 2007).<sup>4</sup> An edited volume which noted the trend in the United States of America (USA) towards deregulation and looked for evidence of this elsewhere found – in Europe at least – that the opposite was the case, noting that ‘not only have systems of public funding been introduced in virtually all European countries, but the availability of state support for parties is considered the norm as well as a basic tenet for democratic competition and political pluralism, to the extent that movements away from it are highly unlikely’ (Piccio and van Biezen, 2015).

Secondly, whilst there are a variety of reasons for this, it is generally recognised that one of the main drivers of party funding regime change is the occurrence of political corruption

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<sup>3</sup> As an organisation actively campaigning for an increase in state subventions, the usual methodological caution applies. For example, Q36: “Political parties are essential to our democracy, so it would be better to fund them from the state than leave them at the mercy of big donors” could plausibly be described as a leading question.

<sup>4</sup> A notable exception is Italy which attempted to abolish some state subsidies in the 1990s (Pinto-Duschinsky 2002; Piccio, Mascio, Natalini, 2014) and succeeded in passing legislation that would reduce state funding to zero by 2017 (BBC News, 2013).

(Naßmacher, 1993: 239-240; Strauss, 1994: 1369; Pinto-Duschinsky, 2002: 70; Bull and Newell, 2003: 238; Weekers et. al., 2009: 32). Furthermore, it has been (plausibly) demonstrated that the introduction of state funding to political parties becomes more probable, ‘the more the discourse on political corruption identifies state funding as a remedy against corrupt practice in party politics’ (Koß, 2011: 4). In general, party finance is a low-visibility issue; debates surrounding reform usually only emerge in response to allegations of corruption or sleaze (van Heerde-Hudson, 2011: 477). It is therefore unsurprising, that in these circumstances the party funding regime that ‘allowed’ such events to occur is thrown into sharper focus.

Therefore, in countries where state subventions remain at a relatively low level – such as Great Britain – these events often lead to calls for a system of greater state subvention as an almost necessarily less corrupt form of party finance (for recent arguments along these lines see, Toynbee 2015; White, 2016; Monbiot, 2017). However, whilst it is argued that state subsidy is less corrupt, the public seem less convinced that an increase in state subventions is worth it. The intersection of these two points can be shown by the way in which Sir Christopher Kelly, the architect of the aforementioned CSPL report, attempted to sell the findings:

The inter-party talks announced as a result of the latest cash-for-access scandal are a real opportunity to deal with the corrosive damage done by our defective system of party funding. The system may not be corrupt but it is obviously corruptible...We proposed a donation limit of £10,000, a reduction in party spending at elections, tax relief on small donations and some additional state funding, at least in the short term. The damage done to public confidence by expenses revelations and donations scandals cannot be underestimated. Sustainable reform will only come about if it is even-handed. It is time to put the national interest first (Kelly, 2012).

By advocating donation limits, Kelly is implicitly arguing that private donations (i.e. a predominantly privately funded party funding regime) are ‘obviously corruptible’. Furthermore, he appeals to the ‘national interest’ in support of these reforms. It is here that we see – at least in Great Britain – an uncomfortable paradox. State funding is advocated as a less corrupt form of party finance, yet reform is not supported by a majority of the population, perhaps in part due to perceived episodes of (perceived) corruption which have eroded public faith in political parties, and politics more generally. Here we see a clear representation of the aforementioned collective action problem.

Moreover, when considering whether state funding actually is less corrupt than private funding from a Europe-wide perspective, the debate is far from clear cut – there is simply

not enough empirical evidence to support either case (see, for example, Williams, 2000: 199; Casas-Zamora, 2005; Naßmacher, 2009: 365; Casal Bértoa et. al. 2014). However, the view of state-funding as a panacea for the perceived ills of a corrupt party system has become a ‘self-evident truth’ amongst certain sections of the commentariat and reformers (Ostrom, 2000). Ostrom further demonstrates that so-called common-sense assumptions can lead to ‘proposals to improve the operation of political systems that have had the opposite effect’ (Ostrom, 2000: 33). Therefore, unchecked self-evident truths can be dangerous. In the case of party funding regime change there is no empirical proof that state funding presents a corruption solution that is less corrupt, more corrupt than, or as corrupt as the system it replaces. Furthermore, if in cases – such as Great Britain – we find a lack of public support for increasing state subvention, it would be prudent to discover more about the corruption challenges this system might present.

The aim of the research, then, is to test whether this assumption is, in fact, accurate. The research undertaken here will posit that in attempting to quantify notions of party funding regimes and corruption as a zero-sum game a key point has been missed. Instead of seeing one party funding regime as necessarily more or less corrupt than the other, perhaps different types of corruption are prevalent in different types of party funding regime. The focus is not levels, but types of corruption. In this sense, this is a systematic comparative analysis of the links between types of party funding regime and types of corruption. The central research question, therefore, is:

- Does the amount of state subsidisation in a country have an effect on the type of corruption that occurs?

#### **1.4 Aim and importance of the research**

This thesis offers conclusions that will deepen our understanding of the links between the funding of politics and types of corrupt practice. In a world in which these advanced industrial democracies are held up by many as worthy of emulation, it is increasingly important to understand more about the relationship between how their democracy is funded and how that may lead to specific types of corrupt practice. By gaining deeper insights into the relationship between the funding of western democratic institutions and the phenomenon of corruption we can make recommendations that are not just specific to the countries involved, but also to those interested in creating and developing effective democratic institutions and processes elsewhere.

Although the corruption that occurs in advanced democracies might not seem as extensive or debilitating as corruption in the non-western world, the effect of it is considerable. The impact of, and exposure to, corruption can be a financial drain on the state; it can lead to a decline in trust in institutions and increase voter apathy (Bull and Newell, 2003: 242-243). Whilst corruption in these countries does not threaten the viability of the pre-existing institutions and does not seem to undermine the system (Johnston, 2005: 60) it can have a more pervasive effect on the more abstract institution of democracy itself as well as wider democratic values (see Thompson, 1995).

Despite this issue being of considerable importance, the relationship between party funding regimes and corruption is notably under-researched. The project concludes by making real-world relevant suggestions on reform that are applicable not just to the countries involved but also to other cases worldwide. Whilst it is true that there is rarely a 'silver bullet' approach to combatting corruption, this doctorate will enhance our understanding of how corrupt relationships are engendered, thereby creating space for further research into the prevention of corruption.

Furthermore, the majority of literature in the field of party finance and the funding of party competition begins by noting that research in the area is severely limited. Jonathan Hopkin – in a special issue of *Party Politics* dedicated to the subject of party finance – argues that the field is 'under-theorized' a further complaint being that it is 'not systematically comparative' (2004: 628). This argument is supported by Karl-Heinz Naßmacher who bemoans the '*shortage in comparative approaches* [original emphasis]' to political finance research (2009: 27), further corroborated by Michael Koß, who notes that 'established democracies' tend to be 'neglected' in the field (Koß, 2011: 3). Although the academic canon regarding party finance has grown in recent years, there is still a relative dearth in the literature that investigates the potential linkages, relationships and trends between party funding, party funding regimes and corruption.

The work of Koß links perceptions of corruption and discourses on corruption; it is however very much centred within the existing field of party funding regimes. Recent work has approached the subject of the link between business financing of political parties and corruption, though this is better understood as being less about corruption and more about gaining a greater understanding of the (sometimes corrupt) relationship between business financing and political parties (McMenamin, 2013). There is little work which operationalises corruption as the dependent variable in academic analysis. This is surprising given that it is



widely accepted as a key driver of party funding regime change. The project will therefore add vital, theoretically innovative and comparatively rich analysis to this understudied area of political science.

The subsequent analysis is also innovative in its utilisation of the ‘logic of appropriateness’ (March and Olsen, 1989; 2006). Indeed, employing the logic of appropriateness is not just apt for this research project but points a potential way forward for wider corruption research. Much analysis in the field can end up somewhat hamstrung by the understanding that corruption means very different things to different people and different cultures (see for example Friedrich, 2002; Hough, 2017: chapter 3). The logic of appropriateness allows us to circumvent this issue.

Finally, the thesis will speak in a broader sense to our understandings of representative democracy. In using extensive elite interview and documentary research, the work will unpick the extent to which reforms are driven by these perceptions of corruption. As we will discover in upcoming chapters quantitative indicators which measure corruption perceptions are not without their methodological detractors. However, the extent to which elites react to these cues and the extent to which these cues open real space for debate and policy change is important. These questions of representation and what we expect of politicians and (in the Burkean sense) lie at the very heart of our democracy.

### **1.5 Structure of the thesis**

Having outlined the importance of this research and the wider context of which this work should be considered a part, it is now time to introduce the specific questions that will be tackled in the chapters to come. The thesis is separated into three parts. Part one brings together the many theoretical and methodological debates (and constraints) that exist in the study of both party finance and corruption. The second section represents the primary empirical work and consists of five chapters, the first comparative, while the following four consist of the two in-depth case studies, with two chapters dedicated to each of the countries. The final part of the thesis concludes and widens the argument beyond merely the countries of study.

Chapter 2 begins with an overarching literature review which will tackle specific questions that need to be addressed when analysing the relationship between party funding and corruption. It begins, as most corruption research does, by outlining the definitional debates (often) at the heart of the discipline, before settling on the definition that will guide the

further analysis. It then clears other definitional hurdles such as the definition of political finance itself and what we mean when we analyse advanced industrial democracies. The chapter then discusses the many methodological issues at play when attempting to quantify corruption and goes into further detail regarding the strength of concentrating on typologies rather than levels of corruption.

The review then moves to the (only slightly) more tangible issue of our understandings of political parties and party funding, with a focus on the way in which – particularly in the last decade – scholars have attempted to explain party funding regime change. The chapter then links these two (sometimes) disparate fields and describes the research that has been done, for example, tracing donation patterns and whether increased transparency or further regulation, reduces corruption perceptions. Finally, the chapter connects our understanding of the link between party funding and corruption with the wider implications for political parties in a representative democracy.

Chapter 3 explains the theoretical framework which will guide the later empirical work and serve as the analytical grounding of the thesis as a whole. It begins with a brief discussion of the curious resilience of the institutional approach to understanding political affairs. It then provides an overview of specific new institutional explanations for party funding regime change and outlines why it is logical to ground the theoretical aspect of this thesis within this literature. The chapter critiques the notion that one new institutional strand should be used to explain certain complex phenomena, instead focusing on a ‘consolidated’ view of institutionalism which treats phenomena as distinct, but interconnected. The chapter then provides further detail as to how the logic of appropriateness will be operationalised within this theoretical framework.

Chapter 3 ends by defining the two types of corruption I expect to be present in specific institutional contexts - *donor-based corruption* and *co-functioning corruption* - before positing two hypotheses. Donor-based corruption is a situation in which wealth is provided as a funding mechanism in exchange for a political service. This could take the form of a political favour, a policy outcome, a gift of patronage or some form of ennoblement. Co-functioning corruption is a type of corruption based around personal linkages and relationships. Whilst wealth might still play a role, corrupt activity is much less likely to take the form of a tangible *quid pro quo*, something we would expect with donor-based corruption. Rather, corrupt activity is more likely to take the more opaque form of the revolving door between politics and the private sector. The hypotheses are as follows:

H1 In those countries in which private funds account for more than 50% of parties' income, we are more likely to find donor-based corruption.

H2 In those countries in which public funds account for more than 50% of parties' income, we are more likely to find co-functioning corruption.

Chapter 4 sets out the research design, methodology and means of measurement used in the subsequent chapters, it begins by describing the initial case selection process for the empirical work in the subsequent analysis. There is then a methodological reflection on the challenges faced when measuring levels of party income (e.g. from state subsidies, private sources and membership fees) and an analysis of the errors that have been made in previous works, before outlining a potential way forward in the attainment of more robust data in this area. The ultimate selection of Great Britain and Denmark as the in-depth case studies is then rationalised, before a further methodological reflection on the limitations of case study research – particularly when faced with the generalisability question. The chapter, and this section of the thesis, concludes by explaining why the elite interview will be used as the primary research method (alongside the qualitative analysis of key documents, grey literature, parliamentary proceedings and media sources).

Chapter 5 represents the first of the substantive empirical chapters in the thesis. It serves as a straightforward comparative analysis of the party funding regimes of Great Britain and Denmark which contextualises what is to follow. The first part of the chapter covers features such as limits on donations, disclosure and transparency obligations, campaign spending limits and public funding. The second section provides data gathered from the official accounting returns of selected parties in both countries. These accounts provide a rich source of data, which can greater inform us as to what the incomes of the political parties in question say about the functioning of the party funding regime, but also about the workings of the party system more generally.

The findings in chapter 5 show that in both countries donations are cyclical, peaking in election years whereas we see considerable troughs in the years in between major elections. Unsurprisingly, funding from private sources dominates the overall picture in Great Britain, whereas funding from state sources dominates in Denmark. We also see in the figures from membership income that membership tends to fluctuate, often in relation to relative electoral successes or failures. In both cases though, the actual number of party members does not always have an effect on the amount raised through membership fees. This is seen particularly with reference to parties of the 'red block' in Denmark, which despite in some

cases having a similar amount of, or considerably less members than their counterparts in the 'blue block', consistently raise more money through membership fees. Finally, in the Danish case significant levels of state subsidisation have not inhibited either the entrance of new parties into the political process or inhibited their electoral success.

Chapters 6 and 7 are the in-depth country case study of Great Britain. Chapter 6 traces the institutional development of the party funding regime through four eras: the aristocratic era (up to 1883), the plutocratic era (1883-1922), the modern era (1922-1994) and the stop-go era (1995-present). There is then an explanation of why reforms introducing significant levels of state subsidisation have proven so difficult to implement, which outlines three structural constraints: public opinion, timing and the relationship between the two major parties and their respective institutional donors.

Chapter 7 then analyses party funding and corruption in Great Britain. It shows that political access (as a concept) is multi-faceted, there are those that think that access is in-and-of-itself a form of corruption, and those that see the relationship between access and influence through a slightly more nuanced lens. Finally, the chapter finds partial support for the hypothesis that in Great Britain we would expect to find a prevalence of donor-based corruption. There is instead a prevalence of perceived donor-based corruption. These perceptions serve to drive the reform process, as such they represent a breach of the logic of appropriateness so much that the perception becomes real in its consequences.

Chapter 8, much like chapter 6, shows that the institutional development of Denmark can be separated into four distinct eras: the pre-party era (1660-1870), the traditional party era (1871-1973), the expanded party era (1973-1986) and the public party era (1986-present). This chapter finds that a further reform of the party funding regime (discussed in 2015) was ultimately unsuccessful due to a lack of agreement over the trade union opt-out clause. This suggests that there are similar institutional constraints in both cases.

In chapter 9 we also find support for the notion that access is multi-faceted. In Denmark we do not find support for H2, but similarly find a prevalence of perceived donor-based corruption. Unlike in Great Britain, public opinion surveys do not show an overwhelming perception of corruption or that donors have too much influence on the political process. However, reformers and political elites believe these scores to be high (or low) enough to warrant action. The 'corruption threshold' in Denmark is lower, therefore representing a breach of the logic of appropriateness in which the perception becomes real in its consequences.

## 1.6 Summary of research findings

The thesis is concluded (chapter 10) with a summary of the primary and then secondary research findings. The primary research question answered is: does the amount of state subsidisation in a country have an effect on the type of corruption that occurs? The analysis found this not to be the case, since in both Great Britain and Denmark the type of corruption prevalent was perceived donor-based corruption. This suggests that perceptions of corruption in party funding regimes are fed by, and feed into, a wider mistrust of politicians and political parties. Thus, if subsidies are to be introduced or sustained they must be done so for other reasons. They are not a cure for corruption, or importantly, perceived corruption. They can, however, be justified on public utility grounds. Anti-corruption measures should focus on other regulations, but even then we should not expect such measures to impact perceptions of corruption. This finding also shows that utilising the logic of appropriateness, as this thesis does, points a fruitful and innovative way forward in the analysis of party funding and corruption, and the field of corruption more generally.

There are a number of other important original contributions to research that are summarised in the concluding chapter. First is the development of Smoothed Mean Income (SMI), an innovative new way to collect party income data. Second, by tracing the institutional development of the British and Danish party funding regimes the project has added vital comparative evidence to the way in which historic decisions affect ongoing institutional developments when it comes to, in this case, political finance. In particular, the institutional evolution of the Danish party funding regime has not been traced or analysed in this way. Third, the findings regarding transparency obligations are fleshed out suggesting that there is a case for more research into the relationship between transparency and perceptions of corruption in advanced industrial democracies. This section ends with a specific note of caution to Denmark: it is unlikely that the discussed improved transparency obligations will improve perceptions of corruption. The penultimate secondary research finding suggests that the notion of access is multi-faceted. This leads to the creation of a four-fold typology: access as (potential) influence, access as social status/interest, access as irritant and access as electoral strategy.

Finally, it is argued that perceptions of corruption increasingly seem to drive the reform process. Therefore, a project to further investigate the ramifications of this is proposed. It is suggested that parliamentarians, and the political elite, in their anxiety about an increasing democratic disconnect and in response to perceived corruption within their ranks, may be

increasingly acting as *responsive* representatives rather than *accountable* representatives. The work in the subsequent chapters, therefore, strikes at questions fundamental to the continued legitimacy and even survival of political parties in advanced industrial democracies.

## **2. The relationship between corruption and the funding of party competition**

This chapter addresses the major issues that will need to be negotiated when analysing the relationships, linkages and trends between party funding regimes and corruption. It begins with definitional debates first within the world of corruption, before linking this to political finance itself and democracy in a more general sense. The next section outlines the tension between corruption quantification and corruption typology and the relevance this has to the primary research question going forward. This has ramifications for both case selection and the primary research method used, which will be addressed briefly in this chapter but in more detail in Chapters 3 and 4. The analysis then discusses the veritable flurry of academic work that we have seen in the field of party funding and party funding regime change itself. Finally, there will be an overview of the way in which perceptions of corruption, and the way in which these may (or may not) effect party funding regime change, might challenge our views of the way in which the political elite understand representative democracy more generally. The aim is to illustrate, and to put into context, the important debates that serve as the scholarly grounding of the subsequent research.

### **2.1 Corruption: traversing the definitional minefield**

Corruption is a classic contested concept, therefore it is unsurprising that much of the initial (and ongoing) work in the field tackles the thorny issue of definition (see, for instance, Peters and Welch, 1978; Johnston, 1996; Philp, 1997; Gardiner, 2002; Lessig, 2013; Navot, 2016; for a neat summary of the wider definitional debates see Hough, 2013: 2-5). Indeed, a key critique of early corruption academia was that much of the analysis was hampered by the lack of a satisfactory definitional base (Peters and Welch, 1978). Further, two of the key themes threaded throughout the thesis are also two controversial sticking points in the definitional debates – namely, legality/illegality and perceptions of corruption. Legality is a key issue in the perception of corruption in party finance as legality, or illegality, does not necessarily imply corruption: ‘all illegal acts are not necessarily corrupt and all corrupt acts are not necessarily illegal’ (ibid.: 974-975). This has led some scholars to argue that forms of lobbying and, for example, ways of financing political parties in the USA could be defined as ‘legal corruption’ (Johnson, 2009; Kaufmann and Vicente, 2011).

The 2009 parliamentary expenses scandal in the UK is another example, a time when the political class was cast into a period of turmoil, but only led to the arrest of six members of

Parliament (MPs).<sup>5</sup> However, there was a sweeping view amongst the public that the majority of the political elite had acted in a corrupt manner (for more on the immediate effects of the expenses scandal see Kelso, 2009). It has recently been demonstrated that those arguing that the expenses episode would be the harbinger of a revolutionary force that would clean up politics were mistaken (Bell, 2009). Detrimental long-term effects never really took hold outside of Westminster (van Heerde-Hudson, 2014). In fact, besides a few political casualties and the creation of the Independent Parliamentary Standards Agency (IPSA) the effects outside of parliament were limited in both scope and lifespan (Fisher and van Heerde-Hudson, 2014: 196-197).

It is also in this example that we see the subtle definitional interplay between legality and perception. If we take as an example one of the more famous claims in the scandal, Conservative MP Peter Viggers claiming expenses to clean his duck house, it is important to know that this was disallowed by the Commons fees office (Guardian, 2010). However, the fact that the claim was made, was refused, but still caused outrage suggests that there is more to corruption, or perceived corruption, than simple legality issues. This is essential when considering definitions of corruption in respect to political finance.

Attempts to link definitions of corruption with perceptions of corruption can be traced back to the formulation of the terms white, black and grey corruption (Heidenheimer, 2002). The consideration of acts as either 'white' (broadly accepted – what we might consider petty corruption), 'black' (broadly condemned – what we might consider grand corruption) and 'grey' (somewhere in the middle), essentially categorises definitions of corruption in terms of public opinion. Heidenheimer's conception has much to say about the interplay of public and elite perceptions – black corruption is a situation in which the agreement on the corruptness of an affair encompasses both elite and public opinion. The aforementioned Peters and Welch article built on Heidenheimer's definitional foundation, creating a survey (sent to 24 state senators) outlining actions that may, or may not, be considered corrupt.<sup>6</sup> Ultimately, it is noted that the definition and perception of whether an act is corrupt is mitigated or aggravated by the nature of the favour, the donor, the public official and the

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<sup>5</sup> It should be said that there is some debate, amongst the political finance community about the overuse of the term 'scandal' when the term 'episode' seems more appropriate (for example Fisher, 2009; Ghaleigh, 2012). In discussing expenses however, it has been said 'the expenses scandal was just that – a *bona fide* scandal where both the rules and the spirit of the rules were well and truly broken by some (but by no means a majority) within parliament (Fisher and van Heerde-Hudson, 2014: 2014: 197).

<sup>6</sup> Examples range from a mayor getting the driveway of his home paved by the city crew (95.9% of respondents viewed this act as corrupt) to a public official using influence to get a friend or relative into law school which 23.7% of respondents viewed as corrupt (Peters and Welch, 1978: 161-165).



payoff. All of which are key considerations when discussing corruption in relation to party finance.

The concept of mitigation forms the basis of further academic analysis that seemingly corrupt acts can be mitigated by circumstance – such as an official embezzling money to pay for hospital bills (Johnston, 1986). Johnston’s underlying argument seems to be that instead of getting bogged down in a once-and-for-all definition of corruption, we should instead concentrate on why certain practices elicit, or fail to elicit, a certain response. In relation to the business financing of politics, McMennamin posits that the press, the public and academics need to more clearly distinguish between what is and what is not a corrupt exchange. That discourse is all too easily dominated by two contradictory positions: (the first is that) ‘business cash in politics is bribery and the second is that it has no influence’ (McMennamin, 2013: 136).

The progress made by scholars in attempting to tackle these tricky issues leads to the conclusion that the corruption analyst is better off drawing a definitional line in the sand and defining corruption in relation to the specific research project that is being undertaken. A clear place to build a foundation is the widely cited definition outlining that ‘behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates the rules against the exercise of certain types of private-regarding influence’ (Nye, 2002: 284) is corruption. Starting here one must first consider that political finance related corruption need not involve an actual public office holder, or an agent who has any tangible formal duties.<sup>7</sup> Therefore, a preferable, and less prolix, definition is the misappropriation of party funding for political or private (personal, close family, private cliques) gain.

## **2.2 Defining corruption in relation to party funding and democracy: unpicking the threads**

Whilst this definition seems sufficient it does not take into account the notion of legitimate and illegitimate exchange. This is key when defining corruption (in this context), and is best understood as an exchange that is both distinct from, and has a distinct effect on, pre-existing democratic institutions. The notion of mediated corruption, for example, argues that an exchange between political actors is corrupt precisely because it subverts the democratic/political process (Thompson, 1993; see also Williams 1999: 509). Put differently, money in politics is undesirable not because of the transaction itself. It is undesirable when

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<sup>7</sup> Take, for example, the challenger to an incumbent.

this transaction bypasses choice, debate and representation (Johnston, 1997: 68). Therefore, many party funding transactions are perceived to be corrupt (whether this is the case or not) because the transaction has subverted what is distinct within the political sphere. This is understood as choice, debate and representation – what we might consider pillars of democracy itself (see for example Philp, 1997; Offe, 2004). This is why corruption in advanced democracies can be seen to have a pervasive effect on the more abstract institution of democracy itself as well as wider democratic values – it represents the abuse of a notion of the ‘public good’ (Mungiu-Pippidi, 2006).

As mentioned above, however, it is important not to focus too much on public perceptions of what is legal/illegal and also a legitimate/illegitimate exchange. As well as knowing little about party funding regimes, it has also been argued that those who perceive corruption to be all encompassing are symptomatic of a larger psychological phenomenon – a distrust of others (Persily and Lammie, 2004; see also Birch, Allen and Sarmiento-Mirwaldt, 2017). Those citizens who are predisposed to see the worst in others are also predisposed to see the worst in government, even when ‘the worst’ is not there. Thus, less trusting individuals are more likely to be critical of politicians’ (perceived) misconduct and more likely to perceive the presence of corruption. Furthermore, those who are less trusting become relatively more critical of an action the more the overall perceived corruptness of that action declines (Wroe, Allen and Birch, 2013). In these instances trust plays a more significant evaluative role, so relatively minor instances of white and/or grey corruption can still provide the ground for (perceived) political scandal. This thesis represents an attempt to further draw out nuances regarding donations, and attempt to gain a greater understanding of what might, and might not be considered a corrupt exchange. It will move towards a deeper insight into these linkages, relationships and trends. The definition of corruption needs to reflect this.

Furthermore, much scholarship suggests that if perceptions are key, then the consideration of local norms and the assessments of real people are important (Thompson, 2002; Philp, 2006; Warren, 2006). Indeed, the consideration of real political (deliberative and legislative) processes to determine whether the democratic process has been subverted is key (Thompson, 1995; Kurer, 2005; Johnston, 2014; Navot, 2016). The most recent scholarship in this area has argued that consideration of ‘real politics’ is important not in identifying political corruption in and of itself, but in ‘determin[ing] the *form* of any given case of political corruption, and in particular, whether it is individual or structural’ (Navot, 2016: 545). However, in focusing on whether agents are motivated by duty in committing what could be considered a corrupt act, Navot introduces a normative judgement. Rather, the importance

of public opinion occurs precisely when it acts as a spur of reform. When public perceptions consider democratic norms to have been subverted, and this perception causes – at the very least – an attempt at reform, a corrupt act and a perceived corrupt act become indistinguishable. The normative position, and judgement of the observer is irrelevant.

Therefore, the definition employed in this research project will be ‘the misappropriation of party funding for political or private (personal, close family, private cliques) gain, in such a way that subverts accepted democratic processes, institutions and norms’. Whilst not directly acknowledged, we can infer from this definition that legality/illegality is not directly relevant to whether an act is thought to subvert accepted norms. Furthermore, the definition also concentrates on both public perceptions and actual processes, institutions and norms – thereby improving our knowledge of what can be considered a corrupt exchange.

Whilst corruption, at least in the context of this research project, is the trickiest definitional minefield to traverse, it is not the only term that needs elucidating. Firstly, and most obviously, is the (arguably more) contested concept of democracy. The advantage of this thesis is that it is arguably a much easier task to define democracy in Western Europe than it is in, say, transitional and developing democracies (see for example Huntington, 1991; Carothers, 2002; Diamond, 2002). In this case the potential countries of study will be defined as long established democracies in advanced industrial societies’, or, advanced industrial democracies (Webb, 2002: 5).<sup>8</sup>

Finally, the notion of ‘political finance’ itself needs to be delineated. Often in academic analysis the term ‘political finance’ is used interchangeably with terms such as ‘party finance’ and ‘party funding’ (Naßmacher, 2009: 32). Political finance refers to both subsidies (public or private) employed to aid generic organisational needs of a political party and more direct electioneering activity. As this thesis is investigating party funding in a general sense, the above terms can be understood as being used interchangeably and to encompass both streams of activity – both organisational and electoral. Therefore, a definition of party funding regime will be adapted from the work of Kevin Casas-Zamora (2005: 28). In the following analysis a party funding regime will be understood as the ‘regulatory regime which covers in cash electoral subsidies for parties and candidates as well as generic grants disbursed

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<sup>8</sup> Further defined as, ‘any country ‘which has enjoyed unbroken competitive democratic rule since 1945, or which has made a successful transition since then in so far as few would suggest any foreseeable prospect of authoritarian rule. In addition, each such country is a member of the OECD [Organisation for Economic Co-operation and Development] enjoying a high per capita income’ (Webb, 2002: 5).

to the parties' organs. In most cases, the subventions (private or otherwise) comprise the majority of the resources – allocated by law – employed to sustain political activities'.

### **2.3 The quantification of corruption: traversing the methodological minefield**

Inherently linked with debates surrounding definitions of corruption is a further methodological back and forth. There are those that attempt to quantify the concept of corruption and those that think such attempts are either counterproductive or, at worst, create simplistic indices indicative of a wider political agenda (see for example Marquette 2003; 2004; Bukovansky, 2006; Gebel 2012). The latter position is encapsulated neatly by Claudio Weber Abramo who, perhaps unfairly, argues that corruption (and bribery) indicators represent little more than 'policy tools' whose role is 'to guide effective policy formation and review' (Weber Abramo 2007: 45).

These debates notwithstanding, social scientists who have chosen to direct their focus towards uncovering underlying causes of corruption are best described as falling into two broad camps; those that favour qualitative depth and those that favour quantitative breadth. These debates can be understood as an extension of basic ontological and epistemological differences – as such, members in each camp could be described as worshipping alternate Gods (Beck, 2006). The two (historically) key proponents of the quantification of corruption were (and to an extent still are) Transparency International (TI) and the World Bank; both have created separate indices and both are subject to no small amount of methodological scrutiny.<sup>9</sup>

The TI Corruption Perceptions Index (CPI) gives an aggregate score, a poll of polls, which uses information from individual expert surveys and other ratings to measure the perceptions of corruption in a given country. Started in 1995, the CPI originally gave a mark out of ten (0 being the most corrupt, 10 being the least), but in 2012 the index changed and began rating countries out of 100.<sup>10</sup> The World Bank on the other hand use the Worldwide Governance Indicators (WGI), which represent 'the most well-known, the most ambitious and arguably the most impressive' attempt to analyse and quantify the quality of governance (Hough, 2013: 37). The WGI project measures and reports aggregate and individual government indicators for 215 economies across six dimensions of governance (see table 2.1) and provides

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<sup>9</sup> In recent years the rise of proxy indicators – such as public expenditure tracking surveys (PETS) – has challenged this dominance and are now, it is argued, taken more seriously by policy makers than aggregate level indicators (see Hough, 2017: 66-69).

<sup>10</sup> In the 2016 edition the (always impressive) Denmark and New Zealand were tied at the top of the pile with 90/100 with Somalia bringing up the rear with 10/100 (Transparency International, 2017).

interactive (increasingly longitudinal) data which provides a percentile rank score in each of the six dimensions (see table 2.1).

The fact that the CPI and the WGI only measure perceived corruption represents a clear point of methodological tension. Some academics defend the use of a perceptions based indicators arguing that ‘perceptions – even if not matched by reality – can have powerful effects’, thus, ‘perceptions clearly matter’ (Triesman, 2007: 220). It is an argument that reflects the *Thomas Theorem*: ‘If men define situations as real, they are real in their consequences’ (Thomas and Thomas, 1928: 572). This defence has been criticised as leading to ‘an ‘echo chamber’ problem in which officials and investors repeat what they hear from each other, in effect, and in which anecdotes and perceptions acquire false authority through repetition’ (Johnston, 2002: 877). Furthermore, and in a direct rebuttal of the Thomas Theorem defence, it is warned ‘that in politics the power of perceptions ought not to be allowed to serve as a proxy for reality’ (Andersson and Heywood, 2009: 762). However, the remainder of this (and later) chapters will serve as a partial defence of the use of perception based indicators – particularly as related to public opinion – using the *Thomas Theorem* defence.

**Table 2.1 Dimensions of governance measured by the WGI**

<i>Voice and accountability</i>	Capturing perceptions of the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
<i>Political stability and absence of terrorism</i>	Capturing perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism.
<i>Government effectiveness</i>	Capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formation and implementation, and the credibility of the government’s commitment to such policies.
<i>Regulatory quality</i>	Capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
<i>Rule of law</i>	Capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
<i>Control of corruption</i>	Capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as ‘capture’ of the state by elites and private interests.

A second critique of both indicators is that they do not deliver a satisfactory definition of corruption, or – at the very least – it remains unclear what type of corruption (bribery, graft, petty, grand, political) is being reported, aggregated and measured and as such lack construct validity (Thompson and Shah, 2005; Knack, 2006). More troubling, for Thompson and Shah, is that as the CPI scores are aggregated, each type of corruption is given equal weighting which is akin to averaging ‘apples and oranges’:

Suppose that in city A there were 5 murders and 95 incidents of shoplifting, whereas in city B, there were 95 murders and 5 incidents of shoplifting. The size of the population is the same in both cities. Then, the total crime rate is the same in the two cities. But no one would say that they are equally safe cities to live in. (Thompson and Shah, 2005: 8).

Furthermore, the lack of definitional clarity has steered some critics to the damning conclusion that these indicators represent nothing more than ‘elaborate and unsupported hypotheses’ (Thomas, 2010: 47). Daniel Kaufmann, and his WGI co-creators, reject this line of criticism as ‘definitional nit-picking’ before suggesting that ‘waiting for the articulation of a complete, coherent and consistent theory of governance before proceeding to measurement and action’, might be ‘intellectually satisfying to a few, [but] would be impractical to the point of irresponsibility’ (Kaufmann et. al., 2007: 23-26).

## **2.4 Quantification and typologies: moving towards a broader debate**

Within the confines of this research project it should ultimately be understood that these methodological critiques fit into a wider philosophical discussion regarding the study of corruption. It is one which has been implicitly addressed throughout the above analysis – can we satisfactorily quantify corruption? In attempting to quantify an intricate concept, do we miss out on the inherent complexity involved in causal relationships? Indeed, that reducing complex phenomena to simplified findings is a problem when using dichotomous variables, such as corruption. These findings inevitably show a scattershot, in which one would struggle to gain any value, or discover anything about which way the causal arrow might point. Furthermore, that those employing these indicators are seeking ‘actionable answers’ to ‘the problem of corruption’ which, intentionally or not, ignores ‘what can be seen as arcane debates about nuance, complexity and specificity’ (Heywood and Rose, 2014: 524).

The generally accepted ontological and epistemological position of (the typical) corruption quantifier reflects an understanding of corruption as that of a zero-sum game – something which can be ranked rather than understood of as a more complex process. This harks back to the philosophical debate between those who believe *levels* of corruption take precedence,

and those who believe *types* of corruption do. The argument of corruption typologists is that when researchers end up relying ‘extensively on corruption indices ranking entire societies along one dimension...we implicitly view corruption as essentially the same wherever it occurs, varying in extent but not in nature’ (Johnston, 2013: 11). This research, therefore, addresses a specific challenge to corruption analysts – we need to understand in more detail how and why corruption has taken specific forms in specific contexts. Furthermore, that to do this ‘we need to understand better the relationship between historical development paths, institutional configurations, socio-economic organisation and particular corruption issues’ (Heywood, 2017: 40).

Heywood and Andersson (2009: 751) understand this approach as an underlying issue with the rational choice perspective, it lacks ‘the capacity to distinguish between different types of corruption, as opposed to the overall amount’. The implication in these models is that corruption is driven by the same kinds of structures and that these basically reflect self-interest. This is the argument inherent in this research – by viewing one party funding regime as necessarily more or less corrupt than the other we are missing the point. It might instead be the case that different types of corruption are prevalent in different types of party funding regime.

## **2.5 The importance of a methodological cease-fire in corruption analysis**

We should, however, be careful of drawing these lines too sharply. The introduction to this analysis presented a ‘crude dichotomy’ of ideologically entrenched, warring religious factions. This is a deliberately melodramatic understanding of the ontological and epistemological divides between those who conduct large-N studies and those who conduct small-N comparative study. In reality, neither approach should be (or is) that entrenched. The point is not absolute, it is rather a call for a rebalancing of focus. One does not have to completely renounce the (abstract) notion of corruption as being a complex, country-specific phenomena to accept that one could describe Kenya as more corrupt than, say, Sweden. Equally, one does not have to entirely renounce large-N inspired inquiry to accept that the utility of ranking Kenya as more corrupt than Sweden has its limits, and more should be done to highlight the different corruption challenges that each country faces.

Therefore, quantitative work will not be dismissed out of hand, these indicators will be used to inform and direct the research which will be undertaken. Although deep qualitative analysis, which is more effective when investigating the more abstract notion of corruption will take precedence, targeted quantitative analysis will be undertaken. The above aggregate

indicators, however, will not be used. The methodological critiques (and qualified defences) are important for what it can tell us about the idea of quantification more broadly, particularly when it comes to analysing corruption, over and above whether they are of use in testing the specific ideas in this thesis. When looking at party funding data, one can rely on cross-country comparative sources such as that from the Council of Europe's Group of States Against Corruption (GRECO) and the Institute for Democracy and Electoral Assistance's (IDEA) Political Finance Database (PFD).<sup>11</sup> Furthermore, additional data regarding party finance can be found using the Party Law in Modern Europe database (PLME), created by Ingrid van Biezen.<sup>12</sup>

The data most utilised in this project will be TI's Global Corruption Barometer (GCB). The GCB represents a move away from the expert opinion led CPI towards samples of the general public. This, again, is not without its critics. Firstly, scholars have noted that the results often correlate with other issues and that measuring average opinions regarding human rights and violence would give you an equally accurate measure of the perception of corruption (Weber Abramo, 2008). To this extent Weber Abramo suggests that the GCB is effectively obsolete. It is so strongly related to other variables that time and money can be saved by just concentrating on these world-view issues.

Furthermore, Paul Heywood (2015) notes that the Eurobarometer survey (which will also be used in this project as it asked similar questions to the GCB in 2013) outlined major discrepancies between those Europeans that thought bribery was a major problem (74%) and those that had experienced bribery themselves (8%). The results of the GCB (2013) would place the UK between Afghanistan (performs better) and Zimbabwe (performs worse) on these corruption indicators. It should be noted that the UK performs considerably better on measures of actual experiences of corruption (Power, 2016). However, the perceptions of corruption themselves are of interest. Particularly how policy-makers interpret these perceptions and the extent to which these perceptions drive reform. Furthermore, when linked with the logic of appropriateness (see page 61-65) public perception indicators such as the GCB can be shown to have a real impact on the regulatory process. The GCB, and similar indicators (such as the Eurobarometer survey), are therefore integral to the subsequent analysis.

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<sup>11</sup> GRECO and PFD data accessed here [http://www.coe.int/t/dghl/monitoring/greco/default\\_en.asp](http://www.coe.int/t/dghl/monitoring/greco/default_en.asp) and here <http://www.idea.int/political-finance/> respectively.

<sup>12</sup> PLME data accessed here <http://www.partylaw.leidenuniv.nl/>.



The main reason for not using more quantitative analysis in the research is a practical one, there are few good measures of corruption in party funding and most tend to be overbroad. As well as the two indicators that have been discussed the most recent and most wide-ranging dataset which could be used is from the Quality of Governance (QoG) Institute in Gothenburg which has produced papers ranging from the re-ignition of classic methodological debates (Charron, 2015), to attempts to explain why anti-corruption reforms fail (Persson, 2012) and the clarification of typologies for mapping accountability (Lindberg, 2013).<sup>13</sup> Whilst the QoG data, and the scholars at the institute itself, embody an innovative and empirically exciting step forward in the study of corruption, the data is not suitable for research in this research project. The nature of the phenomena that are being studied – the linkages, relationships and trends between party funding regimes and corruption – necessarily calls for a study that relies heavily on qualitative data (for more on this see the detailed methodological outline in Chapter 4).

## 2.6 Understanding the (more) tangible? Political parties and party funding

There are two clear Europe-wide trends concerning political parties, an overall *decrease* in membership and an *increase* in state subsidisation. The decrease in party membership, with certain exceptions, is a phenomenon that has been analysed since the early 1990s (Katz and Mair et. al, 1992; Mair and van Biezen, 2001; van Biezen, Mair and Poguntke, 2012; van Biezen and Poguntke, 2014; Poguntke et. al., 2016) and is a trend that is recognisable from, at the very least, the 1970s (Bardi, Calossi and Pizzimenti, 2017). As noted by van Biezen and Poguntke (2014: 207), the scale of decline tends to be higher in those countries that have typically enjoyed a high level of membership – yet it is still apparent in democracies both old and new, suggesting that political (party) mobilisation does not manifest itself in (mass) membership.

There is evidence to suggest, however, that although we see political mobilisation decreasing within the traditional party structure and distrust of government rising (Putnam, 2000; Wolfe, 2006; Coggan, 2013), political mobilisation as expression is as robust as it ever was (Lipset, 1997; Dalton and Welzel, 2014; Dalton, 2016). Furthermore, many scholars have argued that viewing party strength merely in terms of membership levels is a one-dimensional understanding of whether parties are indeed in decline (Katz and Kolodny, 1994; Dalton, 2008; Fisher et. al 2014; Scarrow, 2015; Garland, 2016). Members fulfil a multitude of both necessary and essential organisational activities ranging from access to a secondary network

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<sup>13</sup> QoG data accessed here <http://qog.pol.gu.se/data>

of (potential) supporters, labour (often free of charge), a key link to views of the grassroots and (most importantly) legitimacy (Scarrow, 1996). The evidence suggests that, at least electorally speaking, ‘members are not the only fruit’ (Fisher et. al. 2014). However, there are still key challenges that political parties face in a changed political climate; namely, how to raise alternative funds and how to sustain legitimacy. Issues of fundraising, legitimacy and perceptions of corruption are interlinked with these concerns and, moreover, the analysis in this project.

This relates to traditional debates surrounding what political parties are, who they represent and how they adapt to societal and electoral change. The aim of this thesis is not to recap discussions about the evolution of parties from mass, to catch-all, to hybrid, to cartel; nor is it to examine the evolution of cleavage theories. What is of interest is the way in which the decline in membership, and thus the need for alternative funding methods, has had an effect on this evolution. Katz and Mair (1995: 20) explicitly draw a link between how the make-up of party membership affected how parties raised their funds and, importantly, that parties rely increasingly on ‘the subventions and other benefits and privileges afforded by the state’. Of the three main claims in the cartel party thesis: the increased collusion of political parties, the ossification of the political process and the increase in state subvention – the latter is the most empirically plausible.

With regards to the first two claims, Katz and Mair are challenged for oversimplifying a complex process of change, and assuming a higher degree of party control than is strictly credible (see for example Detterbeck, 1996; Koole, 1996; Kitschelt, 2000; Clift and Fisher, 2005). Furthermore, various (often comparative) country case studies have highlighted the empirical shortcomings, and thus overall fragility of the cartel model (Detterbeck, 1996; Young, 1998; Pierre, Svåsand and Widfeldt, 2000; Narud and Strøm, 2011). An over-generalisation, thus, leads to conceptual saturation: ‘it is said that in the Great Smoky Mountains one can predict rain falling and it will be true somewhere...[the] theory is similarly overbroad: one can find some aspect of it wherever one looks at party behaviour’ (Beange, 2012: 23). However, the cartel party as a heuristic device is where the model serves its most useful academic purpose. The underlying argument that there is an increased tendency ‘towards an ever-closer symbiosis between parties and the state’ is one that holds true when we look at trends in party finance and party politics more widely (Katz and Mair, 1995: 6; see also Scarrow, 2006; Karvonen, 2007; van Biezen, 2008; 2012; van Biezen and Rashkova, 2014).

This, unsurprisingly, goes hand in hand with a more general trend for an increase in regulation in party finance. Recent studies have shown the USA to be a clear outlier in this respect, moving towards deregulation, where the opposite appears to be true in other cases (see Boatright, 2015; Dwyre, 2015). A plausible explanation for this is that the USA started regulating political parties much earlier than its European counterparts – thus any recent changes occur from a higher baseline. Indeed, a more general trend for economic deregulation in the private sphere is not matched when it comes to party finance legislation in Western Europe (Fisher, 2015; Koß, 2015; Piccio and van Biezen, 2015). Whilst at first the increase in state regulation seems at odds with these general economic trends, one might see it as consistent with a philosophy that supports deregulation precisely because of a mistrust of public actors (Fisher, 2015b). Therefore, it is consistent with this outlook to both seek deregulation in many private spheres, whilst advocating for increased regulation of public actors – in this case in the party finance regime.

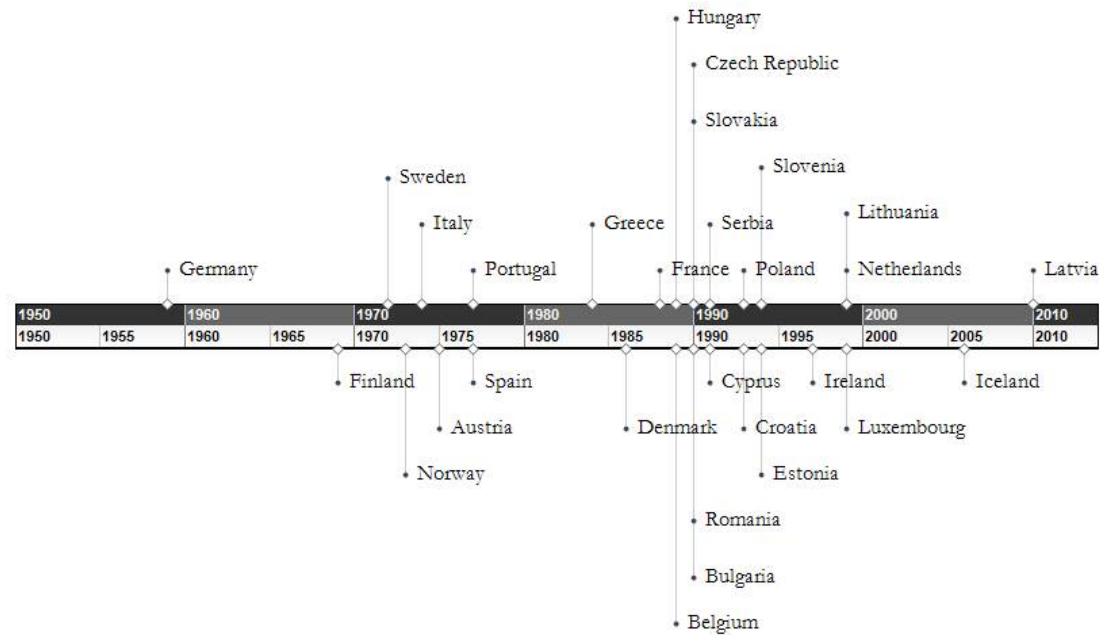
## **2.7 Analysing party funding, a renewed focus: explaining party funding regime change**

The cartel party thesis can be seen as representing the beginning of a new focus of party political research – of which the study of party finance became an integral part. The academic literature on political finance has grown considerably in recent years, with a scholarly turning point a special issue of *Party Politics* in which it was noted – not unfairly – that the field was ‘undertheorized’ and ‘not systematically comparative’ (Hopkin, 2004: 628). Much of the work in the intervening decade, and to an extent before, has addressed this criticism. A key focus much of the work is to explain how (and why) political parties adopt these systems of greater state subsidisation.

Early analysis suggested that geographical and institutional proximity was an important factor in the adoption of increased state financing. The so-called ‘diffusion thesis’ states that if a country has introduced specific party funding regulations, similar states – either geographically or institutionally – will do the same (Naßmacher, 2001: 17). If we look at table 2.2 then we do see that, at least superficially, there is a geographical trend in the implementation of party finance reforms. Neighbouring countries seem to follow each other on the road to reform. This is shown in the case of Finland, Norway and Sweden in the early 1970s and the Iberian Peninsula in the late 1970s. We might also find it unsurprising that many of the Central and Eastern European/former Soviet states introduced significant state subsidisation around the early 1990s. There was a, not inconsiderable, democratic upheaval

on account of the end of the Cold War. Indeed, scholars suggest that the conclusion of the Cold War and the subsequent weakening of certain exogenous pressures both led to an increased focus on corruption in these Western democracies and, relatedly, a focus on discourses of political corruption in political finance (Heywood, 1997: 419; Koß, 2011: 208).

**Table 2.2. Introduction of public funding in Europe**



*Source:* Adapted from van Biezen and Kopecký (2014)

Pierre, Svåsand and Widfeldt (2000) suggest that this diffusion across national boundaries is explained by party system similarity. It is noted that the close contacts Swedish parties have with their Norwegian counterparts explains, to an extent, the temporal proximity in their reforms. Furthermore, it is suggested that this diffusion effect may also be due to ‘international party organisations or international co-operation organisations’ (ibid.: 18). These effects are still seen today with, for example, GRECO an evaluator body of the Council of Europe (CES). Indeed, GRECO claims to ‘monitor all its members on an equal basis, through a dynamic process of mutual evaluation and peer pressure’ (GRECO, 2017). The third evaluation round (launched in January 2007) examined the ‘transparency of party funding with reference to the recommendation of the committee of ministers on common rules against corruption in the funding of political parties and electoral campaigns’ (GRECO, 2007). This does, rather, suggest that for these international organisations that there is a right (and wrong) way to do political finance which neglects a notion of country specific institutional and ideational contexts. This critique is not dissimilar to many critiques surrounding the ‘good-governance agenda’ of international organisations and ‘one-size-fits-

all' approaches to tackling corruption (see for example Marquette, 2004; Buvankovsky, 2006; Shah, 2007; Mungiu-Pippidi, 2015).

Secondly, party funding regime change is suggested to occur on account of an explicit financial and electoral strategy. This is born out of the above stated broad empirical truth that across Western Europe in the past decades, party membership has suffered a marked decline. That this trend is prevalent is not to say that this trend is uniform across Europe; van Biezen and Poguntke (2014: 206) note that the Socialist Party in the Netherlands doubled its membership between 1999 and 2009. More recently the election of Jeremy Corbyn as the Labour Party leader saw membership figures (including party members and affiliated supporters) swell to approximately 515,000 in August 2016, the highest number since the late 1970s (Keen and Audickas, 2016).

The institutional pressure on membership is matched with a very practical institutional pressure on party coffers. Therefore, the incentives for political parties to seek funds from other sources, be it from the state or from the business and financial sector has grown (Heywood and Krastev, 2006: 167-169). Pierre, Svåsand and Widfeldt (2000) suggest that these institutional pressures on membership end up being met by the state as a path-dependent response by these static-centric regimes. Thus, state subsidies are a normal and integrated part of the state's responsibilities in a number of areas, as such, the co-opting of the state machinery to support a failing institution is a normatively, and historically, consistent response. This is not dissimilar to a notion of political parties as public utilities – that in their provision of a vital service to democracy they deserve both state support and state protection (van Biezen, 2004; see also Paltiel, 1976; Panebianco, 1988).

However, for Susan Scarrow (2004) the pressure on party coffers is only one side of the coin. Scarrow posits that this 'revenue maximizing' view is one that neglects public opinion – which is largely unsupportive of increased state subsidisation of political parties. The logical opposite of this, it is suggested, is the 'electoral economy' view which sees money not as an end but as means to an electoral end. Scarrow describes a situation in which parties might actively campaign against the introduction of further state subsidies. Therefore, in operationalising public opinion, Scarrow outlines analysis both of party funding reform, but also inertia.

In Great Britain, for example, parties can be understood as following this approach as they 'value their own electoral benefit above collective financial gains' (Koß, 2011: 154). In this instance, we see less an elite collusion around a static central funding regime – as the cartel

party thesis suggests – but a rejection of this. The political parties, wary of electoral damage, eschew the seemingly rational choice, no matter how beneficial to internal party funds. It has also been shown, however, in the case of Belgium, that ‘initial controversy about the public financing of political parties gradually gave way to a broad consensus’ and that in the sense that an increase in revenue has been the focus of parties, they follow a revenue-maximizing strategy (Weekers, Maddens and Noppe, 2009: 45-46).

Neither the revenue maximizing model nor the electoral economy model should be seen as a direct attack on the cartel party model, but in outlining a number of potential party strategies they do address the criticism that the model oversimplifies a complex process. In outlining state subsidy as a rational attempt to both cartelise and ossify the political process – rather than a recognising a reliance on state subsidisation as representative of a more general evolution of political parties – Katz and Mair leave room for the above mentioned empirical critiques. In this sense, Naßmacher’s (2009: 405) summary – comparing the work to Christopher Columbus – is both a little harsh, yet apposite:

Katz and Mair did not discover a new type of party. They just attached a catchy label to a process of changing emphasis in describing the fundamental role of political parties. They integrated various details that Hermans, Kirchheimer, Epstein, Paltiel and Linz had identified long ago.<sup>14</sup>

Webb and Scarrow (2017), however, provide an alternative perspective on the cartel party thesis that outlines its usefulness both in a general, and in this particular, context. The concentration on these models as empirical realities and not heuristic devices, or complex hypotheses, rather misses the point. There is a clue in the title – the cartel party *thesis*. Therefore, by utilising the cartel party as a heuristic springboard, rather than an empirical claim, we can better throw further light onto the specific institutional development of the party funding regimes of both Denmark and Great Britain.<sup>15</sup>

## **2.8 Corruption and party funding: linking the fields**

Corruption, or at the very least a perception of corruption, is noted as an increasingly important variable in a move from a system of private to state subsidisation (Naßmacher, 1993: 239-240; Strauss, 1994: 1369; Pinto-Duschinsky, 2002; Bull and Newell, 2003; van Biezen, 2010; Koß, 2011; Casal Bértoa et. al., 2014; Piccio, 2014). The argument is that

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<sup>14</sup> Indeed, one might argue that the precise role of social science is to identify common analytical trends amongst seminal works to explain a fundamental shift in the way phenomena are understood (i.e. political parties in ever closer symbiosis with the state) in an easily explainable – and thus critiqueable – way.

<sup>15</sup> This does not mean the further analysis will shirk from any specific instances of critiquing aspects of the cartel party thesis.

donor-based corruption scandals occur when a political actor either acquires funding in a manner that is either outright illegal such as in France pre-1988 (see for example Knapp, 2002; Evans, 2003; Clift and Fisher, 2004; Jankowski, 2008; Koß, 2011), or considered to be morally dubious or involve a conflict of interest. In this case a conflict of interest might be the receipt of a large donation in return for a policy favour. In the case of corruption in party funding, the perception of corruption often serves as a placeholder for actual instances of corruption. Indeed, preferential treatment is often ‘assumed rather than demonstrated’ and importantly ‘coincidence is regarded as adequate causal evidence’ (Fisher, 2002: 395). Many recent reforms are often designed with considerations regarding the increase in citizen distrust with political parties in mind (Scarrow, 2004; Primo and Milyo, 2006; van Biezen, 2008). Therefore reforms, and attempted reforms, sometimes centre on restricting the amount those can donate every year.

The larger issue here, especially when beholden to public opinion, is how to decide what an acceptable level of donation is so as to not buy influence (see for example Taylor, 2005: 621).<sup>16</sup> Therefore, measures like caps on donation (and to an extent spending) are necessarily arbitrary. Followed logically, one might expect the acceptable level at which a donation has no potential corrupting influence to be unrealistically low. If the reform, therefore, is based on easing public perceptions one might ask whether this might ever be successful. Large one-off donations are, necessarily, given by the very rich. What seems like a large amount of money to the not-very rich and the very rich will be very different.

There has been surprisingly little scholarship which addresses the question of why the very rich, and corporations, donate large amounts of money to political parties. The seminal work in this area answered the question ‘if money talks, what does it say?’ (McMenamin, 2013). Business financing of political parties, McMenamin argues, is motivated by two concerns – the pragmatic and the ideological. Pragmatic donations are when a business finances whichever party holds power, whereas ideological donations are those (more stable) donations that are given to parties to which the donor has an ideological affinity. The exchanges that take place are also categorised as corrupt, discrete and reciprocal. Though less interested in the corrupt exchange, discrete exchanges refer to donations for immediate lobbying opportunities and reciprocal exchanges refer to donations for lobbying opportunities in the future.

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<sup>16</sup> Though there is surely not one objective answer to this.

There has been some related scholarship in the USA that attempts to trace money donated at election time. Similar to the findings of McMenamin, donors in the USA can be separated into two categories; ‘investors’ and ‘ideologues’ (Francia et. al., 2003). Investors, much like pragmatists, donate funds across parties whilst ideologues are the opposite and are often motivated by controversial issues such as gun control and healthcare. On the other hand, Welch (1974; 1982) notes that contributions can be either ideological or part of a *quid pro quo*. Whilst this may seem a similar proposition, investors do not necessarily expect some kind of tangible return of favour, investing in a relationship may deliver more discrete returns.

To take these findings further and understand the motivations of donors, scholars have investigated the kinds of legislator that receive the most donations. They tend to go to the more classically influential such as party leaders, majority members and committee chairs (Denzau and Munger, 1986; Grier and Munger, 1991; 1993; Grier, Munger and Roberts, 1994). This would suggest, at least superficially, that donations are expected to have an either implicit or explicit value (which is not the same as an outright corrupt exchange). Building on this, researchers have found that in both gubernatorial and presidential campaigns, money follows the winner (Brown, 2013; Gelman and Zachary, 2016). This would suggest that donors, in these closed contexts, are less ideological and tend to be investors.

These initial findings – in those countries with adequate transparency regimes – suggest a path for further research. However, even thinner on the ground is research that analyses the motivations of the recipients of these donations. In other words, how do policy-makers envision that these cash-for-access relationships work and whether they lead to any undue influence?<sup>17</sup> Indeed, much of this evidence comes from first hand sources. For example, accounts of party fundraisers in Great Britain suggests that politicians generally tend to have a negative view on attending fundraisers, meetings with donors and the work that these fundraisers do (see for example Levy, 2008; Watt, 2010). It is for this reason that a secondary focus of this project will be to investigate and analyse the motivations of policy-makers themselves when it comes to the relationships between donors/interest organisations and create a typology of access.

## 2.9 Attempting to solve transparency issues

Another way corruption plays into the debate on political party finance is an increase in transparency regarding political donations and elite level relationships. The basic logic is that

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<sup>17</sup> McMenamin (2013), as a part of his analysis of Australian business financial relationships, includes some qualitative data to this effect.



disclosure requirements protect against corruption because, to quote Supreme Court Justice Louis Brandeis, ‘sunlight is said to be the best of disinfectants; electric light the best policeman’ (quoted in Dwyre, 2015: 59). A (slightly) alternative understanding is that transparency is linked with reforms to state funding as a trade-off; state funding provides a boost to the coffers of the parties, in return for greater disclosure (see for example Scarrow, 2006; Koß, 2015). In the sense that both measures are expected to nullify large donations, they are both seen to have a positive effect on levels of corruption in said countries. The focus on transparency chimes with arguments in support of the aforementioned ‘diffusion thesis’. That is to say transparency is a key recommendation – and lobbying point – of many international organisations including; GRECO, the Organisation for Economic Co-operation and Development (OECD), IDEA and, unsurprisingly, TI. Furthermore, the Money, Politics and Transparency project (MPT) launched by Global Integrity collects data and provides country level scorecards dependent, in part, on the transparency of the party funding regime.

However, the empirical evidence related to both increased state regulation in party finance and transparency is unconvincing. In Western Europe, for example, the Nordic states tended to trail others in the introduction of internationally ‘acceptable’ transparency regulations, yet these states regularly appear at the top, or near the top, of the CPI (see table 8.1). When it comes to the reduction of corruption, studies have shown that the introduction of state funding has a limited effect on the reduction of these perceptions (see for example Casas-Zamora, 2005; Casal Bértoa et. al., 2014). Furthermore, increasing regulation may be similarly ineffective as ‘the regulation of political parties in some countries inhibits their attractiveness to the public’; moreover, ‘if mistrust is the primary cause of party regulation then deregulation may be ineffective’ (Whiteley, 2014: 393).

This feeds into aforementioned research which suggests that a ‘perception of corruption may broadly represent a general distrust of others’ (Persily and Lammie, 2004). Indeed, recent research finds that ‘evaluations of the behaviour of politicians display systematic patterns and that these patterns are conditioned by negative affective attitudes towards politicians’ (Birch, Allen and Sarmiento-Mirwaldt, 2017: 11). In party finance terms the primary problem is ‘not corruption, crime, tax evasion, undue influence of fat cats or special interest groups, but the *appearance* of corruption, crime or undue influence’ (Lösche, 1993: 220).

This chimes with research which suggests that a party funding reform becomes more probable when political discourse identifies the introduction of state subsidy as a ‘remedy

against corrupt practices in party politics' (Koß, 2011: 4; see also Koß, 2008; 2015). Much of the scholarship in recent years contends that a large reason that political finance regulation, in the form of increased state subsidisation, was introduced as a means of combating perceived corruption in party finance (Scarrow, 2004; Weekers, et. al., 2009; van Biezen, 2010). In this sense, it is less a discourse on corruption which represents a variable growing in importance; but the elite responses to these corruption indicators that drives reform. Forming a greater understanding of how perceptions of corruption affect decision making, can further draw out deeper analysis of our understanding of how political parties act, and think they ought to act, in a representative democracy.

## **2.10 The problem of perception: political parties, representative democracy and the responsible party model**

A further factor of how (and why) political parties enact legislation that includes further regulation of political parties, particularly in the form of increased state subsidy, is to promote equality of opportunities and create a (more) level playing field for competing political parties (see for example Avnon, 1995; van Biezen, 2008; Kölln, 2016). Kölln, argues that in some cases (particularly in Denmark and the Netherlands) parties are successful in this aim. However, it is debatable whether the creation of a level playing field is, in fact, a primary concern of political parties when enacting change of a party funding regime. The evidence collated above, rather, would suggest that there are numerous drivers of regime change: explicit electoral/financial strategy, geographical/institutional proximity to other states enacting change, wider party organisational change and evolution, and as a response to perceptions of corruption. The level playing field thesis seems rather more like a secondary concern. Once the decision to reform (or discuss reform) has been enacted, then reform should be undertaken in a way that is as fair as possible (i.e. create a level playing field).

Kölln's addition, rather, is by noting that in attempting to level the electoral playing field (whether a primary or secondary concern) the actions of political parties can be understood as fitting into a reformed understanding of the responsible party model (Kölln, 2016: 72; for an account of the responsible party model see Mair, 2008). The responsible party model states that the central role of political parties is to be in competition with each other and offer (sometimes) distinct policy proposals to allow voters to make clear electoral choices and hold parties to account (see for example Thomassen, 1994). This, it is said, is where political parties draw their legitimacy from. Therefore, if political parties are to receive (significant) subsidisation from the state then legitimacy is integral. The implication here is

that parties require a comparatively level playing field in terms of resources if they are to offer meaningful competition and choice to voters.

Party finance reform, then, can be understood in terms of a reformulated understanding of the responsible party model. The aforementioned evidence on corruption and party finance suggest that in a time of haemorrhaging trust in political institutions (see for example Dalton and Weldon, 2005; Aarts and Thomassen, 2008; van Biezen and Saward, 2008; Foa and Mounk, 2016) both party system stability and party legitimacy play a key role in elite deliberations. In response to this (at the very least) European trend, elites and campaigners may advocate for reform of the party funding regime to restore this legitimacy. As the empirical evidence that increasing state subsidisation reduces levels of corruption and perceived levels of corruption is questionable, it is all the more important to answer the central research question of this thesis – what types of corruption might we expect to find in these contexts?

Kölln, by framing the problem within the contexts of the responsible party model, strikes at a key consideration in the following analysis – public opinion. In the British context, public opinion has been shown to be a rather poor indicator of how the party funding regime actually operates (van Heerde-Hudson, 2011; van Heerde-Hudson and Fisher, 2013). This research shows that although the British public has little knowledge of the funding regime, this ignorance is no barrier to hostility towards the system. Attitudes towards party finance, it is argued, fall into two camps: those that are ‘anti-party finance’ (because parties, and by extension politicians, are regarded as inherently corrupt and a waste of money) and ‘reformers’ (those that feel the existing party funding regime is unsatisfactory, but support further reform) (van Heerde-Hudson and Fisher, 2013: 43). Ultimately, it is concluded that ‘the British public knows little of party finance and, consequently, public opinion is unlikely to offer a rational course of action for effective reform’ (ibid.: 56).

An over-reliance on public opinion could therefore be ceding ground to those that hold a ‘bad faith model’ of politics (Flinders, 2012; see also Flinders, 2010). The ‘bad faith model’ interprets all politicians as necessarily self-interested, to be distrusted, and corrupt. It feeds into the narrative, both mainstream and academic, that democratic institutions are failing. Flinders notes that ‘democracy is more fragile than most people recognise’ and that the demonisation of all politicians ‘risks unnecessarily eviscerating public confidence in democratic politics’ (2012: 2). In enacting reform with a focus on public perceptions of corruption, an opinion that – in the British context – is demonstrably mistaken mean it is

possible that these reforms could do more harm than good. Moreover, in certain contexts anti-corruption reform, and more general reform increasing regulations, has been shown to be ineffective (see for example Ostrom, 2000; Anechiarico and Jacobs 1997; Lodge and Hood, 2002).

This feeds into a wider discussion about political representation and the role of political parties (and policy makers) in representative democracy. In representative democracy, elections form the basis of democracy, and it is free and fair elections that enable citizens to hold political parties to account (see for example Manin, 1997; Manin et. al. 1999; Urbinati, 2005). In this sense regular elections are the foundations of representative democracy; parties only fulfil the tenets of representative democracy itself ‘if they comply with this core meaning of representative democracy’ (Kölln, 2015: 597). This conception of representative democracy relies on the inherent conflict between *mandate* and *independence* – should MPs put public opinion first, or follow their own judgement (see for example Eulau and Wahlke, 1959; Pitkin, 1967)?

However, as Andeweg and Thomassen (2005) note, this conception is somewhat simplistic. In its place they offer a fourfold typology of representativeness: authorisation, accountability, delegation and responsiveness. Authorisation is said to be linked with the classic conception of the responsible party model – that voters are able to distinguish between competing parties and that the political agenda is stable. Accountability, is ‘not often recognised’; here the representative acts ‘like a political entrepreneur’ (ibid.: 513). That is to say the representative is ‘essentially proactive, identifying and promoting policies that she believes will be appreciated ex post rather than preferred ex ante’ (Brennan and Hamlin, 1999: 115; quoted in Andeweg and Thomassen, 2005: 513). Delegation, for Andeweg and Thomassen, is (probably) the ideal type of representative democracy, but relies on the assumption that politics is predictable and voter preferences are stable. Responsiveness has, as its driving force, the representatives’ desire to please – or indeed – fear (Andeweg and Thomassen, 2005: 512-513).

To be clear the above is not primarily an attempt to reformulate our understanding of political parties and their functions within representative democracy – although scholars have (with good reason) argued that the divide between democratic theory and the study of political parties is indefensible (van Biezen and Saward, 2008). When discussing the increasing role of public opinion in affecting party funding regime change – particularly with regards to discourses of corruption – these concerns are unavoidable. Therefore, as well as

addressing the primary research question and attempting to typologise whether specific types of corruption are prevalent in certain types of party funding regime, the thesis will address how these findings interact with our understanding of representative democracy and the implications of this.

## **2.11 Conclusion**

The above review of previous (and ongoing) scholarship summarises key debates in the field of corruption, party funding, public opinion, party funding regime change, and understandings of representative democracy. These are among the issues that the thesis as a whole will touch on. It has outlined important debates regarding both the definition of corruption and the quantification of corruption. Whilst these debates are vital, the following analysis relies on drawing a definitional and methodological line in the sand, in particular when it comes to the quantification of corruption. That is not to say that statistics will not be used but rather that they will be a secondary concern.

The above has put the debates that will be considered below into essential analytical context. The following chapter will outline how the analysis will fit into a broader theoretical framework. The argument will be posited that theories of party funding regime change fit under an analytical umbrella of new institutional analysis. Then Chapter 4 will outline the reasoning behind the case selection and the specific research method that will be employed, before in depth empirical analysis of the chosen case studies.

### **3. New institutional understandings of party funding, corruption and regime change: towards a consolidated approach**

This chapter will address the key theoretical concerns when applying a new institutional understanding to analyse whether a certain type of corruption is, or is not, prevalent within a given institutional context. As the thesis is centred on specific institutional contexts (and constraints) it would seem only natural to apply new institutional analysis. However, these approaches are not without their controversies and detractors. The chapter begins with a brief discussion of new institutionalism itself, or the curious resilience of the study of institutions in political science. Following on from this will be an outline of new institutional understandings of party funding regime change. As the previous chapter outlined, party funding regime change and understandings of corruption are linked. It is for this reason that it is logical to ground this thesis in understandings developed from this varied literature. The analysis will then outline the analytical flaw in understanding institutional change within a particular strand of new institutionalism (i.e., historic institutional, normative institutionalism, discursive institutionalism, etc.). This chapter will argue that, in the case of party funding regime change, institutional change is better understood if these analytical strands are treated as distinct but inextricably interconnected phenomena. Leading on from this the analysis will outline how within this consolidated new institutionalism the ‘logic of appropriateness’ can be operationalised and assess the prevalence of either donor-based corruption, or co-functioning corruption within the country case studies. Finally, the chapter will state two hypotheses which will be tested in the empirical chapters.

#### **3.1 New institutionalism**

Of the academic developments that occurred in the late 20<sup>th</sup> and early 21<sup>st</sup> century one that has held a significant – and lasting – influence is the re-emergence of institutional analysis. With the rise of behavioural (and rational choice) approaches to understanding political life traditional institutional analysis took something of a back seat. Indeed, an approach which focused upon ‘formal rules and organizations’ as opposed to ‘informal conventions’ and much ‘broader institutional constraints on *governance*’ seemed rather passé (Lowndes, 2010: 62). In the past fifteen years alone two *Oxford Handbooks* have been released aiming to facilitate a greater knowledge of institutions and how we should understand their significance to contemporary political analysis (Rhodes, Binder and Rockman, 2006; Fioretos, Falletti and Sheingate, 2016). It is, then, little surprise that those following this approach are given to bold claims such as ‘we can say of much of political science today what Richard Nixon once said of Keynesianism: We are all institutionalists now’ (Pierson and Skocpol, 2002: 706).

This scholarly embrace of new institutionalism is, in part, due to a renewed focus on complexity. The approach is characterised by a variety of epistemic positions as a means to explain ‘*how* and *when* institutions shape political developments’ (Fioretos, Falletti and Sheingate, 2016b: 3). However, this also highlights a key critique of a new institutional approach to political science; an empirical eclecticism can lead to an empirical and normative *fluffiness*. The institutionalist scholar becomes a kind of analytical mercenary, creating a bricolage of methods that picks and chooses different epistemologies and positions depending on what the specific nature of the analysis at hand is. These critiques somewhat neglect the extent to which this eclecticism is less a weakness but to a large degree desirable given that ‘any institution (whether a formal institution or a norm) is embedded within a larger set of institutions’ (Steinmo, 2008). The curious resilience of institutionalism, perhaps, lies in its very malleability. An understanding of the way in which institutions shape conventions and governance, but also the way in which actors understand and shape these conventions is embedded throughout new institutional analysis.

If we return to an early attempt to rationalise and define just what new institutionalist analysis is, we can unpick this puzzle further. New institutionalism understands institutions as comprising ‘a set of formal and informal rules which structure social action and are shared within a particular organization or community’ (Lowndes, 1996). Therefore, a new institutionalist gives analytical importance to the study of agents and processes within institutions and the relationship *between* these institutions, agents and processes. It is therefore important when applying new institutionalist analysis, to understand how political life is ordered within a variety of mechanisms that both constrain actors but also enable them within these constraints (see for example March and Olsen, 1984).

For the purpose of this thesis it is far easier to ground varying institutional approaches within the existing literature on party funding regime change. This chapter, having focused in on the more specific, will then take a wider view again to explain how this thesis will fit in with wider institutional analysis in the academic community. Party funding regime change itself is intimately related to perceptions of corruption within that regime and this has had an inevitable influence on the framework that is adopted here.

### **3.2 New institutional understandings of party funding regime change**

Whilst many of the scholars might not identify as new institutionalists, much of the analysis – concerned as it is with institutional adaptation and change – is best understood in this tradition. In this context the work of Katz and Mair is understood as employing a rational choice institutional framework. As well as more general critiques of the cartel party thesis and numerous restatements and clarifications regarding the validity of the concept (e.g. Blyth and Katz, 2005; Katz and Mair, 2009; Katz, 2011), Katz and Mair have been specifically critiqued by party funding scholars for oversimplifying a complex process, assuming a higher degree of party control than is credible (Clift and Fisher, 2004) and being empirically unsound (see Narud and Strøm, 2011).<sup>18</sup> Not wanting to throw the baby out with the bathwater, other rational choice explanations of this change seem more plausible.

First, Ingrid van Biezen's concept of political parties as 'public utilities' reframes the debate (van Biezen, 2004). Here, state funding is legitimised as political parties are understood, essentially, as a public good. Therefore, the acceptance of an increase in state subvention is a rational response to declining funds, due in large part to falling membership numbers. As political parties are essential to the functioning of democracy, and are no longer guaranteed funds from other sources, the taxpayer invests in democracy. This represents a classic collective action problem in which state subvention nonetheless remains an unpopular solution to large parts of the populace (as in Great Britain).

Employing a rational approach from a different tack, Susan Scarrow outlines how political parties might reject increased state funding – as they have in Great Britain – yet still be considered to act in a rational, utility maximising way (Scarrow, 2004). Here, political parties reject the seemingly rational choice; the achievement of a subsidy which would make raising funds easier and, if cartelisation is to be believed, ossify the political playing field to the advantage of the established parties. Such a position is plausible if it would lead to an electoral advantage over the other parties, even at the cost of further damage to the party funding regime. This electoral economy approach is prevalent in Great Britain, where two key reasons for not introducing state funding are motivated by a vote-seeking strategy. Indeed, of three key institutional stumbling blocks to reform both a lack of public support (manifested as vote seeking) and the timing of suggested reforms (manifested as strategic vote seeking) have been identified as key factors in supposed party funding inertia (Power, 2017).

In this sense, these two institutional locks (the third being the relationship between the two largest parties and their major funders) represent electoral economy models of strategic

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<sup>18</sup> Some of the empirical work in the following chapters will add further support to this critique.



(vote-seeking) preference (see chapter 6, page 134-136 for more on this). In both cases there is the opinion that reform could be electorally damaging.<sup>19</sup> This leads to inertia in which, turning to the literature on path dependence, a positive feedback loop (not suffering unwanted electoral damage) creates an equilibrium which is resistant to any change (Pierson, 1993; 2000).

Historical institutionalism has also played a key role in understanding both why previous party funding regimes have adopted systems of increased state subsidy and why Great Britain remains 'exceptional' to this trend (Fisher, 2009). In Scandinavia, for example, it has been shown that state subsidies are 'an integrated part of the state's responsibilities and societal roles' and as such represent a 'path-dependent response' by static-centric regimes – the co-opting of the state to support a (supposedly) failing institution being common there (Pierre, Svåsand and Widfeldt 2000: 19). In this sense we can formulate this argument as being a precursor to van Biezen's conception of political parties as public utilities and as such an amalgamation of both rational and historical conceptions of institutional policy development.

In Great Britain path dependence is also seen to be a prevalent factor – between the introduction of the Corrupt and Illegal Practices (Prevention) Act 1883 (CIPPA) and the Political Parties, Elections and Referendums Act 2000 (PPERA) the party funding regime itself was characterised by legislative inertia. PPERA, in this case, represented a historical echo of the CIPPA, where similar limits were adopted at a local level. Thus, 'historical precedent' provided a path dependent constraint. Increased state funding was rejected, in part, because the introduction of spending limits had worked at the local level (Fisher, 2011: 30).

In Great Britain part of the case made for the rejection of further significant state aid is that the aforementioned spending limits and that full and timely disclosure of so-called large donations (at present those over £7,500) will help to remove suspicion from these donations. This is seen explicitly in *The Funding of Political Parties in the United Kingdom*, the 1998 Committee on Standards in Public Life (CSPL) report that formed much of the basis for PPERA: 'we believe that our proposals for increased disclosure, set out in Chapter 4, will go a long way to alleviate the public's doubts and suspicions about the sources of party funding' (Committee on Standards in Public Life, 1998: 92).

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<sup>19</sup> This can be due to a general lack of public support, the proximity to an election, the increase of subsidisation from the state in times of austerity or a combination of all three.

British exceptionalism has been understood in normative institutionalist terms as explaining the continuation of the absence of significant state funding. Voluntarism is the normative status quo and despite multiple episodes of perceived malfeasance in relation to political finance, the introduction of state funding is not considered a remedy (see, for example, Clift and Fisher 2004; 2005). This position is shown, to an extent, in the aforementioned CSPL quote and further by the argument that if ‘Oxfam raise their funds entirely through voluntary donations’ then why ‘shouldn’t political parties?’ (Wheatcroft, 2000). The voluntarist tradition can be challenged implicitly by those who argue that the system is not entirely voluntary – not least with Cranborne and Short money providing some state subsidies (further, charities such as Oxfam also receive forms of state aid). The argument stands that at the very least a perceived voluntarist status quo has prevailed in Great Britain, in much the same way that a preference for statist responses has in, for example, Scandinavia.

Clift and Fisher (2004: 687) show that in the French case – as a result of a number of corruption scandals in the 1980s (see for example Janokowski, 2008; Naßmacher, 2009: 239-240) – the ‘status quo was unable to deliver corruption free political finance’.<sup>20</sup> This failure subsequently led to the introduction of a significant amount of state subsidy to political parties, whereas before the party funding regime was (comparatively) underdeveloped. Therefore, in this case historical institutionalism does not provide a sufficient explanation as to why these embedded institutions were unable to constrain, or guide the path chosen by reformers:

The ‘higher’ normative institution of the French model of party democracy endured. Although regarded with some suspicion, and...relatively weakly embedded in civil society, a widespread consensus remained regarding the centrality of parties to a functional French democracy. The means to deliver a competitive party-based liberal democracy shifted from a *laissez-faire* to an *etatiste* approach, but the goal was to deliver freely competitive political parties. French parties remained voluntary organizations, albeit now underwritten by significant state funding, and subject to greater regulation (Clift and Fisher, 2004: 690).

In this sense we can understand the interplay of rational, historic and normative institutionalism as a manifestation of the conception (in the wider institutionalist and path dependence literature) of ‘increasing returns’ (Pierson, 2000). In Britain the ‘cost of exit’ to a significant increase in state funding was deemed either too much of a risk, or unlikely to be an improvement on the status quo, whereas in the aforementioned Scandinavian case it was

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<sup>20</sup> It is further noted that this spike in public awareness of corrupt activity was due to both the rise of investigative journalism and an increase focus on these activities by investigating judges (see for example Adut, 2004; Chalaby, 2004; Birch, Allen and Sarmiento-Mirwaldt, 2017).

seen as not only key for the continued survival of political parties, but a continuation of a (broadly) Scandinavian norm (this is elucidated in far greater detail in Chapter 8).

### 3.3 Corruption and party funding

The most recent addition to the field, utilising discursive institutionalism, argues that corruption is becoming a key driver of party funding regime change. It is by no means a full-blooded discursive institutionalist interpretation of party funding regime change, but analysts who adopt this approach argue that these decisions are shaped, not determined, by political discourses surrounding corruption. Specifically, where this discourse identifies the introduction of state funding as a ‘remedy against corrupt practices in party politics’, state funding is more likely to be introduced (Koß, 2011: 49). As well as representing a key theoretical addition to the field, Koß also notes the increasing importance of political corruption in debates surrounding reform of political finance and the importance of investigating whether these are driven to a more significant extent by this factor (Koß, 2011: 208).<sup>21</sup>

The Koß position that notions of corruption and anti-corruption are becoming increasingly important drivers of party funding regime change is not exceptional. Corruption, or at the very least a perception of corruption, is noted as an increasingly important variable (Naßmacher, 1993: 239-240; Strauss, 1994: 1369; Pinto-Duschinsky, 2002; Bull and Newell, 2003; van Biezen, 2010; Casal Bértoa et. al., 2014; Piccio, 2014). However, many explanations of party funding regime change have been forwarded, from explicit electoral/financial strategy (e.g. Katz and Mair, 1995; Scarrow, 2004), geographical proximity to other countries enacting change (Naßmacher, 2001), party organisational change (Weekers et. al., 2009) and an attempt to level the playing field as a representation of the responsible party model (Kölln, 2016).

It has been argued that the work is ‘actually a component of the normative institutionalism advanced by Clift and Fisher (2004), since it focuses on things such as ‘dominant discourses on political corruption in shaping parties’ goals’ (Fisher, 2011: 31). Koß agrees that political actions are ‘largely determined by actors’ interests and the institutional context in which they operate’, but the point remains that ‘interests and institutions are shaped, but not determined, by political discourses’ (Koß, 2011: 49). However, the intervention remains seminal. This is because the explicit focus on the importance of discourse goes some way towards challenging

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<sup>21</sup> As Koß suggests this seems plausible considering the alleviation of various pressures on Western European states post-Cold War.

a key critique of historic (and to an extent rational choice) institutionalism. Namely, that it can ‘effectively leave us with ‘unthinking’ actors who are in an important sense not agents at all’, and that ‘subordination of agency (action) to structure (rules)’ remains a problem (Schmidt, 2008: 314). Whether these critiques are well-founded or not – and I am not proposing an entire doctorate discussing the intricacies of new institutionalist thought – the work of Koß is important because it addresses these concerns in the research design and that leads him to plausible empirical conclusions. Furthermore, it represents the realisation of the importance of perception – and the important role discourse plays in the formation of these perceptions – when studying corruption. Further, a focus on discourse serves to ‘bridge the gap between institutional and actor-centred analysis, that is, between structure and agency’ (Schmidt and Radaelli, 2004: 192).

In the field of party finance we find a whole variety of (new) institutionalisms purporting more or less persuasively to explain change. Rational, historic and normative institutionalism have equally compelling explanations, and in many ways complement our understanding of how change occurs. This causal complexity is key to understanding how (and why) party funding regime change occurs. Any given institution (formal or informal) is layered within a larger set of institutions (Streeck and Thelen, 2005). This is the institutionalists’ bread and butter. An institutionalism that integrates these understandings is more likely to, for example, offer analytical purchase on these complex questions regarding post-formative change (see for example Hay, 2006).

### **3.4 Beyond sectarianism: towards an integrated institutionalism**

One of the most noticeable characteristics of new institutionalist thought, and debates within new institutionalism, is just how compatible different institutional explanations are with each other. It leads to a ‘set of concepts that are very similar but, because of their distinct origins and vocabulary, never quite identical’ (Della Porta and Keating, 2008: 35). The *epistemic eclecticism* – Lowndes (2010: 60) identifies no less than nine separate strains of new institutionalist thought – of the approach has been seen as both a strength and a weakness. As mentioned above, if new institutionalism has no overriding epistemology, then does the analysis lack a normative (or intellectual) weight?

These debates sometimes lead to scholars engaging in methodological stubbornness, manifested in the explicit privileging of their own type of institutional analysis over the institutional analysis of others. Radaelli and Schmidt, for example, have an analytical starting point which is ‘not interested in discourse *per se*, but in the role of discourse within processes

of policy change' (Radaelli and Schmidt, 2004: 366). This seemingly reasonable position is usurped by later works which relegate other institutional approaches as merely serving as 'background information', engaging in the very same 'methodological warfare' she appeals for political scientists to abandon in the following paragraph (Schmidt, 2008: 322). The methodological warfare of competing explanations is reminiscent of the analysis of differences between quantitative and qualitative traditions as worshipping alternate Gods (Beck, 2006). This religious metaphor, extended to institutionalist analysis, can equally be seen as 'difficult and marked by misunderstanding' with academics 'privately sceptical or suspicious' of other institutionalist approaches (Mahoney and Goertz, 2006: 227-228).

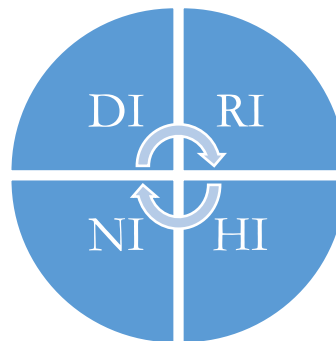
Institutional theorists have therefore spent considerable energy enacting a methodological ceasefire. Though outlining three distinct types of new institutional analysis, Hall and Taylor (1996: 957), call for 'a more open and investigative interchange among' the different strands. Furthermore, March and Olsen (2006b: 16) have argued that the spirit of a new institutionalist approach is to 'supplement rather than reject alternative approaches'. The argument is neither that each institutionalism is one and the same, nor that each institutionalism should be treated as totally separate. The argument is that each institutionalism should be treated as representing a distinct, yet interconnected understanding of the phenomenon that is being explained. Lowndes and Roberts (2013: 11-12) put it best when they argue:

We wish to distance ourselves from the *sectarian defence* of any particular scholarly niche...beneath the apparent diversity and fragmentation of scholarly endeavour, there is a single, coherent institutionalism from the central core of concepts...we are talking about an *integrating theory* which takes the concerns and dilemmas posed by the various strands of institutionalism and brings them together to produce convincing explanations of political conduct and outcomes [emphasis added].

If we take the case of the continuance of, for example, British exceptionalism we can understand the inertia as encompassing the interplay of 'electoral economy', 'path dependency in legislative output', 'conception of the voluntarist tradition' and the 'lack of consensual communicative and coordinative discourse'. Therefore, it would be incorrect to describe the theoretical framework in this thesis as any separate institutional strand; rather the framework is best described as a consolidated new institutionalist framework (see figure 3.1). Lowndes and Roberts (2013: chapter 3) outline three phases in the development of institutionalist thought: *exploration and rediscovery*, *divergence and division* and *convergence and consolidation*. The work proposed follows a convergence and consolidation approach – 'phase three new institutionalism'.

The following section will outline the key concept which will be utilised in the analysis; the ‘logic of appropriateness’. The section will go on to discuss how both the logic of appropriateness – and a more holistic consolidated view of new institutionalism – allows us greater analytical purchase on notions of both party funding regime change more generally, but also the types of corruption we might expect to see in these institutional contexts. The analysis will then move to outlining a number of hypotheses which will be tested with the empirical work in future chapters.

**Figure 3.1 New institutional explanations of party funding regime change, understood as distinct but interconnected**



**Legend: DI = Discursive Institutionalism, RI = Rational Choice Institutionalism, HI = Historical Institutionalism, NI = Normative Institutionalism**

### 3.5 Utilising the logic of appropriateness

As discussed in the literature review and above, a recent discursive institutionalist addition to the field of party funding research argues that corruption (or the perception of corruption) is becoming a key driver of party funding regime change. Whilst by no means a full-blooded discursive institutionalist interpretation, the argument remains that some decisions are shaped, but not determined, by political discourses surrounding corruption – more specifically where this discourse identifies the introduction of state funding as a ‘remedy against corrupt practices in party politics’ (Koß, 2011: 49).

This seems to be the case in Great Britain. Reviews into the reform of the party funding regime are couched almost entirely in these terms. One merely has to consider the subtitles of The Hayden Phillips Review in 2007 and the CSPL Review in 2011 (‘fair and sustainable funding of political parties’ and ‘ending the big donor culture’) as evidence of their fundamental starting point. The arguments put forward by both Hayden Phillips and the

CSPL can be summarised as follows. First, that political parties were in crisis and as such the current system was unsustainable (taking amongst other things the Europe-wide decline in membership as proof of this). Secondly, that there was a perception of corruption in the way that parties were funded, and that this was (and is) damaging to the institution of democracy. As Phillips has noted ‘although our political system is one of the cleanest in the world, if the public suspects that influence over parties may be bought by the rich and powerful, this can only serve to erode further the support for political parties’ (Hayden Phillips, 2007: 2). Furthermore, there remains ‘a high degree of scepticism about the motivation of both donors and recipients’ (Committee on Standards in Public Life, 2011: 8).

Therefore, if party funding reform tends to occur or – at the very least in the case of Great Britain – is suggested to occur in a move from private to public subsidisation there are considerations to be made. Firstly, whilst there are a number of reasons politics in general adopt a model of greater state subsidy one of these reasons, and a factor that is growing in importance, is the perception of political corruption.<sup>22</sup> Furthermore, state funding becomes more probable the more the discourse surrounding political corruption identifies state funding as a remedy. Therefore, in those states where discourse was a factor, then state funding was considered to be a necessarily less corrupt form of political finance by those enacting change, and those campaigning for reform of the party funding regime. In Great Britain the proposed system of increased state subsidy is talked about, by some elements, in these terms. This is best elucidated in a comment piece from *The i* newspaper:

How much do you care if our government is being corrupted by shady donors? What would you be prepared to pay once a year to stop it happening? The cost of half a pint of beer? Too much? How about a pound coin? Still too much? Surely, we can settle for 50p then, the price of a first-class stamp? That is the miniscule charge to us of preventing the disgusting practices that now contaminate our politics (Sieghart, 2012).

Further to this, if alongside other institutionalisms we understand that discursive understandings of party funding regime change are important then the place of perceptions becomes key. If, discursively speaking, perceptions are enough to not only shape debate but actually guide the policy making process, then these perceptions can be considered as important and damaging as actual instances of party funding related corruption. This understanding reflects sociological theory, originally manifested as *The Thomas Theorem* in that ‘if men define situations as real, they are real in their consequences’ (Thomas and Thomas,

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<sup>22</sup> As Koß suggests this seems plausible considering both the lifting of various pressures post-Cold War (see for example Heywood and Krastev, 2006; Hough, 2013) and the increased focus amongst Western states in combating corruption post-Cold War.

1928: 572) but is better understood in this context in terms of the ‘logic of appropriateness’ (March and Olsen 1989; 2006).

This has been a theme of recent party funding research, which has attempted to utilise such a framework to circumvent the issue of context: ‘what constitutes a scandal in one democracy may not be constant across democracies’ (Fisher, 2015b: 222). This is best demonstrated in the closed European sense when comparing sex ‘scandals’ in France and Great Britain. In France, politicians can remain relatively unpunished, whereas in Great Britain it can cause, at the very least, embarrassment and at the worst the end of a political career (Sarmiento-Mirwaldt, Allen and Birch, 2014). Research suggests that in general, France seems to have a different ‘corruptness threshold’ than we might see in other countries. The level of tolerance is in other words simply much higher (Lascoumes, 2010; 2011; referenced in Birch, Allen and Sarmiento-Mirwaldt, 2017). Further experimental research found that ‘many French citizens are somewhat more relaxed about certain practices which might perturb an Anglo-Saxon soul’ (Birch, Allen and Sarmiento-Mirwaldt, 2017: 11). Scandal or corruption therefore can (and should) be treated as a continuous rather than binary variable (Fisher, 2015b: 222).

This further feeds into the notion in the wider corruption literature that anti-corruption reforms, especially in those countries with systemic corruption, come about on the basis of a fundamental theoretical miscategorisation. That is to say, efforts to curb corruption are based on the conceptualization of corruption as a principal-agent issue, when it in fact resembles a collective action problem (see for example Persson, Rothstein and Teorell, 2013; but also Rothstein and Teorell, 2008; Rothstein, 2011; Hellmann, 2017). There is a time and a place for an in-depth discussion of these debates and it is becoming one of the premier analytical dichotomies in corruption analysis, however, this thesis is probably not the place for it (for an overview see Hough, 2017: chapter 5). This work is important, though, for what it says – indirectly – about the logic of appropriateness. The work of Persson et. al. (2013: 461-462) suggests that citizens (pragmatically) accept a situation many would view as corrupt because it – amongst other things – is seen to facilitate life and allows the actor to bypass inefficient institutions. Context matters.

These debates feed into wider issues with so-called one-size-fits-all approaches to tackling corruption. If corruption means different things in different places and, importantly, various types of ‘corrupt’ act are seen as more acceptable in different states, then understanding whether a corrupt act has occurred – especially in a comparative context – is at best



misguided, or at worst, Sisyphean. However, utilising both the logic of appropriateness and treating corruption as a continuous variable allows us to face this task head on.

The logic of appropriateness, therefore, allows us to compare political finance corruption (and more widely scandals) across settings. Furthermore, as the logic of appropriateness differs from country to country, utilising it prevents a researcher from seeing scandal/corruption when in a given country there may be none. The logic of appropriateness further provides a guide to what is and is not considered a corrupt act in certain settings. When the logic of appropriateness is breached space opens for deliberation over competing norms and values – thus creating real space for policy reform (or attempted policy reform) (March and Olsen, 1989).

Therefore, a strong perception of corruption in and of itself may be considered as damaging as a corrupt act; if there has been a breach in the logic of appropriateness. That is to say if the perception of corruption is considered to be damaging to the (only slightly) more tangible notion of democracy (as seen in, for example, indicators of trust in institutions such as parliament and politicians) then the outcome is no different as to whether a corrupt act has actually occurred. Furthermore, if this perceived act opens space for debate over competing norms and values then, as per the logic of appropriateness, real institutional change may occur (see also Peters, 1999). This is not to shirk actual instances of corruption generally and real instances of corruption in party funding. It is just to posit that perceptions have real consequences and that it would be foolish to dismiss perceptions, if widely held, as having no causal power.

As outlined in the previous chapter, the use of data based merely on perceptions is not without its detractors. However, when utilised within the logic of appropriateness, much maligned public perceptions' indicators (such as the GCB) can actually become essential to understanding why reforms occur and, crucially, what kind of corruption is understood to be prevalent. If key members of the policy-making elite can be shown to have acted to change policy based either wholly, or in part, on these indicators then real change has occurred effectively based on nothing more than perceptions. Moreover, institutional change need not actually occur for the logic of appropriateness to have been breached, merely a space to have been opened for debate over competing norms and values.

This relates to literature surrounding critical junctures. That is to say the continuance of the status quo is no reason to discard a moment in which the potential of change to occur as a non-critical juncture. The simple fact that institutional reform was on the table is enough –

‘change is not a necessary element of a critical juncture’ (Capoccia and Keleman, 2007: 348). In a broader sense we can understand the logic of appropriateness to have been breached as and when public perceptions prompt a moment ‘in which uncertainty as to the future of an institutional arrangement allows for political agency and choice to play a decisive causal role’ (Capoccia, 2015: 148).

A consolidated new institutional approach, therefore, grants us a considerably more holistic understanding of complex institutional change, reform and inertia. Within this framework, the utilisation of the logic of appropriateness allows us greater analytical purchase on understanding how, and why, reform (or attempted reform) occurs. When placed in the context of party finance – and the aforementioned role that perceptions of corruption play in these reforms – it also allows us to go one step further. When coupled with the Thomas Theorem it, crucially, allows to understand the type of corruption (perceived or real) that triggered the opening of space over competing norms and values. Therefore, utilising the logic of appropriateness allows us to better understand the type of corruption that causes certain types of (elite and public) anxiety in certain institutional concepts. In this specific case the institution of study will be the type of party funding regime.

The following section will outline how the above analysis, and the analysis in the previous chapter, leads to the formation of two specific corruption types we might expect to find in the empirical research. It will also further tease out how, and why, our understanding of party funding regime change more generally is crucial to our understanding of the specific type of corruption that might occur in the said institutional context. Two hypotheses – that logically lead on from both the above discussion, and the discussion of literature – will then be outlined.

### **3.6 Corruption and party funding: linkages, relationships and trends**

Before stating the specific hypotheses, it is first important to re-iterate the extent to which the corruption and party funding literatures can be linked. It has been plausibly argued (as covered in the literature review) that money and corruption go hand in hand. Moreover, although it is often unclear what the relationship is, and to what extent money plays a role in this relationship, the existence of such a relationship is self-evident. It is for this reason that ‘an increased visibility of corruption has inevitably shone a spotlight on the issue of political finance’ (Heywood and Krastev, 2006). Whilst it is accepted that money in politics – and specifically political funding – is potentially a corrupting influence, potential corruption will be viewed differently in different states. In developing and transitional democracies, for

example, the introduction of competitive elections exacerbated the problem of corruption due to a lack of strong supporting institutions (see for example Johnston 2005; 2013; Hough, 2013: 64-66).<sup>23</sup>

The challenge that advanced industrial democracies face is somewhat different. Johnston (2005; 2013) develops the notion of *syndromes of corruption*, one of which he titles ‘influence market corruption’. This is described as involving ‘efforts on the part of private interests to rent access and influence within well-institutionalised policy processes, often through political figures acting as middlemen’ (Johnston, 2005: 60). Furthermore, ‘corruption revolves around the use of wealth to seek influence within strong political and administrative institutions – often with politicians putting their own access out to rent’ (ibid.). Therefore, these countries ‘should re-examine electoral and party laws, and pay particular attention to their political finance systems’ (ibid.: 201).

As outlined in the literature review there are a number of reasons hypothesised for the strong relationship between perceived corruption and party funding in advanced industrial democracies (see also Heywood and Krastev, 2006: 167-169). Firstly, democracy is an expensive game (see Naßmacher, 2009: chapter 3).<sup>24</sup> Secondly, the rise of rolling news coverage means that political parties are, more or less, permanently in ‘election mode’; as such, the temptation exists for parties to spend as much as they can (see chapter 5 for more on political party accounts). Finally, these pressures are exacerbated as the traditional sources of party income, such as membership, have diminished. Therefore, the incentives for political parties to seek funding from other sources, be it from the state, individuals, business, or the financial sector; has grown.

Regulation of the use of money in politics is seen as an important response in limiting corruption in advanced industrial democracies.<sup>25</sup> The primary means of monitoring party funding has been identified as covering a ‘magic quadrangle’; accounting, practicality, sanctions and transparency (Naßmacher, 2003: 139). Naßmacher posits that none of these

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<sup>23</sup> This is not to say that democratisation is undesirable. It has been argued that ‘an inverse U-shaped relationship, or political Kuznets curve, appears to exist: the advent of democracy has initial costs in terms of rising inequality, but eventually democracy will tend to shrink the gap between rich and poor and produce more equal outcomes’ (Carbone, 2009: 132).

<sup>24</sup> It is worthy of note that Naßmacher convincingly assuages concerns – especially among the more hysterical commentators – that there has been a ‘cost explosion’ in democratic elections. He argues that increased spending is not particularly out of line with a general growth in living standards. That is to say ‘the pace of political spending in recent decades is not out of step with the general standard of living. Parties are spending more while the citizens whom they represent are enjoying the benefits of this growth’ (Naßmacher, 2009: 192)

<sup>25</sup> Although as we saw on page 48 the debate about the actual effect regulation has on limiting perceived corruption is ongoing.

four areas of a party funding regime can be ignored if a system of political finance is to be adequately regulated. It is further argued that the introduction of significant state subsidy can reduce the propensity for corrupt activity. Though this is, of course, contested.

The introduction of state funding is seen as a way of reducing corruption because it in theory limits the amount of (perceived) influence that the business and financial sector can peddle through donations. There are, of course, other ways in which these institutions (or individuals) can pertain to obtain influence, most notably through a ‘revolving door’ between business and politics. As the case of Norway, a country with one of the highest percentages of state subsidy illustrates ‘a growing group of so-called ‘business politicians’ now exist. They leave politics only to promptly take up positions with private consulting firms’ (Gedde-Dahl, 2010: 296-297).

Leading on from the immediate analysis above, and in the wider review of literature in the previous chapter, corruption in relation to party finance can be typologised as taking two specific forms. Firstly, we might expect to find donor-based corruption. Donor-based corruption is a situation in which wealth is provided as a funding mechanism in exchange for a political service. This could take the form of a political favour, a policy outcome, a gift of patronage or some form of ennoblement. Secondly, we might expect to find co-functioning corruption. Co-functioning corruption is a type of corruption based around personal linkages and relationships. Whilst wealth might still play a role, corrupt activity is much less likely to take the form of a tangible *quid pro quo*, something we would expect with donor-based corruption. Rather, corrupt activity is much more likely to take the more opaque form of the revolving door between business and finance, with certain political decisions made with the aim of improving relationships with particular influential actors in the business world. Public office will therefore be used for personal gain, but that personal gain may even come when the political actor is no longer in the position of parliamentary power.

### 3.7 Hypotheses

As the analysis in the previous chapters has shown, the evolution of party funding regimes in Western Europe has taken a distinct institutional path in each country. Firstly, in Great Britain we have seen the interplay of the rational (electoral economy), the historic (path dependent legislative output), the normative (conception of the voluntarist tradition) and the discursive (a lack of communicative and coordinative discourse on corruption). This interplay has led to the unique development of the British party funding regime and what can be quite plausibly understood as British Exceptionalism (Fisher, 2009).

Likewise, in France we have seen competing institutional explanations for the (successful) reforms in the late 1980s and early 1990s. Firstly, normative institutionalism holds significantly more analytical purchase than historical institutionalism when compared to the British case. This is shown by the radical reform that occurred – the normative status quo was simply unable to deliver corruption-free political finance (Clift and Fisher, 2004: 687). However, Koß (2011: 203) also notes that the intensive communicative and coordinative discourse on political corruption – led both by the parties and the public – caused parties to lose control of the discourse. However, once this occurred we see what we might understand as the return of the historic pull. As opposed to Great Britain, there was no history of long-standing traditional institutional donors (see Chapter 6), therefore the only response was to introduce significant state subsidisation of over 50% of total income (see for example Knapp, 2002: 127). To paraphrase an oft-used slogan from the time: there was no alternative.

Finally, we should also take note of the ‘increased entrepreneurialism of investigative judges’ in highlighting corruption in France at the time of both high-profile scandals and subsequent reforms (Birch, Allen and Sarmiento-Mirwaldt, 2017: 5; see also Adut, 2004; Chalaby, 2004). We might see this judicial entrepreneurial spirit as the classic case of a rational actor – or agent – acting within a constraining institution. This echoes recent work in the corruption literature pinpointing (more generally) policy entrepreneurs who play a vital role in securing anti-corruption reforms (see for example Marquette and Peiffer, 2015). Therefore, in France we see the interplay of the rational (judicial entrepreneurs), the historic (lack of previous and robust institutional donor base), the normative (the *laissez faire* approach as unable to deliver corruption-free political finance) and the discursive (a strong and interactional communicative and coordinative discourse on corruption). The strength of the consolidated new institutional approach allows us to consider all these factors as holding significant causal weight (see figure 3.1).

The previous two chapters have also outlined how general anxieties surrounding corruption have (increasingly) been a factor in party funding regime change (see for example, Pinto-Duschinsky, 2002; Scarrow, 2007; Koß, 2011; Piccio, 2014).<sup>26</sup> As corruption is increasingly important in explaining institutional change, we might also expect the type of corruption that occurs in these institutions to be affected by the party funding regime that is in place. The type of corruption that is prevalent in a country, may well be affected by the institutional

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<sup>26</sup> Although corruption is recognised as increasingly being a factor in these decisions, corruption scandals and public pressure are also noted as being insufficient in influencing legislative behaviour (for an in-depth analysis of the Italian case see Piccio, 2014b).

make-up of said country. Therefore, understanding the evolution of the specific party funding regimes will throw the type of corruption apparent into sharper focus. It is for this reason that theoretical aspects of the analysis are grounded in this institutional work. The analysis below is not testing a two-way causal relationship; that discourses about types of corruption, lead to the creation of specific institutional constraints within a party funding regime, which then leads to a specific type of corruption – although this may well be the case. This work will merely test whether the type of party funding regime has an effect on the predominant type of corruption.

The type of corruption that is present in the type of party funding regime will be heavily influenced by the institutional context. The key independent variable operationalised in the research is what effect state or private funding has on types of corruption. Therefore, it is expected that a different type of corruption will be prevalent where there are different amounts of state funding.

To summarise, in those countries in which there is a predominance of private funding I would principally expect to find a predominance of donor-based corruption. In countries where there is a predominance of state funding, I would expect to find a predominance of co-functioning corruption. The hypotheses can be outlined accordingly:

H1 In those countries in which private funds account for more than 50% of parties' income, we are more likely to find donor-based corruption.

H2 In those countries in which public funds account for more than 50% of parties' income, we are more likely to find co-functioning corruption.

### **3.8 Conclusion**

This chapter has outlined the theoretical framework that will ground the analysis that follows. It has shown that to understand the type of corruption that might occur in a particular party funding regime (i.e. predominantly public or private) we must first understand the distinct institutional evolution of a party funding regime. Furthermore, the analysis has outlined the limitations of various institutional understandings as having greater causal explanations than others. Rather, utilising the innovative work of Lowndes and Roberts (2013) a consolidated institutional approach will be used. This approach understands change as distinct, but interconnected.

Leading on from this, the analysis has shown that by utilising the concept of the 'logic of appropriateness' we can better understand the type of corruption that occurs in a given institutional setting. Indeed, public opinion surveys (such as the GCB) are a useful tool for understanding whether logics of appropriateness, in certain contexts, have been broken. This is because a strong enough perception of corruption can be considered a corrupt act if the logic of appropriateness has been breached. This breach can be said to have occurred when communicative (and coordinative) discourse is strong enough so that a real space for debate over competing norms and values – or institutional reform – occurs. Furthermore, the logic of appropriateness allows us to compare political finance corruption (and other corruption) across countries where corruption thresholds may differ. The logic of appropriateness prevents a researcher seeing scandal/corruption in a given country when there is none.

In the final section, the chapter outlined how our understanding of the relationships, linkages and trends between party finance and corruption provide two distinct definitions of the type of corruption we might expect to find in said institutional settings: donor-based corruption and co-functioning corruption. From this two hypotheses were formulated. First, that in those countries in which private funding was predominant we might expect to see a prevalence of donor-based corruption. Second, that in those countries in which state funding was predominant, we might expect to see co-functioning corruption.

Chapters two and three have done much of the theoretical heavy lifting, as well as outlining in what ways the existing literature can act as a guide in the following analysis. The final methodological chapter will show how these hypotheses will be tested. It will first describe how, and why, the two countries (Great Britain and Denmark) were selected as in-depth qualitative case studies. It will then explain why the elite interview (alongside the use of public opinion surveys, media analysis and analysis of grey literature) is considered to be the best method to test the hypotheses and expectations in question. This will mark the end of the methodological section of thesis, which will then lead on to five empirical chapters. The first covers what the party accounts and the current party funding regimes of Great Britain and Denmark can tell us, before the in-depth case studies are brought in.

#### **4. Analysing corruption and party funding: methodological challenges and constraints**

The previous chapters have described the legion theoretical and methodological debates surrounding both the quantification and definition of corruption. We have also seen that until recently party funding itself has been an under-theorised field (for example Hopkin, 2004; Koß, 2011: 26). However, there remain a number of conceptual issues that need to be unpacked. In terms of party income, there is the issue of how income is actually measured (e.g. the proportion of private donation, state subsidy, membership income etc.).<sup>27</sup> The primary aim of this chapter, then, is to describe the case selection process whilst going on to outline, and overcome, various conceptual and methodological issues concerning the measurement of both party funding and corruption.

This chapter will first summarise the case selection process. It will then go on to show the serious challenges faced when measuring party funding, and errors that have been made in many seminal works when calculating these figures (something particularly relevant to the Danish case). There will follow some methodological reflections before the rationale for the final decision on the precise selection criteria for the two in-depth country case studies (Great Britain and Denmark). The analysis will then summarise why the elite interview will be utilised as the most suitable research method to test the hypotheses outlined in the previous chapter. There will then follow a discussion about the importance of triangulation when employing the elite interview with other research methods such as an analysis of party accounts, grey literature and media sources. Finally, this chapter will sum-up and conclude, before leading on to the first of the five main empirical sections of the thesis.

##### **4.1 Case selection**

In order to test the hypotheses an innovative case selection has been employed which connects scholarship on party funding and party funding regime change (Koß, 2011) with scholarship on corruption (Johnston, 2005; 2013). Firstly, the countries of comparison are defined as advanced industrial democracies in Western Europe. As such they display 'basic historical similarities' and allow for a greater tracing of institutional development and change. It will also ensure a stronger analysis of how this might affect specific types of corruption (see Koß, 2011: 6).

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<sup>27</sup> Another issue with the measurement of party finance is that, as no party funding regime is the same, each country has differing controls and regulations – particularly to do with transparency – meaning it is hard to compare and contrast among countries.



Following on from this, only countries that suffer from an influence market syndrome of corruption will be considered suitable. In one of Johnston's later works, expanding on this concept, influence market corruption is defined as involving 'a climate of active well-institutionalised markets and democratic politics, [where] private wealth interests seek influence over specific processes and decisions...not only [through] bribing officials directly but channelling funds to go through political figures' (Johnston, 2013: 16). Furthermore, influence market democracies with strong institutions are the kind of countries that are of interest in this research as they should 're-examine electoral and party laws, and pay particular attention to their political finance systems' (Johnston, 2005: 201). Influence market countries, then, fit perfectly with the research model. As such, only countries suffering from influence market corruption will be considered.

The countries identified as suffering from influence market corruption in Johnston's framework are: Australia, Austria, Canada, Costa Rica, Denmark, Finland France, Germany, Ireland, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, the UK, Uruguay and the USA. We can then, based on the work of Michael Koß, divide these countries into three categories:

1. Those countries in which public funds account for more than 75% of parties' income.
2. Those countries in which public and private funds account for 25-75% of parties' income.
3. Those countries in which private funds account for more than 75% of parties' total income.

Koß includes a fourth category 'those countries in which both public and private funds account for less than 25 percent of parties' income', which he largely defines as illegal/corrupt funding.<sup>28</sup> However, as none of the above countries fit into this category at present it has been disregarded. Koß separates the possible remaining countries of study into the aforementioned three groupings. Table 4.1 is a derivation of this grouping and those Western European countries considered to be suffering from an influence market syndrome of corruption.

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<sup>28</sup> In this category he analyses France prior to 1988 but also includes Italy up to 1974.

Table 4.1 Levels of state funding in potential comparative case studies

<b>‘Countries in which public funds account for more than 75% of parties’ income’</b>	<b>‘Countries in which public and private funds account for 25-75% of parties’ income’</b>	<b>Those countries in which private funds account for more than 75% of parties’ income</b>
Austria, Denmark, Finland, Norway, Sweden	France, Germany, Netherlands	Ireland, Switzerland, UK

*Source:* Derived from Johnston (2005; 2013) and Koß (2011)

However, when the Koß categorisations are cross-referenced against other attempts to quantify levels of state funding, we find that there are significant disparities (see table 4.2) between his results and more recent research (Scarrow, Webb & Poguntke, 2017). This recent work utilises the data gathered from the *Political Party Database Project* (PPDB) and represents the most recent attempt at political finance quantification.<sup>29</sup>

Table 4.2 Levels of state funding in comparative case studies: PPDB figures

<b>‘Countries in which public funds account for more than 75% of parties’ income’</b>	<b>‘Countries in which public and private funds account for 25-75% of parties’ income’</b>	<b>Those countries in which private funds account for more than 75% of parties’ income</b>
	Austria, Denmark, Finland, France, Germany, Ireland, Netherlands, Norway, Sweden	UK

*Source:* Derived from Johnston (2005; 2013), Koß (2011) and van Biezen and Kopecký (2017)

The only countries in which public funds account for more than 75% of parties income are Belgium, Hungary, Israel and Spain – none of these appear in Johnston’s list as suffering from influence market corruption, as such they do not represent suitable countries of study. Furthermore, the differences in some cases are vast (see table 4.3 for a reproduction of the

<sup>29</sup> Available at <http://www.politicalpartydb.org/>, accessed 18/07/2017.

PPDB data). The following analysis will, therefore, unpick why there are these disparities and what methodologically we, as scholars, can do to improve our measures of total party income.

**Table 4.3 Source of party income by country**

	<b>Membership fees</b>		<b>State subsidies</b>		<b>Private donations</b>		<b>Total income</b>	<b>No. of parties</b>	<b>Year(s)</b>
Country	€M	%	€M	%	€M	%	€M		
Austria	7.61	12.2	46.22	73.8	1.56	2.5	62.61	5	2010
Belgium	2.65	3.1	64.76	76.8	0.45	0.5	84.29	12	2012
Canada	31.90	41.0	21.11	27.1	--	--	77.82	5	2011
Czech Rep.	2.65	6.3	16.98	40.3	5.75	13.7	42.13	5	2011
Denmark	2.98	10.6	12.95	46.1	10.66	38.0	28.08	8	2011
France	15.87	13.0	53.06	43.6	28.79	23.6	121.78	2	2012
Germany	181.37	41.7	137.57	31.6	53.55	12.3	434.92	7	2011
Hungary	0.75	8.0	7.48	79.3	0.90	9.6	9.44	4	2011
Ireland	0.75	5.9	9.31	73.2	2.57	20.2	12.71	5	2010-12
Israel	0.04	0.1	18.60	75.7	--	--	24.56	10	2011
Italy	30.47	21.1	107.04	74.3	3.95	2.7	144.14	5	2011
Netherlands	19.63	42.9	13.36	29.2	0.80	1.8	45.74	11	2012
Norway	7.94	10.2	53.33	68.3	6.28	8.0	78.08	7	2011
Poland	1.09	3.9	16.17	58.3	0.94	3.4	27.71	6	2011
Portugal	14.09	33.1	28.53	66.9	--	--	42.62	6	2011
Spain	35.85	13.5	211.28	79.8	5.23	2.0	264.92	5	2011
Sweden	2.12	3.0	47.08	64.6	1.95	2.7	72.93	8	2010-11
UK	13.24	14.9	10.09	11.3	39.13	44.0	88.97	7	2012-13
<i>Mean</i>		<i>15.8</i>		<i>56.5</i>		<i>9.4</i>		<i>N=118</i>	

*Source:* van Biezen and Kopecký (2017)

## 4.2 The challenge of measuring total party income

Michael Koß is by no means the only scholar to potentially miscategorise aspects of political finance measurement. Koß relied on country-specific reports and academic investigation (for example Blechinger and Naßmacher, 2001; Naßmacher, 2001b; Pedersen, 2005; Weekers, Maddens and Noppe, 2009) to collate much of his data (see Koß, 2011: 18-19). More recent work (for example Casal Bértoa et. al., 2014; van Biezen and Kopecký, 2014) uses GRECO estimates to measure financial dependence on the state and their results, in some places, match with the PPDB data but there are also striking differences (see table 4.4).<sup>30</sup> For example, Austria, Czech Republic, Denmark and Poland have variance of over twenty percentage points between the PPDB and earlier measures with few matching perfectly.

<sup>30</sup> Unsurprisingly the van Biezen and Kopecký findings and the Casal Bértoa findings are much the same with exceptions for those not included in their respective datasets.

Table 4.4 Discrepancies between total percentage of state subsidy in party funding regime

Country	Koß measure (2011)	van Biezen and Kopecký measure (2014)	Casal et. al. measure (2014)	Bértoa PPDB measure (2017)
Austria	>75	--	50	73.8
Belgium	>75	85	85	76.8
Canada	<25	--	--	27.1
Czech Rep.	--	65-85	85	40.3
Denmark	>75	75	75	46.1
France	25-75	60	60	43.6
Germany	25-75	30-40	40	31.6
Hungary	--	60	60	79.3
Ireland	<25	70	70	73.2
Israel	>75	--	--	75.7
Italy	25-75	82	82	74.3
Netherlands	25-75	35-50	50	29.2
Norway	>75	72	72	68.3
Poland	--	80	80	58.3
Portugal	--	70-90	90	66.9
Spain	25-75	80-95	95	79.8
Sweden	>75	70-80	80	64.6
UK	<25	--	18	11.3

As van Biezen and Kopecký note (and table 4.4 shows) the available data prior to the PPDB was the best comparative data available at the time, but it only really provided rough estimates of levels of state subsidy (van Biezen and Kopecký 2017: 102). However, they also suggest a potential methodological flaw in the PPDB which is worth exploring. The PPDB often (with the exception of Ireland, Sweden and the UK) represents a snapshot of one year in the life of a party funding regime. This form of measurement carries its own methodological issues and constraints, particularly in those countries where donation patterns tend to be cyclical.

When discussing the PPDB van Biezen and Kopecký (2017: 101) suggest that because this data only provides a snapshot, it is 'all the more important to examine the correspondence of the findings based on two different databases in order to provide some validity check'. Unfortunately, this is not a thesis that includes a large-N, comparative database of which the above scholars require. However, during the course of this research I have gathered longitudinal data on total party income for two of the countries in question (SMI) which can

provide some sort of localised validity check in the cases of Denmark and Great Britain/the UK.<sup>31</sup>

Firstly, table 4.5 shows that in both cases for the specific years measured by the PPDB and SMI our results broadly match, which would suggest that our methods of measurement are similar.<sup>32</sup> However, in both Denmark and Great Britain party income specifically from donations tends to be cyclical. For example, in Denmark, 2011 was an election year so we might expect donations to be particularly high. Furthermore, the Konservative Folkeparti (KF) also sold their party headquarters in Nyhavn in 2011 (see page 120) so 2011 might further be considered an outlier.<sup>33</sup> Although Great Britain/the UK has two data points measured these are in the middle of an election cycle (2010-2015) so we might in this case expect levels of private funding to be lower than in those years leading up to an election.

**Table 4.5 Sources of party income (Denmark and Great Britain) comparison of PPDB and SMI**

	PPDB	SMI	Difference
<b>DENMARK (2011)</b>			
Membership fees (%)	10.6	9.7	0.9
State subsidies (%)	46.1	40.8	5.3
Private donations (%)	38.0	35.2	2.8
<b>GREAT BRITAIN (2012-13)</b>			
Membership fees (%)	14.9	12.4	2.5
State subsidies (%)	11.3	12.0	0.7
Private donations (%)	44.0	48.1	4.1

Note: The PPDB does not report ‘other’ sources of income separately but does in the total, as such ‘other’ sources of income were also removed from the data in SMI. The SMI data includes data from 9 cases for Denmark (compared to the PPDBs 8) and 6 cases from Great Britain (compared to the PPDBs 7).

Table 4.6 shows the PPDB compared with two other years selected from the data gathered for this research project. In both cases adjacent years have been selected that are likely to

<sup>31</sup> A difference between this work and the work of the PPDB is the classification between Great Britain and the UK. This is because Northern Ireland has separate party funding rules to the rest of the UK. For example in Northern Ireland trade unionists have to opt in to affiliating payments to political parties and donations, for reasons relating to the Irish peace process, were not subject to the same transparency obligations as those in the rest of the UK. This legislation has since been changed and donor names do now need to be published, but this will not be backdated to before July 2017 (BBC News, 2017). It is for this reason that this research refers to, and analyses, the party funding regime of Great Britain, not the UK as a whole.

<sup>32</sup> The data collected for this research project in the British case was from Electoral Commission spending returns and in the Danish case from a report to the Justice Ministry (Justits Ministeriet, 2015) and returns provided to the Folketing.

<sup>33</sup> This might also explain the larger discrepancy between the PPDB and SMI when it comes to state subsidies. This was classified as ‘other income’ by the Justits Ministeriet, as such this percentage was 12.44 in this return. It is worthy of note that the data collected in this project represents the ‘official stories’; that is to say, it is data collected from accounting returns. As there are no common accounting standards within (and across cases) there is a certain amount of self-coding that occurs which explains some variance). These differences may further reflect certain different reporting practices. Therefore, using data such as this will never be ideal but in this case I concur with the PPDB team that ‘the best available option is to stick with the official story’ (Webb and Keith, 2017: 67).

provide different results. In Denmark, 2012 was the year immediately after an election, therefore we would expect the level of donations to be lower than the PPDB. In Great Britain 2014-2015 marks the year leading up to and of the general election so we would expect a spike in donations.

**Table 4.6 Sources of party income (Denmark and Great Britain) comparison of PPDB and SMI with adjacent years**

	PPDB	SMI	Difference		SMI	Difference
<b>DENMARK (2011)</b>				<b>DENMARK (2012)</b>		
Membership fees (%)	10.6	9.7	-0.9	Membership fees (%)	15.8	+5.2
State subsidies (%)	46.1	40.8	-5.3	State subsidies (%)	67.6	+21.5
Private donations (%)	38.0	35.2	-2.8	Private donations (%)	11.1	-26.9
<b>GREAT BRITAIN (2012-13)</b>				<b>GREAT BRITAIN (2014-15)</b>		
Membership fees (%)	14.9	12.4	-2.5	Membership fees (%)	12.1	-2.8
State subsidies (%)	11.3	12.0	+0.7	State subsidies (%)	7.5	-3.8
Private donations (%)	44.0	48.1	+4.1	Private donations (%)	60.1	+16.1

In both cases we can see significant disparities between the data for the PPDB and the data collected in this research project. The results show that whilst there are differences in both, the Danish data has considerably more variance year upon year. This supports the notion that whilst both party funding regimes show a cyclical donation pattern, in Denmark this is much more pronounced (for more on this see Chapter 5).

Therefore, in both the case of Great Britain and Denmark it would paint a more accurate picture if the data were taken across several electoral cycles. In the case of Denmark, neither 2011 nor 2012 provide a holistic picture of total party income, both occur at the extremes of the electoral cycle. In the case of Great Britain, though the disparity is milder, it remains important to provide a clearer picture. Table 4.7 is an initial attempt at the provision of a more accurate account of the breakdown of party income in both cases.

**Table 4.7 Sources of party income (Denmark and Great Britain) comparison of PPDB and SMI, with longitudinal data**

	PPDB	SMI	Difference		SMI	Difference
<b>DENMARK (2011)</b>				<b>DENMARK (1996-2015)</b>		
Membership fees (%)	10.6	9.7	-0.9	Membership fees (%)	13.7	+3.1
State subsidies (%)	46.1	40.8	-5.3	State subsidies (%)	55.8	+9.7
Private donations (%)	38.0	35.2	-2.8	Private donations (%)	23.5	-14.5
<b>GREAT BRITAIN (2012-13)</b>				<b>GREAT BRITAIN (2002-2015)</b>		
Membership fees (%)	14.9	12.4	-2.5	Membership fees (%)	10.4	-4.5
State subsidies (%)	11.3	12.0	+0.7	State subsidies (%)	9.0	-2.3
Private donations (%)	44.0	48.1	+4.1	Private donations (%)	57.0	+13

In Denmark, although the data in this project have been collected from 1991 onwards there is a strong methodological case to measure the aggregate income from 1996. This is because although state funding legislation was enacted in 1986 (see table 2.2) significantly more state funding was introduced after 1995 (see figure 5.14). You could make a similar methodological claim that 1996 is still too early a starting point, as in 2002 trade unions unaffiliated from the Socialdemokraterne (SD) significantly reducing their income from private donations. Calculated on this timeline (2003-2015) membership fees account for 13.6% of total income, state subsidies 56.6% and private support 20.7%.

However, at least intuitively, the data in table 4.7 makes for plausible reading. If 2011 and 2012 represent two polar extremes in the Danish party funding regime when it comes to income, then a holistic view that broadly splits the difference is credible. Secondly, as 2012 and 2013 represent two (relatively) fallow years in terms of donations in Great Britain, data that puts total income received from private sources at between 55-60% is also convincing. As is shown in Chapter 5, although donations dominate the British party funding regime whether there is an election or not, donations remain higher leading up to, and in, election years.

Unfortunately, there is neither the time nor the space in this thesis to provide a validity check on all of the data in the PPDB. However, the analysis above does suggest that there is a

strong case to redouble efforts and produce more robust longitudinal data with regards to party finance and party income. Before the PPDB, as recognised in the research itself, much of what was relied on was empirical evidence collected by NGOs such as GRECO, which now broadly amount to rough estimates. The PPDB has therefore shown the way forward on this and provided a fantastic future template to follow for those coveting more holistic data. Indeed, there are many logical conclusions that flow from both the efforts of the PPDB team and the analysis above.

First, it makes profound methodological sense to cover as many electoral cycles as possible in the dataset. There will always be significant operational issues regarding different countries and their different disclosure, accounting and transparency regulations. Therefore, the data in each case might not always match up perfectly. This means in most cases, as with the PPDB, the ‘official story’ is often the story that is told. However, a sufficient longitudinal ‘official story’ should be able to be garnered with the help of country level experts, as was seen in the construction of the PPDB (see Poguntke et. al., 2016).

Second, a caveat to the first conclusion. It makes sense to begin measurement (and cover as many electoral cycles as possible) from the last major legislative intervention. Table 2.2, for example, outlined the introduction of public funding amongst states in Europe (adapted from van Biezen and Kopecký, 2014). However, as we have seen in the case of Denmark, the legislative intervention does not always match with the introduction of significant state subsidisation. Therefore, the data should begin at the *major* legislative intervention – when the major and the first intervention are different.<sup>34</sup>

Third and in the spirit of previous party political research, this data should be publicly available (online) and published (see Katz and Mair, 1992; Déloye and Bruter, 2007; Scarrow, Webb & Poguntke, 2017). The data would therefore be supplemented with a handbook that provides a framework of the institutional developments, and quirks, within the party funding regime, before outlining said trends in each country. Although robust party income data allows for improved cross-country analysis, this kind of data can also provide a specific insight into the workings of single case studies. It can uncover broader trends within the politics of certain countries all well as across them.

Scholars from across the world have more than answered the call to close this theoretical (and comparative) deficit in the years since the field was described as undertheorized

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<sup>34</sup> In the case of Denmark the first legislative intervention is 1986, but the major legislative intervention does not occur until 1995 (so measurement begins in 1996).



(Hopkin, 2004: 628). The above analysis, however, shows that there remains a methodological deficit when it comes to the comparative study of party funding regimes. This, therefore, represents both a methodological reflection, but also a suggestion as to how to provide truly robust research regarding the effects of party funding regimes on things such as: the cartelisation (or otherwise) of politics (van Biezen and Kopecký, 2014), public perceptions of corruption (Casal Bértoa et. al., 2014) and party membership figures (van Biezen and Kopecký, 2017).

### **4.3 Final case selection**

The immediate question leading on from this is what does this mean for case selection? The Koß categorisations are too exact, as Table 4.4 shows there is too much variance in the estimates of total state funding. It is, then, better served to discuss those states with significant and low levels of state funding. This semantic solution however does rather omit the fact that, at some level, arbitrary lines will have to be drawn between what is, and is not, significant.

Firstly, taking all of the data together – and using the Koß framework – the only country that can be considered as having an insignificant level of state funding across all databases is Great Britain. Great Britain, Malta and Switzerland are exceptional in the European context in relation to their low levels of state subsidy. However, there is not enough reliable data, taking all measures as a whole, to select Switzerland (which does not appear in the PPDB) or Malta (which cannot be categorised as either an advanced industrial democracy, or as suffering from influence market corruption).

The case selection regarding the second case, a country with significant levels of state subsidy, is a little trickier. In an initial form of this research project the intention was to use a form of extreme/deviant case selection. CPI data would have been analysed to pick the country that was perceived to be the most corrupt from the remaining cases (for more on this method of case selection see Flyvberg, 2006: 230). The problem here was twofold: first, the aforementioned methodological issues with the CPI; second, it would mean selecting on the dependent variable (DV) (for a summary regarding issues with case selection on the DV see Geddes, 1990). Therefore, the country will be selected using data from the aforementioned party finance figures that are available, using data from IDEA outlining features of party funding regimes across the world and selected academic works on party funding regulation (Pinto-Duschinsky, 2002; van Biezen, 2004). The case selection, therefore, is a variant of the most similar systems design, in which the independent variables (IV) will be operationalised

in such a fashion that the main relevant difference between the selected case and Great Britain will be the level of state finance.<sup>35</sup>

The remaining potential countries of study are Austria, Denmark, Finland, France, Germany, Ireland, Netherlands, Norway and Sweden. Although we should be careful with setting overly arbitrary limits on what should be considered significant and insignificant levels of state finance, across all of the measures of party funding Germany and the Netherlands are at the lower end when it comes to levels of state subsidy (seemingly hovering around the 30%) mark. Therefore, whilst not insignificant, these should be considered not comparatively significant enough, and so have been disregarded.

There is also some controversy regarding the categorisation of Ireland as having either significant, or insignificant levels of state subsidy. Michael Koß identifies Ireland as one of the countries in the (mostly) Anglo-Saxon orbit that relies almost exclusively on private sources for party income (Koß, 2011: 19). However, the PPDB and other work identify Ireland as relying on significant levels of finance from the state to fund their parties (see Table 4.4). We might consider this to be the case if party finance legislation was relatively recent. However, Table 2.2 shows that the legislative intervention occurred in 1997 so there should be a (more) consistent relationship between the data. At this stage in the research design – and with the aforementioned methodological flaws in data on party income – it would require a thesis in itself to collect the necessary data to unpick this inconsistency. Therefore, Ireland has also been disregarded.

Secondly, there are some historical factors to take into account. Michael Johnston's categorisations of syndromes of corruption are largely uncontentious, however, some are misplaced. Austria, for example, alongside Italy and Greece, has 'long been considered' among 'the patronage strongholds of Europe' (van Biezen and Kopecký, 2014: 178). Therefore, Austria would be better identified as suffering from the elite cartel syndrome of corruption. These cases include those countries which 'have market economies and open politics, yet top figures often collude behind a façade of political competition and colonize both the state apparatus and sections of the economy' (Johnston, 2005: 203). There is little emphasis in Johnston's analysis given to corruption within party funding regimes – the fit of Austria as an influence market is rather awkward. Furthermore, Italy and Greece both appear as suffering from an elite cartel mode of corruption. Austria is, therefore, disregarded.

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<sup>35</sup> Of course, there are no identical party funding regimes save for the level of state finance so the closest resemblance will have to do.

The remaining countries are Denmark, Finland, France, Norway and Sweden and are put into Table 4.8; following the logic of most similar systems design the country with the most similar party funding regime to Great Britain will be chosen. This will ensure that the regulation is as similar as possible, aside from the level of state subsidy, thereby controlling for other institutional variables. Table 4.8 is derived from data gathered by IDEA, and the work of Michael Pinto-Duschinsky (2002) and Ingrid van Biezen (2004). The table shows that Nordic countries are relatively unique in that their party funding regimes are shaped by very little actual legislation. It is a paradox not lost on Heywood and Krastev (2006: 169), that whilst regulation is low, these countries are perceived as having low levels of corruption.<sup>36</sup> The two most similar countries remaining are Denmark and France across all measures Denmark is recognised as having higher levels of state subsidisation than France, therefore Denmark is chosen as the eventual comparator country. It is both the most regulated, and most similar country (along with France) to Great Britain by the above metrics (aside from the level of state finance). Furthermore, both Denmark and Great Britain (see Chapters 6 and 8) have recently finished major commissions investigating reform of the party funding regime, there will therefore be a wealth of primary source material to analyse.

**Table 4.8 Control of party finance in selected European democracies**

	Finance law	Disclosure laws	Limits on private donation	Limits on expenditure
Denmark	YES	YES	NO	NO
Finland	NO	NO	NO	NO
France	YES	YES	YES	YES (CAMPAIGN)
Norway	NO	YES	NO	NO
Sweden	NO	YES	NO	NO
Great Britain	YES	YES	NO	YES (CAMPAIGN)

*Source:* Derived from IDEA, van Biezen (2004) and Pinto-Duschinsky (2002)

#### 4.4 Methodological reflections on case study and neo-positivist research

Case study research has a distinct methodological literature with much debate about what exactly constitutes a case. The most cited typologies of cases are Stake's (2008) and Ragin's (1992). Stake outlines three separate forms of case study research, although admittedly the term is used very loosely: intrinsic, instrumental and multiple/collective. An intrinsic case study is singularly 'undertaken because, first and last, one wants a better understanding of this particular case' (Stake, 2008: 121). An instrumental case study, also singular, is

<sup>36</sup> Although this also chimes with work undertaken by Whiteley (2014).

undertaken ‘if a particular case is examined mainly to provide insight into an issue or to redraw a generalisation’ (ibid.: 123). The multiple/collective case study is undertaken when ‘there is even less interest in a particular case...cases may be studied jointly in order to investigate a phenomenon, population or general condition’ (ibid.).

Ragin discusses four types of case study research, separated into two understandings: empirical units and theoretical constructs. Cases as empirical units contain conceptions of cases that are found (i.e. they are identified and established during the research process) and cases that are objects (i.e. cases are general and conventionalised). On the other hand, cases as theoretical constructs contain conceptions of cases that are made (i.e. cases are a construct that coalesce during the research process) and cases that are conventions (i.e. cases are constructed as a product of collective scholarly work and interaction). An important feature of Ragin’s typology is that the ‘four-fold division of the case conception is not absolute’, a researcher can use ‘conventionalised empirical units’ and accept them as empirically valid’ whilst trying ‘to generalise new theoretical categories or case constructs’ (Ragin, 1992: 11).

Some academics, most notably Malcolm Tight, have warned against concentrating too much on what type of case study research is being undertaken in a given research project (Tight, 2010). He further suggests that case study research as a term in and of itself is somewhat meaningless. That once you ‘strip out the specific discussion of a case study’ you are merely left with a ‘generic guide outlining how to do social research’ (ibid.: 337). Furthermore, he suggests that methodological obsessions with typologies are misguided and disingenuous. That researchers should be ‘honest’ with themselves and not think that simply adding the term case study adds more to a research design than it being (merely) a small-N in-depth study. For the case study researcher this is troubling and, perhaps, fatal. Tight, though, rather misses the point of these typologies.

Firstly, a key part of Tight’s argument is that all social research can be classified as case study research, which renders the term meaningless. However, this is a point made by Ragin himself, and he argues that ‘at a minimum, every study is a case study because it is an analysis of a social phenomenon specific to time and place’; the problem is that these terms are not ‘well defined’ (Ragin, 1992: 1-2). When a researcher considers what the cases in their research might be they are confronted with ‘multiple answers’, the ‘case may be theoretical or empirical or both’; thus, the act of asking the question ‘what is a case?’ strikes at the very foundations of the philosophical grounding of the researcher (ibid.: 3). Indeed, the very act of considering this question ‘initiates a long-overdue conversation about the foundations of

social science and the meanings of the terms we use to describe what we do' (ibid.: 4). Understood in this way, asking what a case is, is an integral part of researcher reflexivity at the early stage of a research project. It is not good enough to accept that all social science research is case-based and move on, by asking what your case is a case of the researcher can reflect on important epistemological and ontological assumptions that position and underpin the research being undertaken.

Applying this logic can, therefore, throw epistemological and ontological assumptions into sharper focus. The following research will discover more about the linkage between party funding regimes and corruption and go some way to explaining this linkage. The following approach is a *multiple/collective* case study in which cases are *objects*. Moreover, the research has an express aim of gaining a greater understanding of the causal relationship between party funding regimes and corruption and will attempt to make (at the very least) tentative generalisations. The fact that the research is being undertaken from a neo-positivist standpoint has wider ramifications for its methodological approach.

The most pressing consideration when approaching work from a neo-positivist perspective is that the researcher must fully grasp the ontological and epistemological ramifications that working from this perspective might entail. For example, although most research textbooks do suggest that a simple reductionist categorisation should be taken with a pinch of salt, a neo-positivist outlook is often associated with the quantitative research method (see for example Opie 2004; John, 2010; Bryman 2012). The issues in this study with predominantly using the quantitative method are threefold: firstly, the research, whilst interested in generalisation and causation, is focused on types of corruption rather than levels of corruption; secondly, quantitative corruption indicators themselves are not without their own methodological issues; and thirdly, the quantitative corruption indicators that are out there (methodologically controversial as they are) are of little use to this study.

The first issue has been covered in some detail in the literature review (see pages 35-40), so to cover this further would be superfluous. The second issue relates to the methodological debate surrounding the quantification of corruption and whether this is even possible. How can one measure a corrupt exchange? How can one prove a corrupt exchange has occurred? Furthermore, how does one define what a corrupt exchange is? These methodological questions and issues surround all corruption indicators and, again, were covered in the previous chapters.

The final issue is the most important as to why it will be hard to include much quantitative analysis in this research; there is simply no good data out there to use. The research is focussed on the (admittedly abstract) relationship between party funding regimes and types of corruption and data does not measure this. Thus, there is a practical consideration. The research question, although coming from a broadly neo-positivist position, is not best answered using the quantitative method. However, by not using the quantitative method, it is accepted that any causal claims and generalisations may not be as robust as in that work which primarily employs this method. Furthermore, this two-country comparison cannot necessarily provide a definitive test of a hypothesis, even if these two cases are consistent with the hypothesis or hypotheses I cannot be sure that other, unexamined, cases might not disconfirm them. Therefore, the conclusions here can be considered, at best, a theory generating comparison which require further study of further cases for wider generalisation to be possible. If however, the two-case comparison disconfirms the hypothesis it can be considered definitive.

#### **4.5 Sources and methods**

Due to the nature of the research here the primary research method will be the elite interview. As has been discussed at length, the quantification of corruption is fraught with methodological difficulties; furthermore, an over-reliance on quantitative indicators is also not appropriate in this research for practical reasons. Instead, by employing the elite interview as the primary research method, the data which is gathered will allow for a greater insight into the relationships, linkages and trends between party funding regimes and corruption. Furthermore, it will allow for a greater understanding of institutional linkages, as well as specific actors' subjective interpretations of how these relationships might manifest themselves. The elite interview is, therefore, the most suitable method to answer the research question and will provide qualitatively rich, detailed empirical evidence to support any claims made about causal connections. Indeed, during the process of the elite interviews themselves, it was mentioned that utilising this method was an underused but essential tool in analysing these trends.

There is a major advantage to what you are doing. When I did the chapter on Sweden it was something I had to do whilst I was doing a lot of other things so there were no interviews at all. It was just based on sources. I think that really is a shame because you can't answer a lot of the questions that we are talking about now without going and talking, especially to the party people themselves. What you are doing is providing really interesting information. (Interview with Senior Political Finance Advisor at the International Foundation for Electoral Systems Magnus Ohman, 2015)

The term 'elite' itself is not without definitional controversy, with participants most commonly defined as 'those at the top of the social political or economic hierarchy...the CEOs [chief executive officer] of companies, the very famous, the very wealthy' (Rubin and Rubin, 2012: 175). Others argue that the elite can encompass those who are prominent in the public sphere, be they academics, activists or journalists (Vromen, 2010: 258). The key lesson to draw from the definitional debate is the same as the debate surrounding corruption, to draw a line in the sand, explain why the definition is most appropriate for the task at hand and then move on. The research will, therefore, employ a simple definition of the elite as 'experts in the field who have information unavailable elsewhere'. This is a fairly typical understanding of the elite interview, inspired by Stedward (1997: 155), who argues that the interview is a pointless endeavour if one can acquire the information elsewhere.

The interviews were semi-structured with leading political figures. The line of questioning was what they believe the relationship between (public or private) means of financing politics and the way that this money is spent (or misspent) is. Furthermore what, if any, obligation was felt upon receiving or giving said donation and whether they feel the public perception of these relationships is accurate.<sup>37</sup> During the course of the project business figures, lobbyists, trade union figures and other leading party donors were interviewed to see what they expect when funding parties.

Also interviewed were key agents in regulatory bodies, such as the Electoral Commission in Great Britain, to gain vital insider information about how electoral funding legislation is applied and (possibly) circumvented. Further to this, non-government organisations (NGOs) such as TI and Unlock Democracy were contacted. The TI line is (broadly) that a move towards greater state subvention is essential in tackling political corruption; and it was of interest why, and how, this position was reached. Furthermore, the chapter of TI in Denmark provided useful information regarding how well reforms have been implemented, what kind of corruption they believe occurs in the party funding system and what improvements could be made to regulation. Finally, leading academics, investigative journalists and researchers in the field of party finance were also interviewed to gain their perspective on the linkages, relationships and trends between party funding regimes and corruption.

The sampling strategy was a strategic sample of key actors involved in the funding of political parties. The total number of interview participants was 42 and all interviews took place

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<sup>37</sup> It is important to note that leading political figure means those in politics that have a working interest in the subject.

between February 2015 and January 2016. Alongside this, the process began by organising meetings with key academics and journalists to gain essential background information unavailable elsewhere. Furthermore, at these interviews there was a discussion of who the key actors were and who had been contacted, to check that no actor had been missed. In this sense there was an aspect of snowball sampling, which although methodologically limited, allowed for ‘multiple points of entry’ to different networks (Herod 1999: 316).

The quotes that appear in the thesis have been edited slightly for clarity, particularly in the case of Denmark where many interviewees were not talking in their first language. This has in no way changed the intention behind what was said and for the avoidance of doubt (anonymised) recordings are available for the examiners. All participants were given the option of complete, partial or no anonymity when it came to the use of quotations in any further work and appear as such in this thesis. Finally, it is worth noting that those active in the political process are normal people who sometimes use somewhat informal, and in some cases colourful, language. Rather than censor any language all quotations have been reported as they were made.

There are two key concerns when using the elite interview as a primary research method, that of access and (more importantly) of reliability. Indeed, accessibility is seen as one of the key problems with using the elite interview more generally, as respondents ‘are usually very busy and they have to be provided with some convincing motivation for seeing a researcher’ (Burnham et. al. 2004: 208). Furthermore, access issues are one of the key differences that methodologists tend to draw when discussing differences between the elite interview and interviews with less ‘powerful’ participants, although the debate is far from clear (see for example Smith, 2006). Some methodologists argue that issues of access have been overstated; however, access did remain a pressing concern for this research project for one key reason – the research topic is corruption (Sabot, 1999). The respondents, particularly politicians, could have been unwilling to talk to a researcher about such a controversial (and potentially illicit) subject. However, the experience of contacting participants chimes with the work of Sabot. In this case issues of access were overstated and, aside from a few select cases, most potential participants contacted for interview responded in the affirmative.

The second, and more challenging, aspect of using elite interview is the question of reliability (for a larger discussion of issues with reliability in elite interviews see Berry, 2002). In other words how do I know what I am being told is true? This has been overcome by triangulating the research findings ‘using multiple perceptions to clarify meaning’ (Stake, 2008: 113).



Empirical claims made in the following analysis were relayed by voices across the political spectrum and often confirmed in evidence to committees or in the news media. Several secondary research methods have been employed such as qualitative analysis of key documents, grey literature and newspapers. This kind of research has been used to further triangulate findings by other leading academics in the field, notably on work regarding public perceptions of party finance reform (see van Heerde-Hudson, 2011; van Heerde-Hudson and Fisher, 2013). Finally, this is a study primarily of institutions, where this method is particularly strong, rather than say political behaviour – which might privilege a quantitative method (for example Vromen, 2010: 249).

#### **4.6 Conclusion**

This is the last of the three theoretical and methodological chapters that have served to set the scene for the empirical analysis that follows. Chapter 2 was a review of the existing (and ongoing) scholarship that surrounds both the study of corruption and the study of political finance and party funding regimes. It summarised the key debates not just in these fields, but also in the relevant sub-fields of public opinion and representative democracy. However, it also represented (definitionally speaking) a line in the sand. Whilst these debates are vital (and ongoing) it is essential to place the analysis that will be done in context and move on, therefore it also served as justification for the various definitional decisions made.

Chapter 3 explained the consolidated new institutional framework that will serve as the analytical base for the following empirical study. It also outlined how the logic of appropriateness and logics of appropriateness in general will be operationalised to greater understand the types of corruption that might occur in specific institutional settings – and the way in which public opinion surveys such as the GCB are a useful tool for understanding this. It showed how logics of appropriateness can allow researchers to compare corruption (notably in the case political finance corruption) across countries where corruption thresholds might differ. Finally, there was the conception of two hypotheses that will be tested in the following chapters. However, given the discussion in this chapter regarding the challenge of measuring total party income, H1 and H2 have been given a minor tweak, to better reflect these methodological challenges:

H1 In Great Britain, we would expect to find a prevalence of donor-based corruption.

H2 In Denmark, we would expect to find a prevalence of co-functioning corruption.

Finally, this chapter has served to unpick a number of the methodological challenges that will be faced in the forthcoming analysis. First, it outlined why Great Britain and Denmark are the ideal two country case studies to analyse in this project. This was followed by some methodological reflections outlining the academic debates around case study research itself and how understanding these debates can aid with both the causality and generalisability question – especially when undertaking small-N, qualitative study. The conclusions of this research, however, much like all research, remain subject to uncertainty. The chapter also delineated the various issues with measuring total party income itself and sketched a basic framework from which a more robust database can be built. The chapter clarified why the elite interview (alongside the analysis of newspapers, other media, evidence to committees and party accounts) will be used as the primary research method in the thesis, as well as a defence against some critiques of using the elite interview in social science research.

The following empirical work, though, begins with a chapter that will serve to both set the scene – outlining the state of play as is in the British and Danish party funding regimes – and analyse what accounts of total party income can tell us about the specific party funding regimes. This will be followed by the in-depth case studies of first Great Britain and then Denmark.

## **5. Great Britain and Denmark: party funding regimes and party accounts**

This chapter marks the first of five providing analysis of the two in-depth case studies and outlining the functioning of both party funding regimes. Before answering the primary research question it is essential to understand how the party funding regimes actually work. This chapter will therefore cover features such as limits on donations, disclosure and transparency obligations, campaign spending limits and public funding. It will also present the evidence that we have from the study of the accounts of political parties. In the case of Great Britain this includes patterns of income from 2001 to 2015, whereas the case of Denmark will include patterns of income from 1991 to 2015.<sup>38</sup> This data provides ample opportunity for both within and across case comparison. Firstly, within cases there is enough data to outline trends (particularly in relation to electoral cycles) in donations and overall levels of funding. Secondly, there is enough data across cases to compare – despite vastly different levels of private and state subsidy – whether there are similarities in, for example, donation patterns.

It is also worth noting that political party accounts are still something of a blunt tool. There are undoubtedly instances of ‘creative accounting’ in some returns and no common accounting standards exist. Furthermore, in the case of Great Britain there are some instances where political parties, in their spending returns, report no campaign expenditure at all. This is clearly incorrect. Therefore, the researcher often has to cross-reference and self-code (in both cases) what might be understood as ‘other expenditure’ and ‘donations’. The data, then, should in the British case be considered to be my interpretation alone and in the Danish case the interpretation of the Justits Ministeriet (2015) up until 2012, and then my interpretation post-2012.<sup>39</sup> It is partly because of these accounting irregularities that the CSPL has recently called for a move toward common accounting standards (Committee on Standards in Public Life, 2011; see also Bowers, 2017).

What the analysis below will not seek to do is to provide an in-depth historical account of the institutional evolution of the party funding regimes; this will appear in chapters six and eight. It will merely provide an outline of the present situation. This chapter, therefore, will first describe the state of play in the British and Danish party funding regimes and outline

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<sup>38</sup> The Great Britain data is collected from annual party reports to the Electoral Commission. The Danish data is collected from an expert committee report – commissioned by the Danish government to investigate reform of the Danish party funding regime (Justits Ministeriet, 2015) and party accounts submitted to the Folketing.

<sup>39</sup> The Justits Ministeriet compiled detailed party income data for the *Report on the openness of financial support to political parties* (see pages 176-178).

key mechanisms within the party funding regimes. These sections will be separated into the following subsections; donations, limits, public funding, regulations on spending, reporting and oversight.<sup>40</sup> Following this there will be an analysis of income in parties in Great Britain and Denmark. The primary purpose of this chapter is to provide the reader with a base from which to understand the deeper analysis in the rest of the thesis.

## **5.1 Great Britain: the party funding regime**

### *Donations*

In Great Britain foreign donations are banned both to parties and to candidates (where a donation is deemed to be a contribution exceeding £500 for a party and £50 for a candidate). There is neither a ban on corporate donations or donations from trade unions. However, these donations are the cause of some controversy and there have been a number of legislative attempts to limit levels of, in particular, donations from trade unions (see Chapter 6). There is not strictly a ban on anonymous donations but there is a specific limit of £50 after which a ban on this kind of donation applies.

### *Disclosure*

There are no limits to the amount a person, corporation or trade union can donate to a political party or candidate. However, there are strict transparency obligations on account of PPERA. All donations from a person, corporation or trade union in excess of £7,500 must be reported to the Electoral Commission.<sup>41</sup> Parties submit these returns quarterly and shortly thereafter they are published on the website of the Electoral Commission.

### *Public funding*

Opposition parties – that is, parties not in majority or coalition government – receive what is known as Short Money (introduced in 1975).<sup>42</sup> Short Money is earmarked and is spent in the following ways: funding provided for an opposition to carry out parliamentary business, funding for opposition parties' travel 'and associated expenses' and funding for the running costs of the Leader of the Opposition's office (GRECO, 2010). As of 2017, Short Money is calculated at £17,209.01 per year for every MP with an additional £34.37 for every 200 votes that the party received in the previous general election (Schofield and Ashmore, 2017). The

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<sup>40</sup> Subsection headings are based on data available from IDEA.

<sup>41</sup> This includes 'donations and loans that add up to over £7,500 from the same source in the same calendar year' (Electoral Commission, 2017: 8).

<sup>42</sup> Although those parties in a 'confidence and supply' agreement with minority governments still receive Short Money. This was seen in the wake of the 2017 general election and the deal brokered between the Conservative Party and the Democratic Unionist Party (DUP) (Schofield and Ashmore, 2017)

House of Lords are the recipients of a similar scheme to Short Money, known as Cranborne Money (introduced in 1996). As a close counterpart to Short Money it was introduced to help opposition parties and crossbench peers to conduct parliamentary business.

PPERA also prescribed Policy Development Grants to those parties with two or more sitting MPs. The PDG is currently £2 million per year and ‘is distributed via a formula based on representation and performance at national and devolved legislature elections’ (Electoral Commission, 2017b). The grants are awarded to help parties develop policies which they may include in manifestos for elections to the UK parliament, the devolved parliaments, the European parliament and local government.

There are also slightly less tangible forms of state subsidy such as free election mailings, the free use of public meeting rooms and free broadcasting slots for a controlled number of political parties – known as Party Election Broadcasts (PEB). To qualify for a PEB a party must stand candidates in at least one sixth of the seats being contested in an election.

#### Regulations on elections and spending

As per section 113 of the Representation of The People Act 1983 (RPA) there are bans on bribery, treating and undue influence in elections. Bribery is considered the giving of money (or gifts) to any voter, or to someone on behalf of a voter, to vote or refrain from voting. Treating is considered the giving of (officially) ‘meat, drink, entertainment or provision’ to any voter, or to someone on behalf of a voter, to vote or refrain from voting.<sup>43</sup> Undue influence is considered to be the use of (threatened or actual) force, violence or restraint to induce somebody to vote or refrain from voting.

One of the more radical elements of PPERA was to place an overall limit on national campaign spending. The limit is calculated on a formula of £30,000 for each seat a party is contesting so (excluding Northern Ireland) the upper limit for the main parties (and those parties that compete across England, Scotland and Wales) is £18,960,000. For smaller parties the spending limit is whichever is greater out of £810,000 (England), £120,000 (Scotland) and £60,000 (Wales) – or the aforementioned £30,000 formula.

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<sup>43</sup> Indeed, many stories post-election are of citizens who – understandably unaware of the ins and outs of the RPA – end up admonished by the Electoral Commission on account of treating. Recent examples include the graffiti artist Banksy offering the public limited edition artwork to not vote for the Conservative Party (Hayhurst, 2017), a local entrepreneur offering a free pint of beer for anyone who voted for a progressive party (Vowles, 2017) and even a United Kingdom Independence Party (UKIP) candidate proffering sausage rolls to potential voters (Mason, 2015).

Although limits on national expenditure were introduced at the turn of the millennium, there have been limitations on local spending since the late 1800s (see page 127). This means that there are in fact two different kinds of spending at elections and two different spending limits; *party campaign spending* (national spending) and *candidate spending* (local spending for specific constituency MPs). The spending limit here takes into account the number of registered electors there are in each constituency, so in 2017 was calculated as a base amount (£8,700) with 6p added per elector in a ‘borough constituency’ and 9p added per elector in a ‘county constituency’ (Electoral Commission, 2017c: 9). Candidate spending includes the costs of advertising of any kind for a specific candidate, unsolicited material on behalf of a candidate, transport costs, public meetings, staff costs, accommodation and administrative costs.

There are typically two spending limits at general elections, one for the ‘long campaign’, and one for the ‘short campaign’. The short campaign represents the period between the dissolution of parliament before a general election and the date of the general election and is subject to the spending limits outlined above. There was no long campaign in 2017, but in 2015 it began on the 19<sup>th</sup> December 2014 and ran up until the day before a person officially becomes a candidate (30<sup>th</sup> March 2015). During the long campaign pre-candidacy spending limits are in place, in 2014/2015 this was set at £30,700 with 6p added per elector in a borough constituency and 9p added per elector in a county constituency (for a good summary of the rules surrounding the 2014/2015 long campaign see Chakelian, 2014).

There is no shortage of controversy about what is actually considered party spending and what is considered candidate spending, and although there has ‘always been a blurred line between the two’, by 2015 the ‘difference was becoming increasingly cosmetic’ (Fisher, 2015c: 153). The controversy is based around the (minute) geographical concentration on swing seats of national spending which ‘look[s] darn local, with local references peppered in the expensive direct mail’ with ‘the one key omission’ being ‘the name of the constituency candidates’ (Pack, 2015). The issue here is that if candidate spending limits can be filed – through legislative loophole seeking – as party spending then PPERA as it stands may well be unfit for purpose. It is not just commentators who argue this; in a number of the elite interviews this was raised as an issue.

The amount of money that was spent, particularly by the Conservatives (but not exclusively) to support individual candidates, in individual constituencies, without actually mentioning the name of the candidate – therefore getting around the system – was wicked...I think our mistake in recent years has been to concentrate so much on donations that we have failed to look at what is

actually important – what is the use of those donations and what effect does it have on the body politic. (Interview with CSPL member Lord Paul Tyler, 2015).

In the wake of an investigation by Channel Four, the Electoral Commission levied a £70,000 fine to the Conservative Party – the largest ever amount – for discrepancies in their candidate and party spending returns in a number of 2014 by-elections and the 2015 general election. The case was also referred to Crown Prosecution Service (CPS) that subsequently placed a number of MPs under criminal investigation.<sup>44</sup> In the wake of these fines the Electoral Commission outlined its frustration that a disregard for specific types of spending was becoming the done thing in British politics.

This is the third investigation we have recently concluded where the largest political parties have failed to report up to six figure sums following major elections, and have been fined as a result. There is a risk that some political parties might come to view the payment of these fines as a cost of doing business; the Commission therefore needs to be able to impose sanctions that are proportionate to the levels of spending now routinely handled by parties and campaigners. (Electoral Commission, 2017d).

### Reporting

Political parties are required to make annual statements of accounts which outline donations and spending in that year.<sup>45</sup> Political parties, as covered above, are also required to make quarterly donations and loan reports to the Electoral Commission. Political parties are required to send weekly donation and loan returns to the Electoral Commission during election campaigns which are subsequently published on the Electoral Commission's website during the campaign (usually a week after the reporting date). As the controversy outlined above would imply, political parties have to submit separate campaign and candidate spending returns.

### Oversight and sanctions

The Electoral Commission has the main responsibility to investigate any breaches of political finance regulation, but a part of this responsibility is also covered by the police and courts.<sup>46</sup> PPERA, however, only provided supervisory powers and the Commission relied heavily on the co-operation of the political parties themselves in their investigations over alleged offences. For example, they 'could only require certain types of information and documents

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<sup>44</sup> The CPS ultimately brought no charges against all but one of the MPs under investigation, Craig Mackinlay of South Thanet being the (dis)honourable exception in this case.

<sup>45</sup> These tend to be released in pdf form on the Electoral Commission website in the first week of August every year.

<sup>46</sup> For example, the police are tasked with investigating breaches of the RPA whereas the Electoral Commission investigate breaches of PPERA.

from specified individuals or organisations’ (Electoral Commission, 2012: 1). The Commission had no power to require witnesses to attend for interview and could only pursue fines for a limited number of specified breaches. In the vast majority of situations the only viable option was to refer cases for criminal prosecution. This often left the Commission with a dilemma in which they ‘had to decide between referral for criminal prosecution (which was often not proportionate to the breach) or taking no action at all’ (ibid.). In discussion with the regulator this balance between proportionately sanctioning those in political parties in which a breach has occurred is something that weighs heavily.

What you mustn’t forget as well with politics is that with the exception of the three really big parties, the majority of other people in politics are volunteers. We don’t want to criminalise people who don’t do this as a day-to-day job when it is inadvertent. PPERA itself is really confusing a lot of the time. Criminalising little old ladies is how it would have been prior to the sanctioning regime coming in. I think we have got a fair balance now between so that things that come through to me are not minor things which wouldn’t be in the public interest. We don’t make examples of people. (Interview with representative from the enforcement division of the Electoral Commission, 2015).

The new sanctions regime mentioned here includes the changes made in the Political Parties and Elections Act 2009 (PPEA). These changes gave the Electoral Commission a significantly broader mandate. As a result of PPEA the Commission can require information from anyone where there has been a suspected breach of electoral law, require witnesses to attend interviews, take action in the case of non-co-operation and (in certain circumstances) enter premises (with a warrant). PPEA also introduced considerably more flexible sanctions such as fines ranging from £200 to £20,000, ‘compliance and restoration notices’ (by which they can require particular actions to be taken to achieve compliance) and ‘stop notices’ (by which they can require a particular action or intended action be stopped). As the above quote suggests, these changes have allowed the Commission to be considerably more malleable when it comes to investigatory oversight ‘enabling us [sic] to be more proportionate and effective as a regulator’ (Electoral Commission, 2012: 2).

## **5.2 Denmark: the party funding regime**

### Donations

In Denmark foreign donations to either parties or candidates are not banned. Likewise there is neither a ban on corporate donations nor donations from trade unions. Similarly to Great Britain the tension between trade union donations on one side and corporate donations on the other is the subject of much controversy when potential reforms are discussed (see



Chapter 8). There is not strictly a ban on anonymous donations, however every anonymous donation which exceeds 20,000 Danish krone (20,000 DKK around £2,450) must be declared and parties' financial reports should outline the total amount given by anonymous donors.<sup>47</sup>

### Disclosure

There are no limits to the amount a person, corporation or trade union can donate to a political party or candidate. However, there are some transparency obligations, although these are relatively weak. Any donation from a person, corporation or trade union exceeding 20,000 DKK must be declared. However, the full amount is not declared, merely the fact that said entity donated a figure greater than 20,000 DKK.

### Public funding

As per the Grants to Political Parties (Consolidation) Act 2006 (GPPCA) a party or independent list candidate that has gained more than 1000 votes is entitled to state funding. This formula is calculated at 26.50 DKK per vote that the party gained in the last election.<sup>48</sup> This simple formula is repeated across county council elections (if a party or independent candidate receives at least 500 votes they are entitled to 3.75 DKK per vote received) and district council elections (if a party or independent receive at least 100 votes they are entitled to 6.00 DKK per vote received). The purpose of this direct public funding is to support 'general administration and election campaign activities' but unlike Short and Cranborne Money is not earmarked for anything specific – though it must be spent in Denmark (GRECO, 2009: 6). The fact that public funding is given with so few guidelines on how it must be spent has been the cause of significant recent controversy involving, amongst others, the current prime minister Lars-Løkke Rasmussen (see pages 188-189).

Danish parties are also in receipt of a generous Party Group Grant (PGG), which is similar to Short Money. Naßmacher (2009: 59) cites Denmark and Great Britain (alongside Germany, Austria and the Netherlands) as among those democracies with considerable parliamentary budgets at their disposal.

Like British parties, Danish parties are in receipt of less tangible forms of state subsidy. They too receive free access to the public broadcast media during elections, as all registered parties (no matter how small) are given equal access to pre-election programmes on the radio and

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<sup>47</sup> Currency conversion calculated 06/09/2017.

<sup>48</sup> This comparatively one of the lowest thresholds for receipt of state funding across democracies worldwide (see page 175).

television. As in Great Britain paid political advertising (i.e. commercial advertising) is subject to a ban. Political parties are also exempt from some taxes, although their business activities are taxed. All other types of funding, public or private, are exempt.

#### Regulations on elections and spending

As per the Penal Code 1930 there are bans on bribery and undue influence in elections. Bribery is considered the giving of money to a voter, or to someone on behalf of a voter, to vote or refrain from voting. Undue influence is considered to be the use of (threatened or actual) force, violence or restraint to induce somebody to vote or refrain from voting. There are no limits on the amount a candidate or political party can spend. However, like Great Britain (and Australia and the Netherlands), Denmark is classified as having a moderate level of party expense (ibid.: 120).

#### Reporting

Political parties (with a nationwide organisation) are required to submit accounts annually to the Folketing (the Danish parliament). As per the GPCCA the report should disclose information regarding donations, public funding, membership fees, additional private donations and interest received. Unlike Great Britain, during election campaigns there are no additional requirements placed on political parties or candidates to report donations or loans. However, individual candidates must report to the Folketing the amount of state funding that was used for 'political purposes' in order to receive public funding for the following year.<sup>49</sup> There are no specific obligations that these accounts have to be made publicly available. However, the (required) submission of annual accounts to the Folketing renders them in the public realm as per the Accounts of Political Parties Act 1995 (APPA).

#### Oversight and sanctions

There is no specific regulatory body (such as the Electoral Commission) that is tasked with checking the specific accounting records of Danish political parties, but the General Audit Office (Rigsrevisionen) is tasked with examining financial returns. The Rigsrevisionen is also authorised to demand further accounting records from parties that are in receipt of state funding to examine how such funding has been spent, however this power has never been used (see page 176; also GRECO, 2009: 10).

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<sup>49</sup> In a number of interviews in Denmark I was informed that candidates and political parties always manage to spend exactly the amount of state funding they received in the previous year for 'political purposes'. Indeed, any funding left over is subtracted from the grant in the subsequent year. Funny that.

APPA states that anyone who gives insufficient information in regards to income, expenditure and the general correctness of accounts may be punished by a fine or imprisonment of up to four months. If a party fails to submit its annual account to the Folketing, public funding for the following year can be withheld. Finally, if incorrect statements are given during the process of applying for state subsidies (either at the national, regional or district level) the guilty party may be punished by a fine or imprisonment of up to four months.

Table 5.1 The party funding regimes of Great Britain and Denmark

	<i>Great Britain</i>	<i>Denmark</i>
<i>Donations</i>	<ul style="list-style-type: none"> <li>• Foreign donations not banned to either parties or candidates (but £500 and £50 limit respectively)</li> <li>• Anonymous donations not banned but limited to £50</li> <li>• No limit on donation size</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign donations not banned</li> <li>• Anonymous donations not banned</li> <li>• No limit on donation size</li> </ul>
<i>Disclosures</i>	<ul style="list-style-type: none"> <li>• All donations over £7,500 from an individual, trade union or corporation (nationally) and £1,500 (locally) declared to the Electoral Commission</li> </ul>	<ul style="list-style-type: none"> <li>• All donations over 20,000 DKK from an individual, trade union or corporation must be disclosed, though the exact amount is not</li> </ul>
<i>Public funding</i>	<ul style="list-style-type: none"> <li>• Modest state funding compared with the Western European norm</li> <li>• Receipt of Short Money and Cranborne Money</li> <li>• Receipt of <i>Policy Development Grants</i></li> <li>• Free broadcasting slots and election mailings</li> </ul>	<ul style="list-style-type: none"> <li>• Significant state funding in line with Western European norm</li> <li>• State funding calculated by number of votes received at the last election (when a party or independent candidate receives over 1,000 votes in national elections) – different thresholds apply at the county (500 votes) and district (100 votes) level</li> <li>• Receipt of <i>Party Group Grants</i></li> <li>• Receipt of free (public) broadcasting slots</li> <li>• Parties exempt from those taxes not related to business activities</li> </ul>
<i>Regulations on elections and spending</i>	<ul style="list-style-type: none"> <li>• Ban on bribery, treating and undue influence</li> <li>• National campaign spending limits (£30,000 per contested constituency)</li> </ul>	<ul style="list-style-type: none"> <li>• Bans on bribery and undue influence</li> <li>• No national or local campaign spending limits</li> <li>• Comparatively a <i>moderate</i> level of party expense</li> </ul>

	<ul style="list-style-type: none"> <li>• Local campaign spending limits (vary depending on size of electorate in constituency)</li> <li>• Comparatively a <i>moderate</i> level of party expense</li> </ul>	
<i>Reporting</i>	<ul style="list-style-type: none"> <li>• Annual statement of accounts submitted to the Electoral Commission</li> <li>• Quarterly donation and loan reports submitted to the Electoral Commission</li> <li>• Weekly donation and loan reports submitted to the Electoral Commission during election campaigns</li> </ul>	<ul style="list-style-type: none"> <li>• Annual statement of accounts submitted to the Folketing</li> <li>• Candidates required to report amount of state subsidy used for ‘political purposes’</li> <li>• No obligation for these reports to be made public but submission to the Folketing renders them in the public realm</li> </ul>
<i>Oversight and sanctions</i>	<ul style="list-style-type: none"> <li>• Oversight and sanctions levied by the Electoral Commission (for breaches of PPERA) and the CPS (for breaches of the RPA)</li> <li>• Sanctions include: fines, ‘compliance and restoration notices’, ‘stop notices, and up to a year’s imprisonment</li> </ul>	<ul style="list-style-type: none"> <li>• Oversight and sanctions by the Ministry for Economic Affairs and the interior, the Rigsrevisionen and the police</li> <li>• Sanctions include: fines and a period of imprisonment of up to four months</li> </ul>

### 5.3 Great Britain: account of party income

This section will cover the annual accounting returns of political parties in Great Britain. It will first outline the total annual income collected from the seven parties that have contested and won at least a seat in (at least one of) the last three general elections (Conservative, Greens, Labour, Liberal Democrats, Plaid Cymru, the SNP and UKIP).<sup>50</sup> The data from the Conservative Party and the Labour Party will then be presented in more detail, before a selection of data from the smaller parties is introduced. The section will end with observations and trends that can be drawn from the data.

#### *General party accounts*

In figure 5.1 we can see that political party income is dominated by the Conservative and Labour parties. In party finance terms, at least, British politics is still very much two-party politics. Secondly, we can also see, counter-intuitively, that the Labour Party has consistently outperformed the Conservative Party when it comes to overall party income and especially so in 2015. There are a number of potential explanations for this. First, post-2010 (as an opposition party) Labour would have been in receipt of a generous level of state subsidy in the form of Short (and Cranborne) Money. This would also explain why the Labour Party saw a considerably less drastic drop off post-2010 than the Conservatives. Relatedly, the Conservative Party would have ceased to be in receipt of Short (and Cranborne) Money which may explain the sharp drop off in their overall income. Secondly, it was widely reported that the Labour Party was in a situation of severe debt after the 2005 general election campaign and had spent the following decade aggressively raising money in the hope of clearing it (see for example Pickard and Barrett, 2014; Dathan, 2015; Labour List, 2016).<sup>51</sup>

The data also shows that in the early 2000s as well as being in the electoral wilderness the Conservatives were also very much in the financial wilderness (for the definitive account of this period in Conservative Party history see Bale, 2016, Chapters 3-5). We can also see that the Greens are by far and away the poorest party when it comes to income and that the rise of the SNP and UKIP in the later years of the Conservative-Liberal Democrat coalition is also shown in the relative income of the two parties.

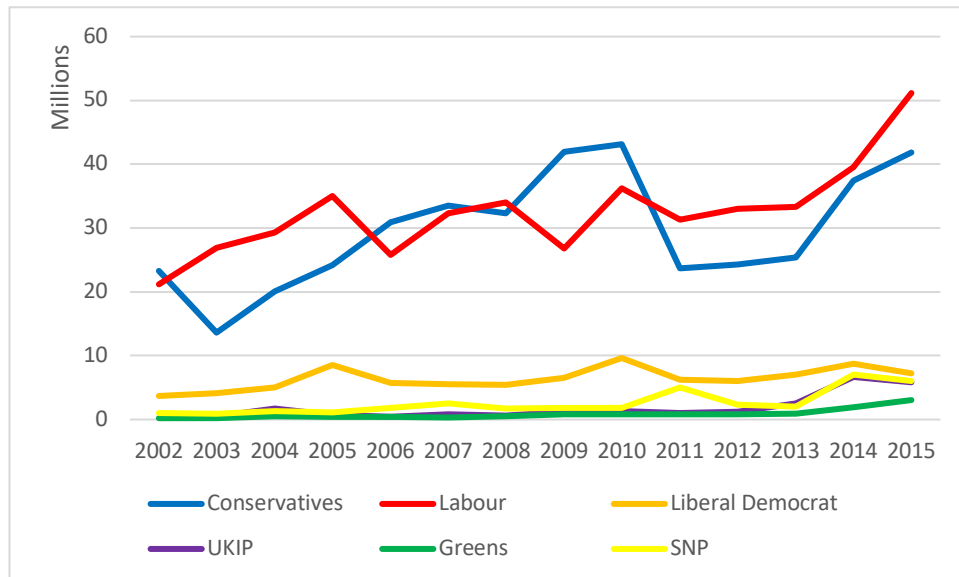
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<sup>50</sup> It should be noted that I was only able to get data for Plaid Cymru from the Electoral Commission from 2008 -2016 as this is the only information available directly from the Electoral Commission website. I did make numerous requests for information dating back to 2002 but to no avail. However, due to Plaid's relatively small overall annual income this affects the data in a negligible way. For ease of comprehension the accounts of PC have been removed from figure 5.1 and figure 5.2.

<sup>51</sup> This was, in part, a legacy of borrowing significant sums of money from wealthy donors, leading to the loans for honours affair (see pages 150-152).

Finally, but to a lesser extent, the overall income of (especially the two major parties but also the Liberal Democrats) is cyclical. There are marked rises in years in which there are general elections (2005, 2010, and 2015). In the case of the SNP we also see a rise in 2007 and 2011, which matches with the election of members to the Scottish Parliament.

**Figure 5.1 Total party income (Conservative, Labour, Liberal Democrat, UKIP, Green, SNP), 2002-2015**



The first thing to note in figure 5.2, which shows total party donations from 2002-2015, is that donations are cyclical in nature. The interesting outlier here is donations raised in 2007 and 2008 (particularly for the Labour Party). This can be explained by 2007 being the ‘election that never was’ when Gordon Brown effectively had Labour on an election footing and was considering calling an early election in the autumn (see for example BBC News 2007; Independent 2007; McBride, 2012). We would therefore expect the election campaign machines of the Labour and Conservative parties to be in full swing and that very much includes the soliciting of donations.

Secondly, whilst the Labour Party might raise more in total income, the Conservative Party has the clear edge when it comes to raising money through donations. This is unsurprising, as individual (and company) donations are the historic, institutional bedrock of Conservative

Party donations. The donations data again matches with the story of both the rise of the SNP and UKIP and the relative resilience of the Liberal Democrats when it comes to fundraising.

**Figure 5.2 Total party donations (Conservative, Labour, Liberal Democrat, UKIP, Green, SNP), 2002-2015**

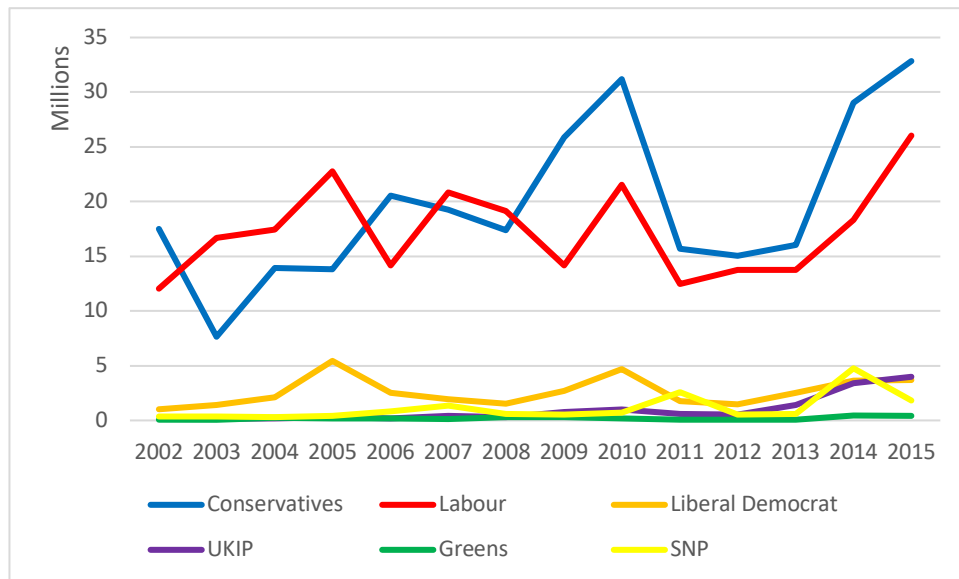


Figure 5.3 shows the total party income (2002-2015) in four categories (donations and fundraising, grants, membership fees and other income). The story here, again, is one that is not necessarily surprising. As we know from the previous chapter Great Britain has (relative to the Western European norm) weak levels of state subsidy. Levels of state subsidy average out at 8.95% over the 2002-2015 period, a little below membership fees which make up 10.44% of total party income. Donations and fundraising clearly dominate the British party funding regime making up 57.02% of total party income, income categorised as ‘other’, meanwhile, accounts for 23.58%.

Finally, whilst party membership does fluctuate for all parties over this period (see Keen and Apostolova, 2017: 7), at the aggregate level membership fees as a proportion of total party income remain consistent.<sup>52</sup> Cyclical membership rates are understood to be the norm for those that organise within political parties. Therefore, designing the membership fee structure so that the actual number of members a political party has matters less (in the case of political finance) than keeping the proportion of income raised through members consistent, is essential.

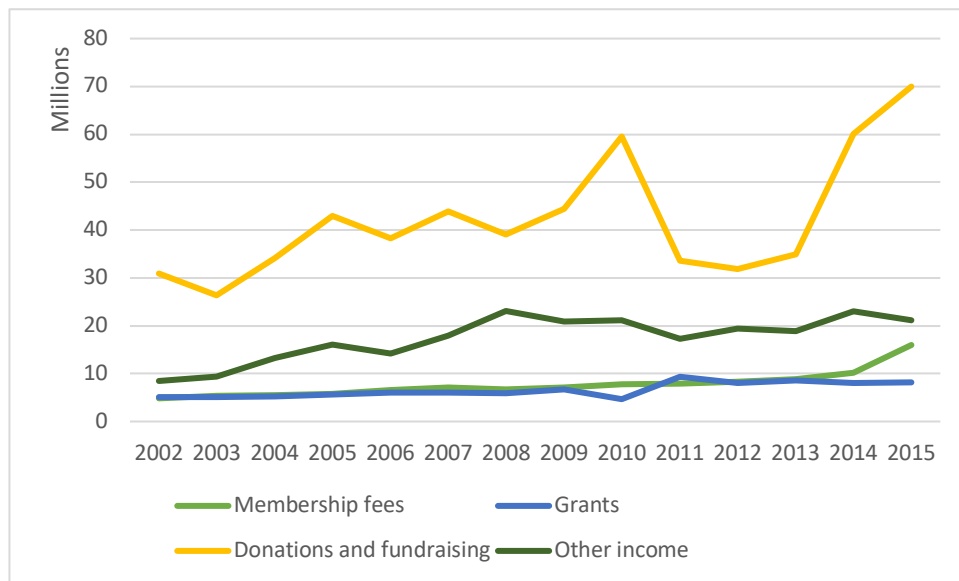
There was, for many throughout that period [around the turn of the millennium] a big push to increase membership. Although, in reality, having

<sup>52</sup> There is, of course, a rise between 2014 and 2015, this will be covered in more detail in the section on the Labour Party.



been involved in membership work it was obvious that membership – of political parties in particular – was always going to be cyclical...we worked on retention but we increased the amount of net per member. So we were in the strange situation that although our membership was dropping, our membership income was increasing. We were getting more per member by putting up membership fees and also some quite controversial things like, to some extent, removing the cheaper rate membership. (Interview with former General Secretary of the Labour Party, Peter Watt, 2016).

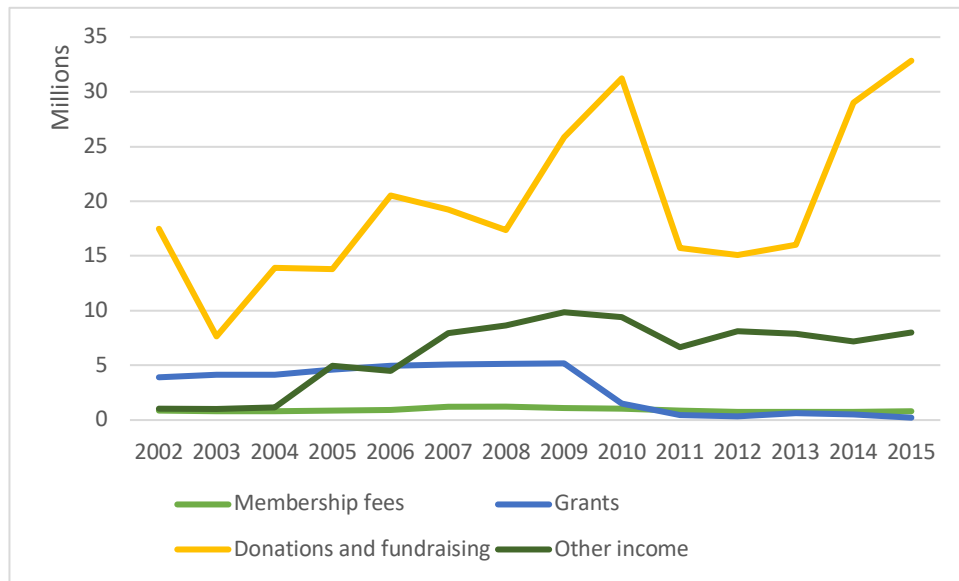
**Figure 5.3 Total party income (membership fees, grants, donations and fundraising, other income) in Great Britain, 2005-2015**



### The Conservative Party

As figure 5.4 shows Conservative Party income is dominated by donations, primarily made up of large individual and corporate donations. They make up 66.36% of total party income over the period, with other income accounting for 20.77%, grants are worth 9.81% of total income with membership fees accounting for only 3.06%. We can again see that the early 2000s represent a period in both the financial and electoral doldrums for the Conservative Party. As discussed above despite Conservative Party membership falling ‘by more than half from 273,000 to 134,000 between 2002 and 2013’ the income data shows that the money raised through membership fees was consistent (Keen and Apostolova, 2017: 11). The gap between the largest amount of money raised through membership fees (£1,229,000 in 2008) and the lowest (£747,000 in 2012) has never been more than £500,000. Finally, income raised through grants drops off significantly after 2010, when the Conservative Party was no longer in receipt of Short (and Cranborne) Money.

**Figure 5.4 Conservative Party income (membership fees, grants, donations and fundraising, other income), 2002-2015**



### The Labour Party

Figure 5.5 shows that the Labour Party is still reliant on large institutional donations, although to a lesser extent than the Conservatives. It does, however, have a much higher proportion of total income raised through membership fees. In total donations and fundraising account for 53.28% of total party income, other expenditure 22.81%, membership fees 14.85% and grants 9.05%. The Labour Party accounts also allow a deeper analysis of the donations and fundraising figures as, unlike the Conservative Party, they specify what proportion of the overall figure is donations, affiliations and a result of fundraising.

Figure 5.6 shows that, probably down to the New Labour pivot from concentrating on trade union (affiliation) donations to those from both business and wealthy individuals, Labour does raise more money through donations than affiliations. Indeed, donations account for 51.60% of income raised, whereas affiliations account for 43.25%. Figure 5.6 also shows that affiliations are steady over time, with a slight drop after 2013. This is, perhaps, due to the Collins Reforms which fundamentally changed the relationship between Labour and the trade unions in terms of party finance (see pages 136-139; also Power, 2017).

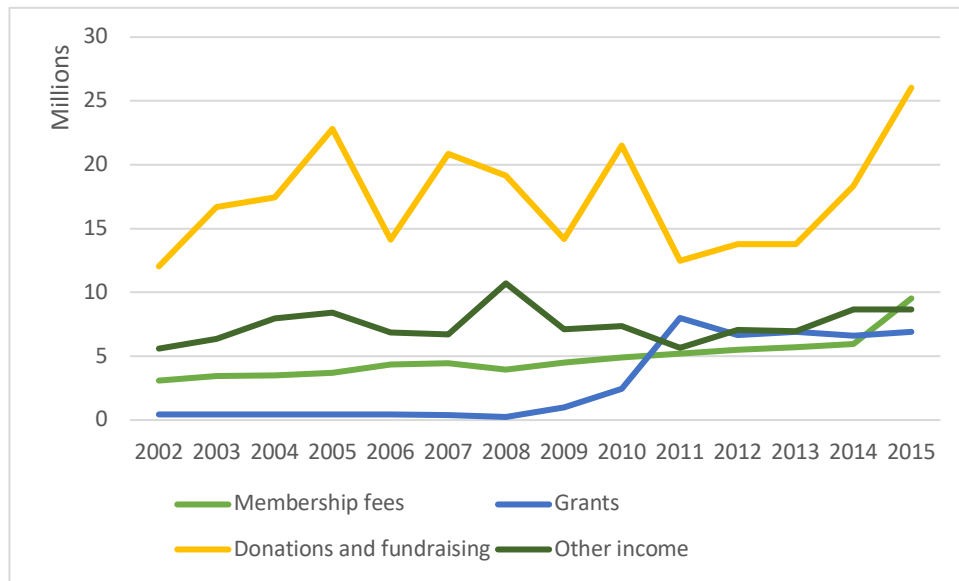
Both figure 5.5 and 5.6 show that despite much speculation in the wake of the election of Jeremy Corbyn that donations to the Labour Party would drop off, this has not been the case (see for example, Riley-Smith, 2015; Mason, 2016). There are a number of caveats to this. Firstly, we should be wary of reading too much into data from 2015 as this represented an election year. Trends in donation patterns do not come out until some years later when a

researcher can assess the trend in donations of a whole (or ideally two or three) election cycles. Also, as mentioned in the previous chapter, election years do tend to have high levels of donations relative to non-election years. Secondly, the data from 2015 accounts for a considerable amount of time when Jeremy Corbyn was not the leader of the Labour Party. Finally, the Labour Party accounts do not distinguish between large and small individual donations, and the extent to which any donor exodus would have been mitigated by a series of small donations from new party members, or affiliated supporters (who paid £3 and £25 in 2015 and 2016 respectively to vote in the Labour leadership contests).

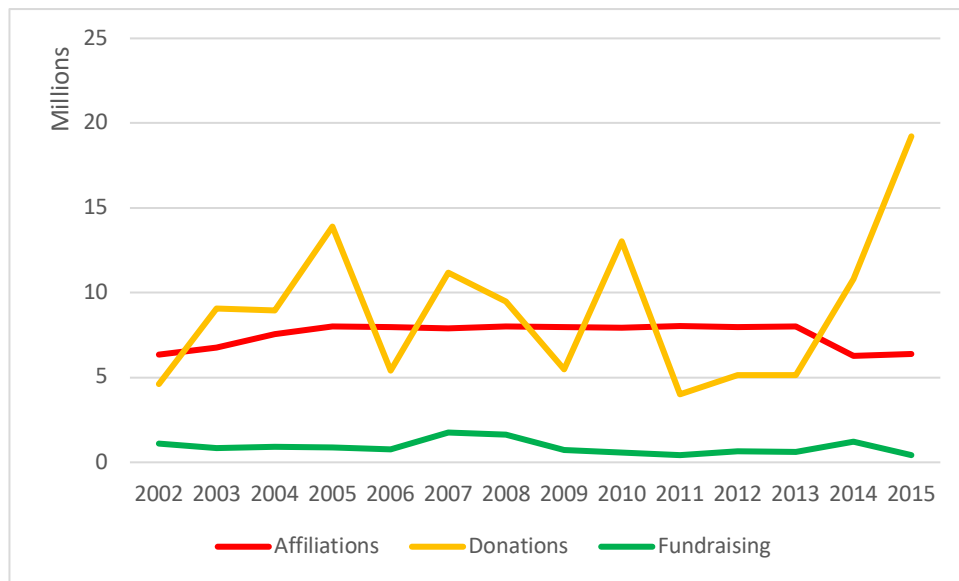
The amount of money raised through membership fees also represents a significant difference between the Labour and Conservative Party. The lowest figure for Labour stands at £3,093,000 (2002), whereas the highest figure is £9,532,000 (2015). This means that during these reporting periods the lowest amount of money that Labour managed to raise through membership fees still remains £1,864,000 higher than the Conservative Party at its peak. Secondly, the accounts bear out both the assertion of Peter Watt above and other evidence (see Keen and Apostolova, 2017: 12) that although Labour membership fell during the 2000s, money raised through membership fees actually rose.

The final thing to note about the Labour Party accounts is the significant uptick in money raised through membership fees in 2015. This tells us a number of things about the Labour Party, Jeremy Corbyn and party funding more generally. Firstly, the rise in membership fees from 2014 (£5,971,000) to 2015 (£9,532,000) represents a significant fillip to both the Labour Party and to Jeremy Corbyn. It is also a financial representation of what we might understand as the tension between ‘old’ Labour members and ‘new’ Labour members. These figures further confirm that, to an extent, the post-Corbyn Labour Party is a new – or at least different – Labour Party. That carries with it significant organisational challenges. Importantly, however, in party finance terms these figures show that membership itself can only provide limited income. The Labour Party membership surge is exceptional to the more general Western European trend of party membership decline. However, even with this exception, membership fees in 2015 only accounted for 18.63% of the total income raised by the Labour Party. Membership fees alone are not enough to finance a political party.

**Figure 5.5 Labour Party income (membership fees, grants, donations and fundraising, other income), 2002-2015**



**Figure 5.6 Labour Party income via affiliations, donations and fundraising, 2002-2015**



### Other parties

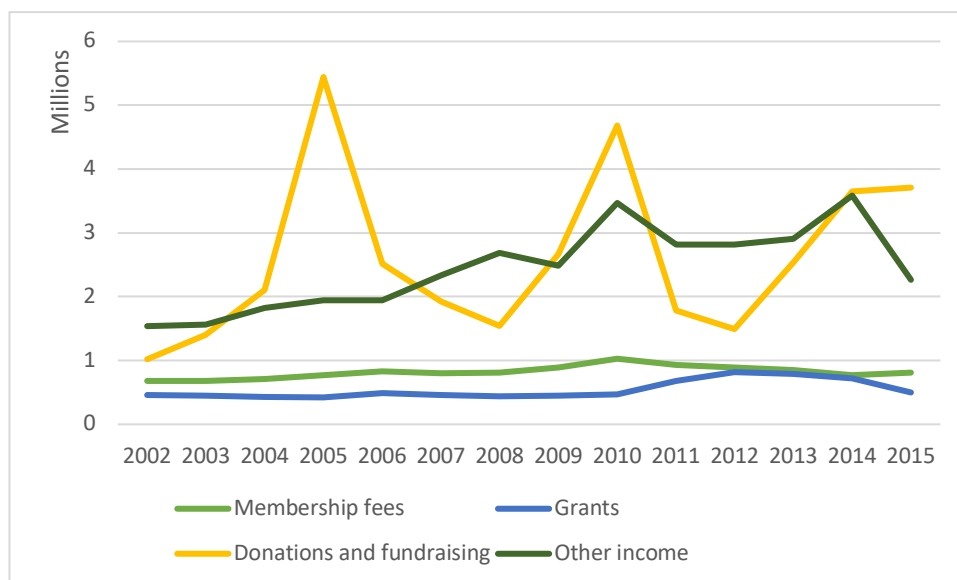
In the following analysis the accounts of the Green Party (figure 5.8), the SNP (figure 5.9) and UKIP (figure 5.10) have been grouped together because they all tell a similar story. The Liberal Democrats (figure 5.7), on the other hand, paint a similar (but much smaller) picture to that of the Conservatives and Labour. Here again we see a cyclical pattern of donations, peaking at election time, and that donations are still the dominant form of income. However, donations are not as dominant as they are for the two major parties at 40.68% of total income. This is compared with other income at 38.12%, membership fees at 12.77% and grants at 8.43%. It is also worth noting that despite their relative unpopularity post-2010, the

Liberal Democrats have consistently either been close to raising as much as – or from 2010-2014 more than – the Conservative Party in membership fee income.

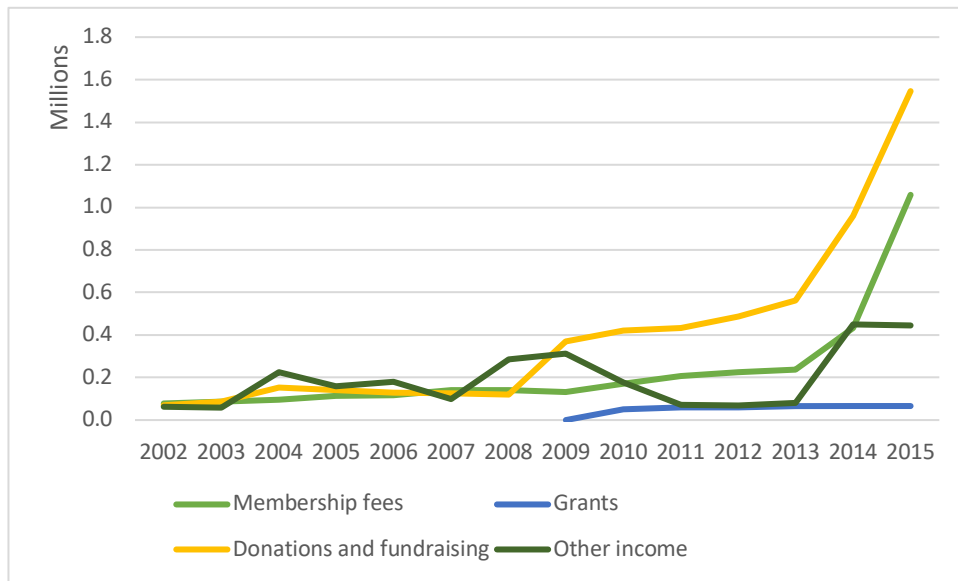
Whilst the accounts of the Greens, the SNP and UKIP do to an extent demonstrate the cyclical pattern of donations, they also show some interesting contrasts to the other (larger) parties. First, we see a (much smaller) continuance of the cyclical pattern of donations, particularly in the case of the SNP. Whilst donations are the most dominant form of income, prior to 2008 this dominance is much less marked. The donations rise in tandem with a stark rise in the amount of money raised through membership fees. The rise in membership fees is noticeable for both the SNP and the Green Party, but is also apparent, from a slightly earlier starting point, in the data from UKIP (although the membership fees figure for UKIP does level off at 2014 – suggesting that this was the party’s peak).

The membership figures, therefore, support the narrative of 2015 being a breakthrough election (in Westminster at least) for the Greens, the SNP and UKIP (for the Greens see Dennison, 2015; the SNP see Mitchell, 2015; UKIP see Dennison and Goodwin, 2015). The party accounts, just as with the changing face of Labour under Corbyn, show these changes with stark effect.

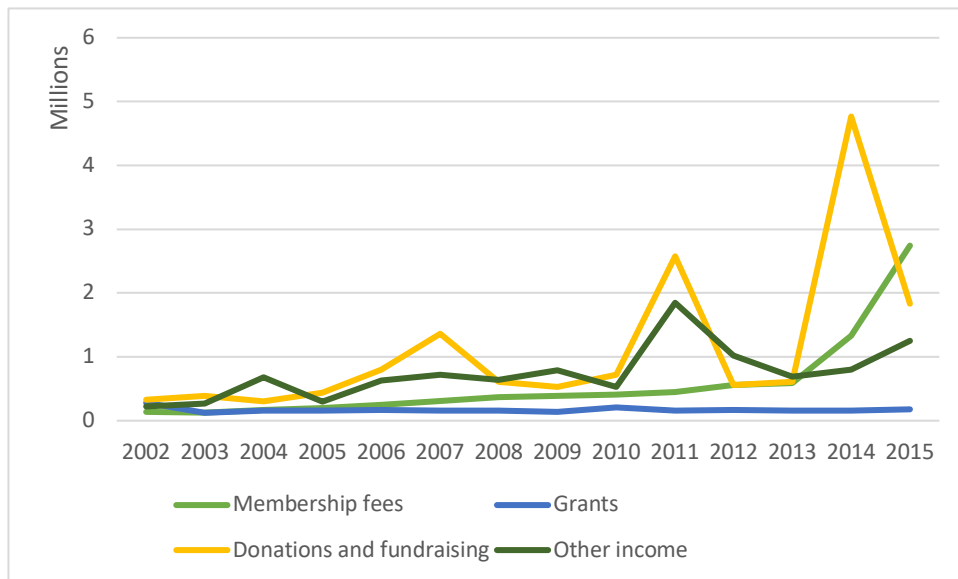
**Figure 5.7 Liberal Democrat income (membership fees, grants, donations and fundraising, other income), 2002-2015**



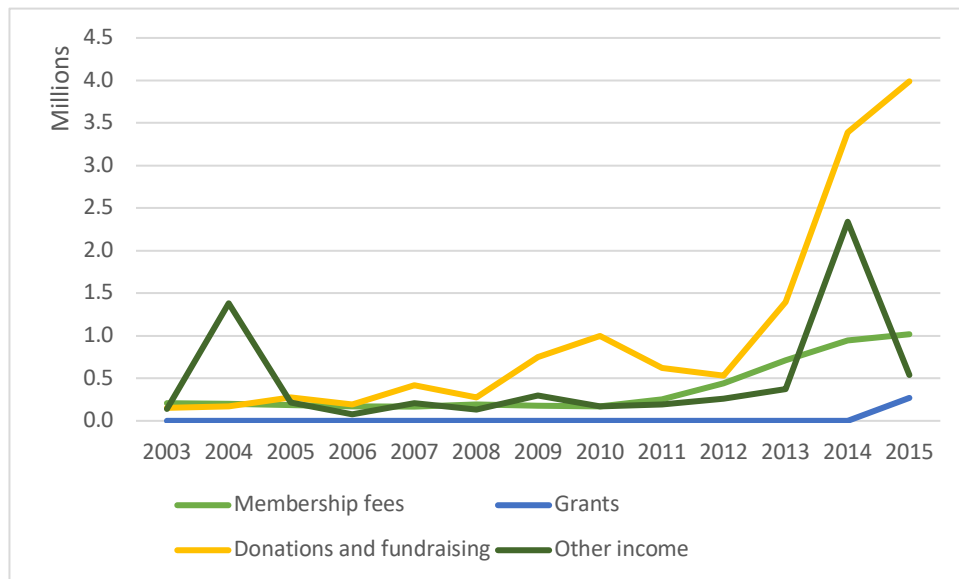
**Figure 5.8 Green Party income (membership fees, grants, donations and fundraising, other income), 2002-2015**



**Figure 5.9 SNP income (membership fees, grants, donations and fundraising, other income), 2002-2015**



**Figure 5.10 UKIP income (membership fees, grants, donations and fundraising, other income), 2002-2015**



### Observations

In Great Britain there is a clear cyclical pattern of donations. Donations are much easier to solicit in the years where an election takes place (be it a national election, a devolved election, or an independence referendum). This means that without significant state subsidy sustainability is a real problem for political parties. Analysis of the first-hand experience of fundraisers and party secretaries, both in interviews and autobiographies, tells us this (see for example Levy, 2008; Watt, 2010).

It's easy raising money at election times, it's much more difficult raising money in between elections. This is because effectively, if you're the Tory party, you can say 'give us some money or Labour will get in'. That's quite a potent argument if you're Conservatively inclined. It's much more difficult in 2017 to say give us some money because we need to pay for the photocopier.<sup>53</sup> (Interview with Justin Fisher, 2015)

Furthermore, the party accounting returns show that campaign expenditure makes up a small fraction of the total expenditure of political parties, especially in non-general election years (see figure 5.11). This is indicative of a wider trend across many advanced democracies, PPDB figures show that 'parties appear to spend a relatively modest amount of their overall income on election campaigning' (Webb and Keith, 2017: 53). Furthermore, these figures put the average party spend on elections at 40% and Britain as one of the higher averages

<sup>53</sup> Here the interviewee is using 2017 as an example of an uneventful, fallow year in terms elections. British politics is nothing if not unpredictable.

among the data set (as well as Canada, Germany and Spain). There are, however, substantial discrepancies between the data gathered for this project and the PPDB on political party expenditure. My analysis of party accounting returns in Great Britain (2002-2015) puts campaign expenditure at 18.07%, with running costs at 57.97% and other expenditure at 23.97%. However, both of these datasets show that voluntary funding of political parties is driven by these electoral cycles whilst party financial needs are constant. As such voluntarism is an ‘ineffective and unresponsive way of funding political parties’ (Fisher, 2002: 398).

Secondly, although membership of political parties can fluctuate, a loss in membership does not necessarily translate to a loss in membership fees. Political parties are adept at restructuring models of membership to match the amount needed from their members. The party accounts also show that the Conservatives seem relatively uninterested in raising a great deal of money through their members. This suggests that they see the funds that members supply as a second or third order resource. In recent years the Liberal Democrats, the SNP and UKIP have all had years in which they have raised more money through membership fees than the Conservative Party, despite the Conservative Party being estimated as having more members than these parties (Keen and Apostolova, 2017: 10-13)

Thirdly, the funding of British party politics is dominated by donations to political parties. All parties, whether big or small, rely on generous (large or small) donations to stay in the black and campaign effectively. For the smaller parties, grants provide some relief (though what these grants can pay for is tightly restricted) but they also rely to a greater extent on membership fees.<sup>54</sup> The aggregate membership income of the Greens (24.83%), the SNP (21.90%) and UKIP (19.67%) is higher than that of the other (larger) parties.

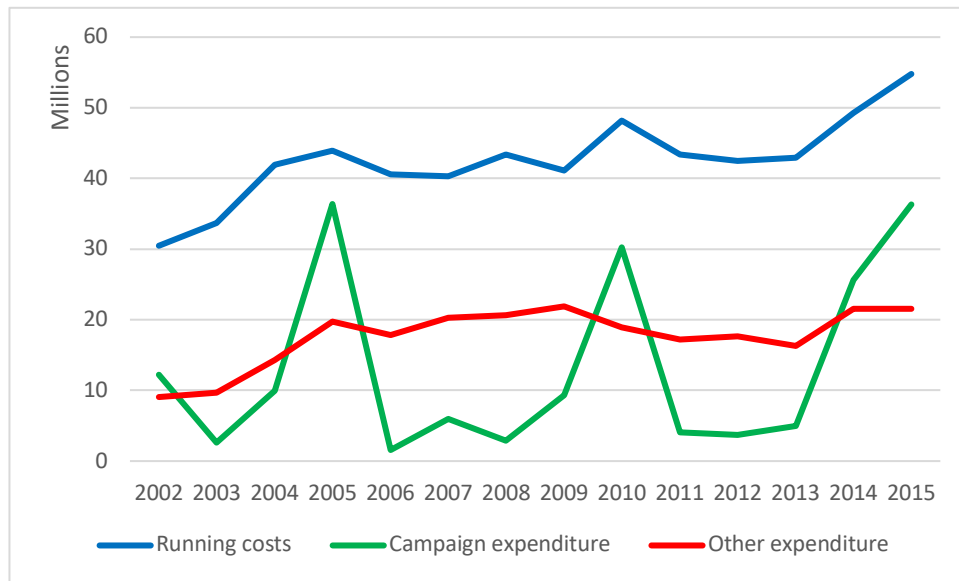
The final point is that, at least in terms of party finance, we see the domination of the two major parties in British politics. In this sense, if there has been a cartelisation of the party system in the British case then state subsidy is not the cause. Blyth and Katz (2005: 47-48) suggest that the lack of policy competition between the major parties, internal party reforms (including that to membership) and the externalisation of policy commitments is all evidence, in the British case, of cartelisation. Whilst some of these reforms have been unpicked, notably in the Collins Review we do see at least financially the dominance of the two-party system in Great Britain.

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<sup>54</sup> For no political party in Great Britain do grants provide greater than 10% of the share of the parties’ annual income.



**Figure 5.11 Total party expenditure (Conservative, Labour, Liberal Democrat, UKIP, Green, SNP), 2002-2015**



#### 5.4 Denmark: account of party income

This section will cover the annual accounting returns of political parties in Denmark. It will first outline the general picture of the total annual income collected from nine parties in the Danish party system: Enhedslisten (EL), Dansk Folkeparti (DF), Konservative Folkeparti (KF), Kristendemokraterne (KD), Liberal Alliance (LA), Radikale Venstre (RV), Socialdemokraterne (SD), Socialistisk Folkeparti (SF) and Venstre.<sup>55</sup> For ease of comprehension, the data for individual parties will be presented in four separate sections. The first two sections will cover Venstre and the SD, then those (electorally significant) parties in the blue block (DF and KF), then those (electorally significant) parties in the red block (EL, RV and SF).<sup>56</sup> The section ends with observations and trends that can be drawn from the data.

##### *General party accounts*

In figure 5.12 we can see that, much like the British case, political party income is dominated by what we might understand as the two main parties in Danish politics (SD and Venstre) as well as the KF whose finances fluctuate. This shows that whilst electorally Denmark is far from dominated by the old 'big four' parties, financially at least they still hold some influence.

<sup>55</sup> Whilst the Alternativet made a significant electoral breakthrough in 2015, they were formed in 2014 and as such the data is not systematically comparative so they have been removed from the analysis.

<sup>56</sup> Whilst the LA have made a significant electoral impact on Danish politics, as a relatively new party their standalone income data does not have the longitudinal analytical reach of the other parties in the blue block. Therefore, for both methodological and practical reasons, the LA have been removed from the analysis of single party accounts. They are, however, included in the overall figures.

This suggests an institutional hangover, particularly in the case of the KF, which is still able to collect considerable income despite relative electoral failure.<sup>57</sup> Another anomaly to note is the spike in income that the KF received in 2011. This is covered in more detail both below and in the previous chapter, but does further demonstrate the methodological issues inherent in calculating levels of overall income from one data point. Figure 5.12 also shows a clear drop in SD income post-2001 (see below for more on this).

Like Great Britain total party income in Denmark is cyclical. There are marked increases in years in which general elections are held (1994, 1998, 2001, 2005, 2007, 2011 and 2015). This trend is clearer in those parties with more overall total income, but is still apparent in the parties that (sometimes) perform better electorally, but raise less money overall. The income data also shows the financial rise of smaller ‘newer’ parties in the Danish political system, in particular the DF and EL.

**Figure 5.12 Total party income (V, SD, RV, DF, EL, KF, SF), 1991-2015**

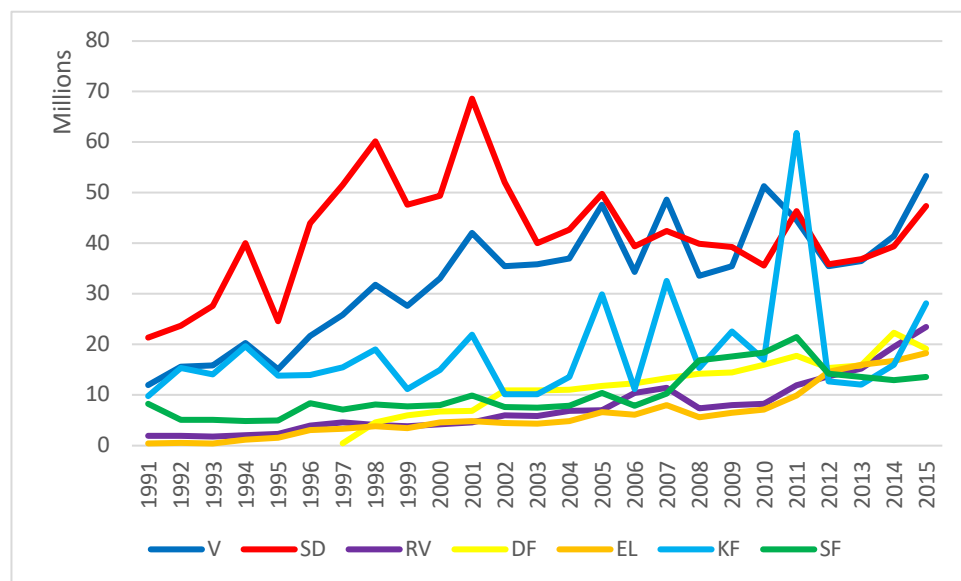


Figure 5.13 outlines total donations to the same parties from 1991-2015. In this case, we can see that donations are clearly cyclical. Again, we see that donations to the SD drop dramatically in the early 2000s (more on this below), and after this date lag behind those to the KF and, post-2012, match a number of other parties. Donations are gathered by those parties in the blue block and, as with overall income, are dominated by two of the three ‘old’ parties. Individual (and company) donations are the historic bedrock of donations to both Venstre and the KF. Moreover, once the trade unions largely stopped donating to the SD at the turn of the millennium they lost their historic institutional funding stream. To a lesser

<sup>57</sup> In terms of vote share the KF were the ninth most popular party at the 2015 general election.

extent, the donations data shows the rise of parties like the DF and the EL. Therefore, unlike the British case, donations data is less suitable for painting an overall analytical political picture. Indeed, if we look at just income through state subsidisation, we can see this rise manifested in a much starker manner (see figure 5.14).

Figure 5.13 Total party donations (V, SD, RV, DF, EL, KF, SF), 1991-2015

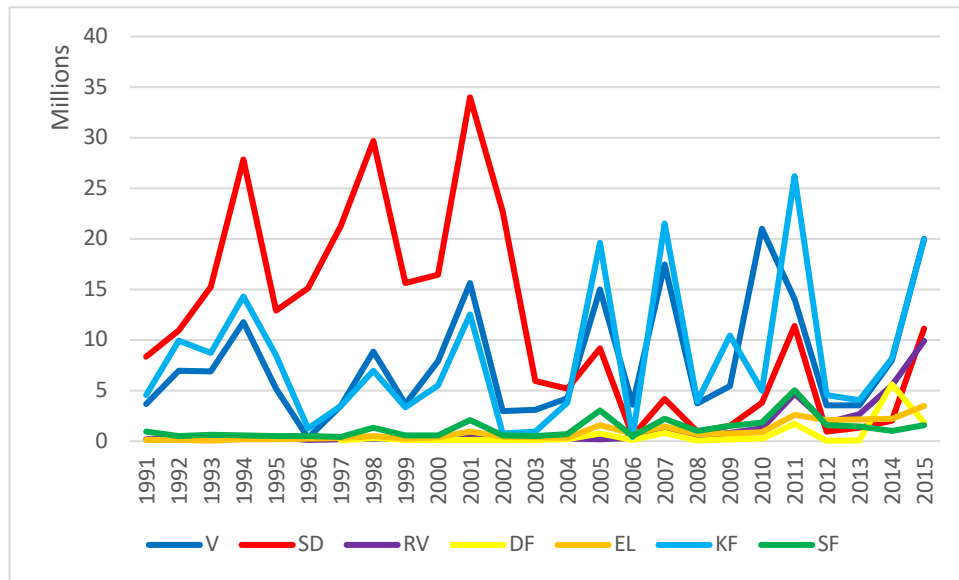
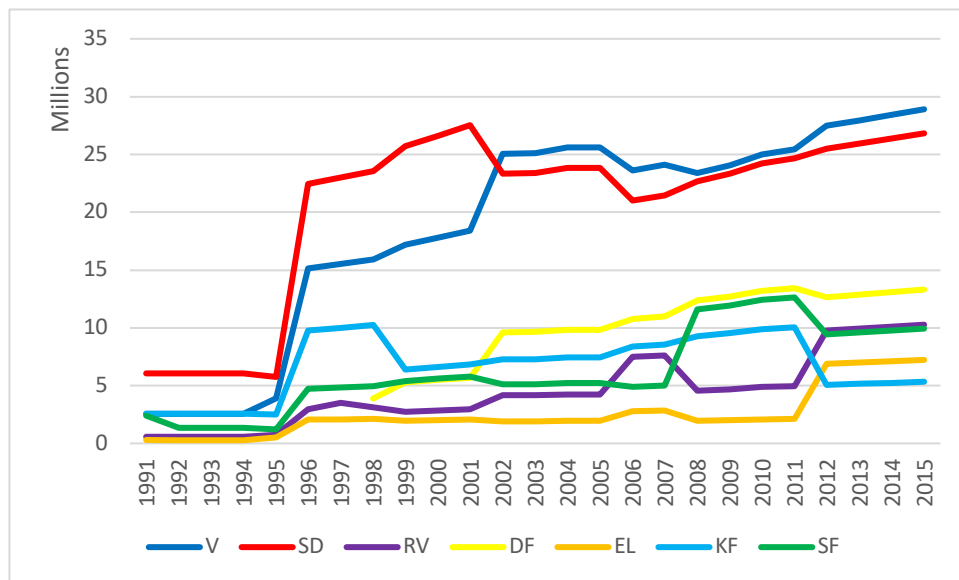


Figure 5.14 Total party income from state subsidisation (V, SD, RV, DF, EL, KF, SF), 1991-2015



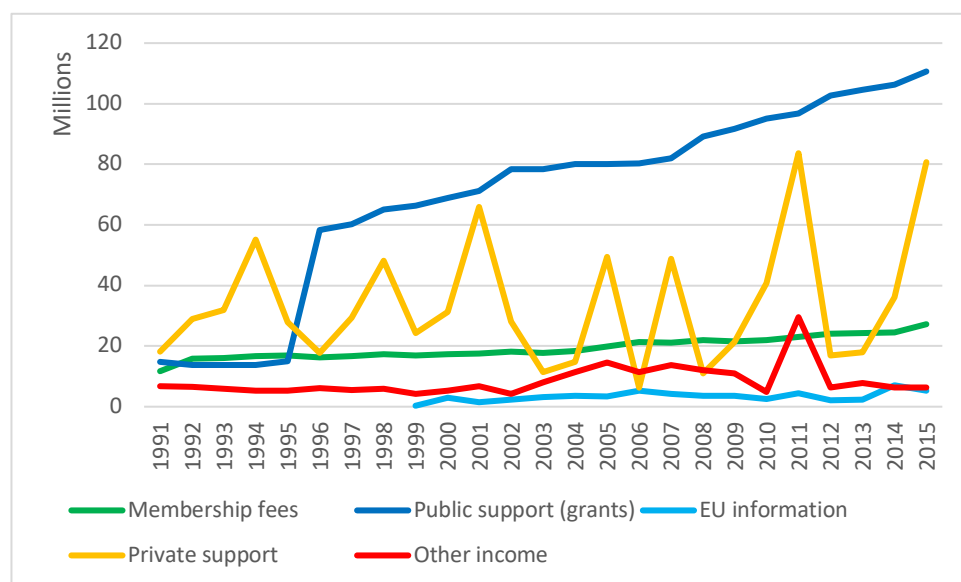
Finally, figure 5.15 shows the total party income (1991-2015) in five categories (membership fees, public support, EU information, private support and other income).<sup>58</sup> The story here is once more an unsurprising one. From 1995 onwards Danish party politics has been

<sup>58</sup> 'EU information' (translated from EU oplysning) is money given for campaigning specifically for the EU specifically at elections, referendums and in-between. All parties do receive this funding, but they might not specifically note it down as such in their official accounts.

dominated by funding provided by the state. Indeed, although legislation providing significant state subsidy was enacted in 1986, we do see that the 1995 updated legislation is when truly significant levels of state subsidy are brought in (see page 174 for more on this). Furthermore, in follow up interviews with the experts who compiled much of this data (from 1991-2012) it was revealed that this data does not include the Danish PGG (the closest equivalent to Short Money). State subsidy accounts for 51.14% of total party income compared to private support (25.69%), membership fees (14.75%), other income (6.87%) and EU information (1.55%). If we take the data from 1996 onwards (after the significant increase in state subsidy) public support accounts for 55.38% of total income.

Similarly to Great Britain, figure 5.15 also shows that whilst the general story of party membership in Denmark is one of decline – and decline during the period of these accounts – actual money raised through membership stays relatively stable, and even rises (Hansen and Kosiara-Pedersen, 2017: 121).<sup>59</sup> This suggests a similar (aggregate) trend to the one that is apparent in Great Britain; parties are able to design their membership fee structure in such a way as to (financially) negate cyclical (or even declining) membership numbers. This is supported by academic work which suggests that although Danish party membership is in (relatively) rude health, parties are putting less emphasis on being membership organisations and more on being campaign organisations (Kosiara-Pedersen, 2015).

**Figure 5.15 Total party income (membership fees, public support (grants), EU information, private support, other income), 1991-2015**

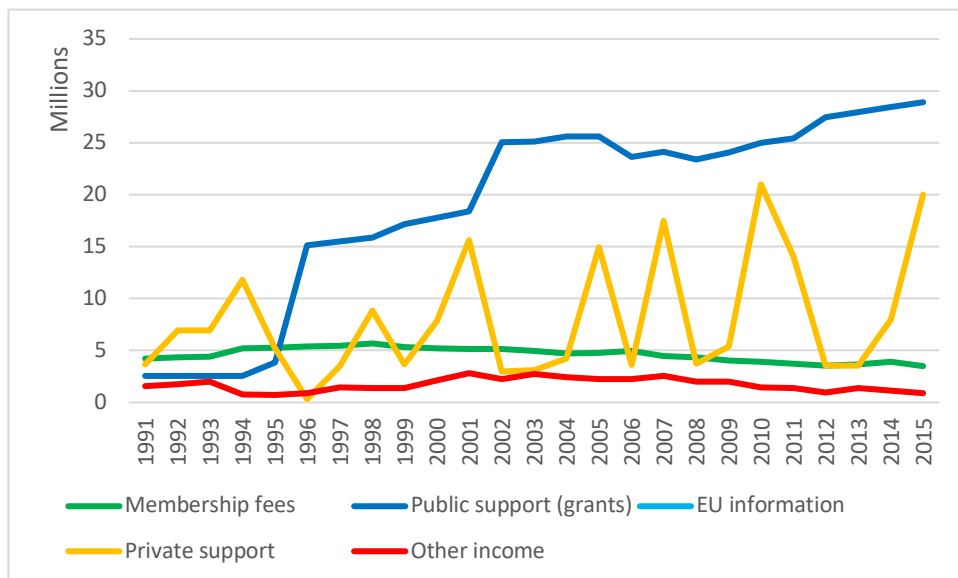


<sup>59</sup> Whilst Danish party membership has fallen at the aggregate level that certain parties (often 'newer' parties) buck this trend – in particular in the case of the DF, RGA, RV and SF (see for example (Kosiara-Pedersen 2009; 2015).

### Venstre

Figure 5.16 shows that, in contrast to the Conservative Party, income to Venstre is dominated by state subsidy. The picture painted by the Venstre figures is remarkably similar to the picture painted by the overall party accounts. State support accounts for 56.96% of total income during this period, with private support accounting for 24.05%, membership fees at 13.85% and other income at 5.13%. Money raised through membership fees does, however, show a marked fall. This matches the party membership data; with Venstre membership declining from 73,926 in 1991 to 43,835 in 2012 (data available through the Members and Activists of Political Parties database).<sup>60</sup> The aggregate level data, therefore, masks the effect this membership decline has on party income. Unlike the Conservative Party (and Great Britain more generally) in which membership fee structures are (sometimes) designed to negate the decline in actual levels of membership, the accounts of Venstre show the membership fee levels mirroring the fall (and rise) in Venstre membership. At their membership peak in 1998 Venstre raised 5,685,714 DKK which accounted for 17.87% of total party income. Whereas at their membership nadir in 2015, Venstre raised 3,504,353 DKK, which accounted for 6.57% of total party income.

**Figure 5.16 Venstre income (membership fees, public support (grants), EU information, private support, other income), 1991-2015**



### Socialdemokraterne

Figure 5.17 shows that the SD are reliant, to a large extent, on state subsidy. From 2003 – when their historical institutional donations (in the form of trade union financing) was

<sup>60</sup> Available at <http://www.projectmapp.eu/database-country/>, accessed 10/07/2017.

significantly reduced – state subsidy has accounted for 58.53% of total party income. Membership fees make up the next largest proportion at 13.31%, followed by other income (12.64%), private support (10.86%) and EU information (4.66%). This is in comparison with the period 1996 (when significant state subsidy was introduced) to 2002 where the figures were: public support 46.12%, private support 41.50%, membership fees, 10.10% and other income 2.27%. This is a stark demonstration of what can happen (financially) to a political party when a key institutional donor withholds funds.

However, figure 5.17 shows the stability that state subsidy can provide. Although the consequences of Danish trade unions withholding funding from the SD is stark, it would be considerably starker if the SD were not in receipt of significant state subsidy. This state subsidy provides sustainability. This paints a clear picture of a key normative contrast between the voluntarism of the British model and the welfarism of the Danish model. This norm is also seen in the allocation of the PGG which is staggered after elections so as to not cause too much of an instant shock to a party's coffers, if that party performed poorly at the ballot box.

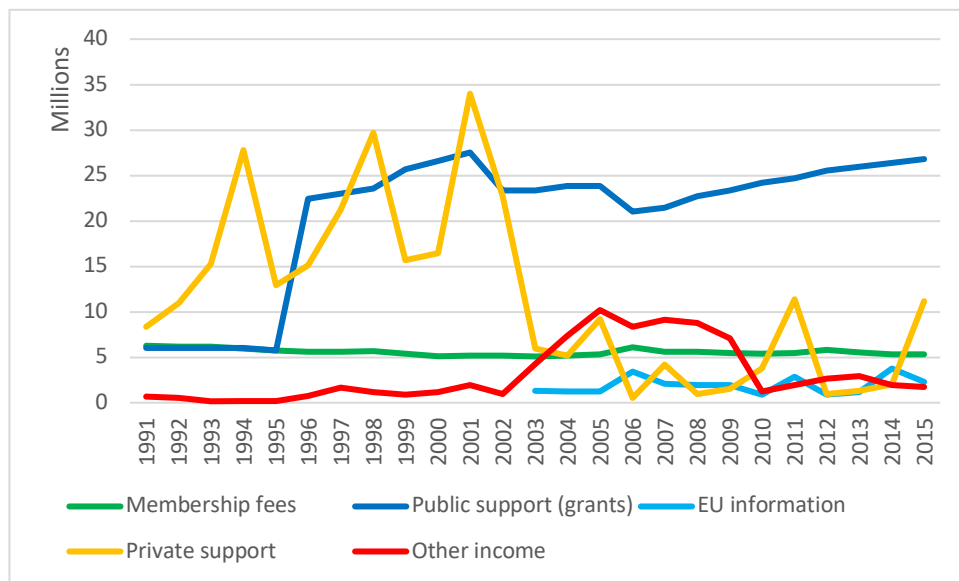
So what happened when the Liberal party got into government this time is that they lost a good part of their party group grant, because they lost seats, and a significant part of their seats were also members who then got to be government ministers as well. We have this rule of delaying the changes so that whenever there is a negative change, meaning reducing the party group grant, we delay it for six months. (Interview with Special Advisor to the Folketing, Peter Egemose Grib, 2015).<sup>61</sup>

Figure 5.17 also shows the clear trend of cyclical donations. Finally, when it comes to membership the SD, like the British Labour Party, is better at squeezing money out of its membership base. However, unlike the British context, the decline in membership of the SD is similar to that of Venstre, from 74,165 in 1991 to 44,328 in 2012. Whilst the SD only has 493 more members, they raised 5,350,000 DKK in membership fees in comparison to Venstre's 3,504,353 DKK. When it comes to party members the main left of centre parties in Great Britain and Denmark get considerably more bang for their respective bucks.

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<sup>61</sup> The PGG is calculated as a group element and a seat element. The group element is 270,000 DKK a year if a party has more than four seats in the Folketing. If a party has less than four seats it is calculated as a fourth of 270,000 DKK per seat. The seat element is that the party receives 45,000 DKK per seat in the Folketing unless that seat is held by the speaker or any member of the government, if this is the case, the party receives one third of the 45,000 DKK.

**Figure 5.17 Socialdemokraterne income (membership fees, public support (grants), EU information, private support, other income), 1991-2015**



### The blue block

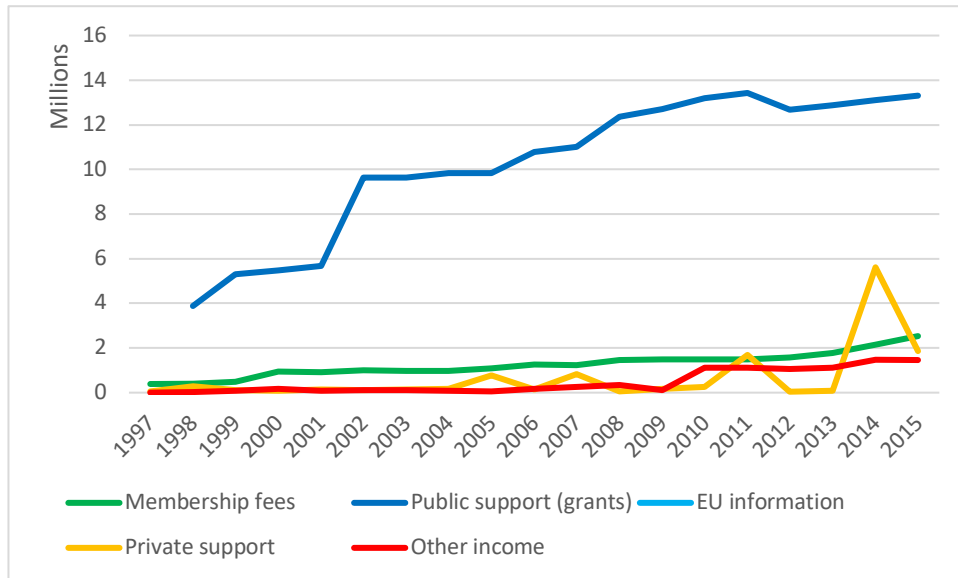
In the following section the accounts of the DF (figure 5.18) and KF (figure 5.19), have been grouped together, not because they tell a similar story, but because they form (part of) what can be understood as the ‘blue block’ in the Danish Folketing.

Firstly, the party returns for the DF show that its income is dominated by public funding. Over the period 1997-2015 these grants account for a total of 80.32% of all income, with membership fees at 10.28%, private support at 5.50% and other income at 3.90%. Donations, to a marked but lesser extent, do follow the cyclical electoral pattern of donations. There is also a surge in donations in 2014. This slight outlier was described as an ‘extraordinary situation’ in which ‘one person wanted to give a lot of money’ (Interview with Steen Thomsen, 2015). The DF also see a considerable rise in their membership income during this period, which, much like the SNP and the Greens in Great Britain matches their (electoral) rise – although less dramatically.

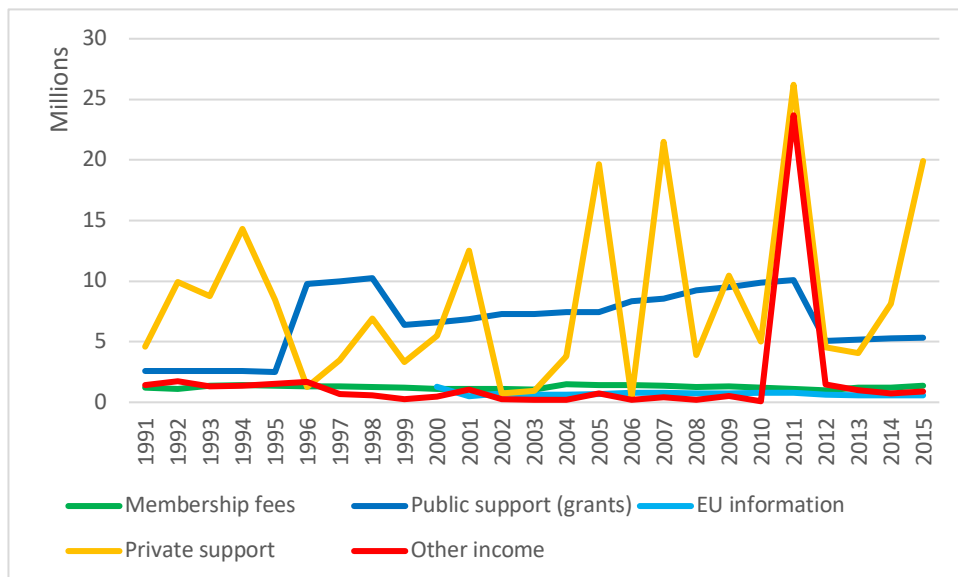
The KF returns on the other hand are dominated to a much larger extent by private sources (again with cyclical pattern of donations). This suggests that their institutional history of donors, to an extent, belies their electoral performance; private support accounts for 43.37% whereas public support stands at 37.60%. Money raised through other income stands at 9.23%, with money raised through membership (6.79%) and EU information (2.48%) at the bottom. There is also a significant increase in both ‘other income’ and ‘private support’ in 2011, this is partly explained by the fact that it was an election year, but to a much greater extent by the sale of the KF headquarters in Nyhavn coupled with a subsequent move into

the parliamentary building. This is indicative of the financial and electoral dire straits the KF finds itself in; from a position as the governing party through much of the 1980s to the ninth largest party in the Folketing in the 2015 general election.

**Figure 5.18 Dansk Folkeparti income (membership fees, public support (grants), EU information, private support, other income), 1997-2015**



**Figure 5.19 Konservative Folkeparti income (membership fees, public support (grants), EU information, private support, other income), 1991-2015**



### The red block

In the following section the accounts of the EL (figure 5.20), RV (figure 5.21) and SF (figure 5.22) have been grouped together, again not necessarily because they tell the same story, but because they form (part of) the 'red block' in the Folketing.



Firstly, the party returns for the EL show that whilst they are still reliant to a large extent on public funds (40.62%) they also receive a large proportion of their funding through membership (33.25%). Donations again follow the cyclical pattern and account for 14.83% of total party income. Although they were only the sixth largest party at the 2011 election and the fourth in 2015 the EL boast the largest amount of income raised through membership fees of all Danish political parties in 2013 (5,821,712 DKK), 2014 (6,158,475 DKK) and 2015 (6,156,411 DKK). This despite having a membership, as of 2015, of 9,655, considerably lower than that of the SD and Venstre (Enhedslisten, 2017).<sup>62</sup> Like the DF, the EL income data shows that significant state subsidy is both a key proportion of their income and runs concurrent with their electoral rise.

The RV data tells a similar story, though without the matched rise in membership fee income. State subsidy accounts for 58.94% of total party income, whereas private support and membership fees only account for 16.89% and 15.75% respectively. Again there is evidence of the cyclical pattern of donations. There is also a substantial rise in private donations in 2015. This might be explained by the fact that although aligning with the red block RV do receive donations from those that tend to donate to the blue block (see table 7.2), there is also evidence that donations are partly given on a formula dependent on the number of seats a party has in the Folketing (see page 185). As 2011 was a relatively successful election for the RV (they almost doubled their representation from 9 seats to 17 seats), 2015 might be a case of ‘money following the winner’.

The accounts of the SF tell a now familiar story. Public support makes up the majority of total party income (60.84%) followed by membership fees (22.74%), private support (12.06%) and other income (4.36%). Donation patterns are, again, cyclical. In the case of the SF we see income raised through membership fees relative to electoral success. This would suggest that membership, although in general decline, also has a cyclical electoral aspect to it (see for example Kosiara-Pedersen, 2015). It has been noted, and is reflected in the party accounts, that whilst the SF were the big winners of the 2007 campaign, they were the second biggest losers in the 2011 campaign (Kosiara-Pedersen, 2012: 420).<sup>63</sup>

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<sup>62</sup> Though this figure has quadrupled since the turn of the millennium.

<sup>63</sup> Factors cited are the increased co-operation and compromise with the SD and the declining popularity of leader Villy Søvndal.

Figure 5.20 Enhedslisten income (membership fees, public support (grants), EU information, private support, other income), 1991-2015

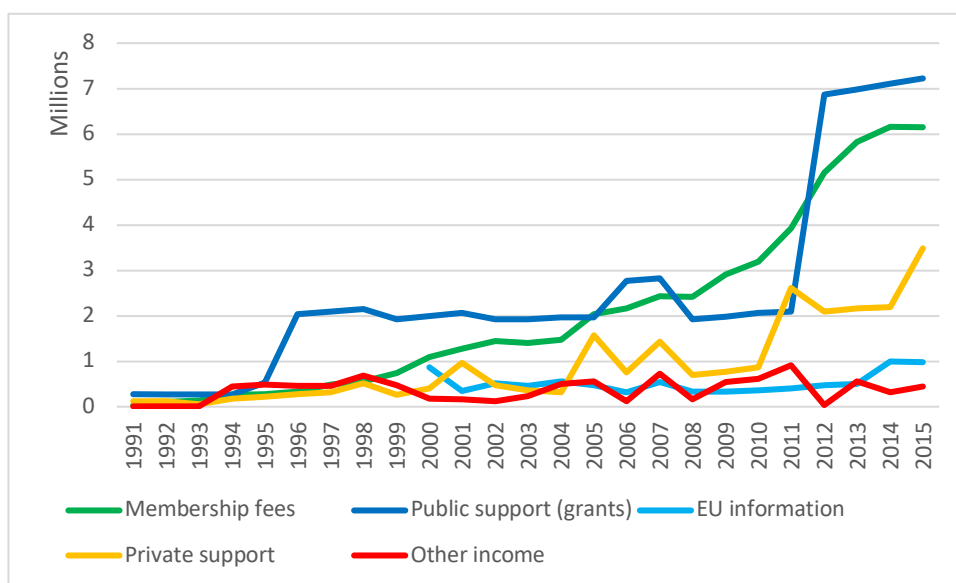
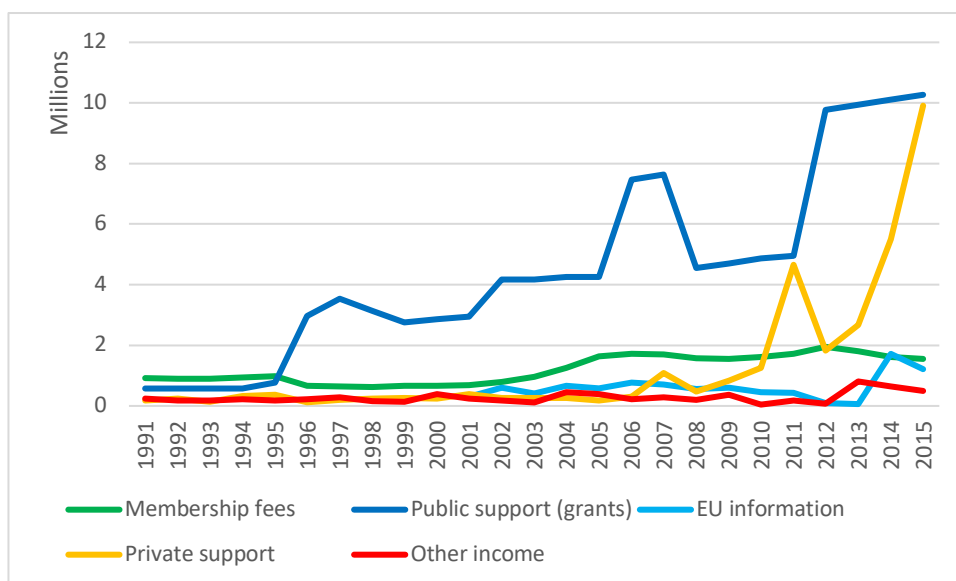
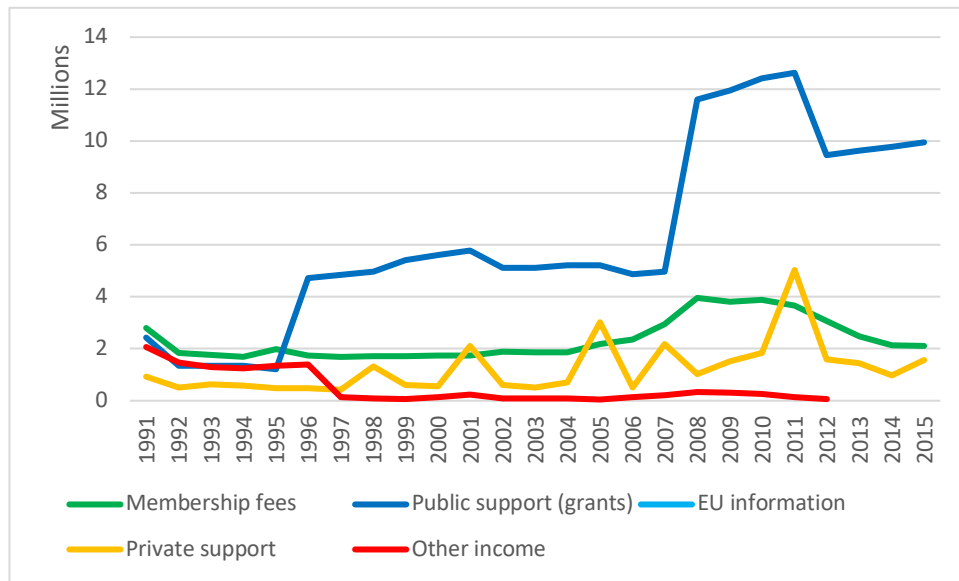


Figure 5.21 Radikale Venstre income (membership fees, public support (grants), EU information, private support, other income), 1991-2015



**Figure 5.22 Socialistisk Folkeparti income (membership fees, public support (grants), EU information, private support, other income), 1991-2015**



### Observations

In Denmark there is a clear cyclical pattern of donations. This is apparent both within political parties and at the aggregate level. However, state funding provides sustainability from election to election. Specific party accounts show that the level of state subsidy a party receives can fall quite dramatically from election to election. However, these sharp drops are staggered so as to soften this financial blow. This can be understood within the Nordic norm of welfarism. Furthermore, one might understand the general stability that state subsidy provides to Danish parties as representing a normative acceptance that political parties are public utilities and should be recognised as such (van Biezen, 2004).

There does seem to be a general rise – although masked somewhat in the aggregate data by the fall in trade union donations after 2001 – in funding from private sources. In much of the aggregate data there are surges in the levels of private subsidy in 2011, but in particular in 2015. It might not be until 2019 or beyond that there is confirmation, or otherwise, of this trend. However, it does somewhat mirror findings that political parties are increasingly putting ‘less emphasis on being membership organisations and more emphasis on being campaign organisations’ (Kosiara-Pedersen, 2015: 83).

State funding dominates the overall funding picture of Danish party politics. However, the story beyond the aggregate picture is somewhat more muddled. The proportion of state subsidy fluctuates from a low of 37.60% (received by the KF), to 80.32% (received by the DF). The low of the KF can be explained, in part, taking into account its electoral demise (and thus decline in overall state subsidy). However, it is much better explained as path

dependent. As one of the 'big four' old parties the KF can rely on substantial donations from traditional sources (see Chapter 7).

The data of specific political parties also shows that the existence of significant levels of state subsidy has not inhibited the entrance of new political parties into the Danish political system, or inhibited their electoral success. In the case of the DF and EL state subsidy has provided a significant fillip to these parties. This suggests that some claims of the (initial) cartel party thesis, particularly regarding the ossification of the political process, are not apparent in the Danish case (Katz and Mair, 1995).

Finally, as in Great Britain the membership levels of political parties fluctuate, often in relation to relative electoral success or failure. However, some parties get more out of their members financially than do others. Indeed, although membership fee income fluctuates dependent on the number of members, the actual level of party members does not always have an effect on the amount of money raised through membership fees. This is seen particularly in the case of the SD and the EL. The fact that this occurs particularly in the case of the blue block suggests that those parties are less attractive to large individual (and corporate) donations design their membership fee structure to (partly) counteract this deficit.

## 5.5 Conclusion

This chapter has outlined the state of play of the party funding regimes of Great Britain and Denmark. The analysis of party accounts has shown there are both similarities and differences between the two in terms of party income. Firstly, in both cases donation to political parties occur in a cyclical pattern; donations peak when there is an election. At the aggregate level membership is in decline across both cases, but this is not always reflected within the figures for membership income. In both cases parties on the left are able to – or are more willing to – get more out of their members than parties on the right. At the aggregate level the British case shows the domination of private donation in the party funding regime and the Danish case shows the domination of state subsidy. However, specific party accounts paint a more nuanced picture. In Great Britain, insurgent parties such as the Greens, the SNP and UKIP have been reliant to a greater extent on membership fees (particularly in the early to mid-2000s). In the Danish case the KF is considerably more reliant on traditional sources of (donor-based) income.

The analysis in this chapter provides an outline for both the workings of the relative party funding regimes of Great Britain and Denmark and some perspective of what the incomes

of the main political parties tell us about how the party funding regime, and more generally the party system, works. It has also served to confirm a number of assumptions made in Chapter 4 (such as relative dependence on state/private subsidy). The subsequent part of the thesis will attempt to understand, and provide a causal link, between these specific party funding regimes and certain types of corruption.

## **6. The institutional evolution of the party funding regime in Great Britain**

This chapter begins by tracing the institutional development of the British party funding regime from the aristocratic era, the plutocratic era, the modern era, to a ‘stop-go’ era (adapted from Pinto-Duschinsky, 1981 and Fisher, 2015). It then analyses why reforms introducing significant levels of state subsidisation have proven so hard to implement; explaining three structural constraints – public opinion, timing and the relationship between the two major parties and their institutional donors. These act as institutional locks to further reform. This serves as the first of two chapters concentrating on Great Britain. Chapter 7 analyses the relationship between the British party funding regime and the type of corruption that is prevalent in the British political system, finding that political access (as a concept) is multi-faceted. In relation to H1, in Great Britain there is a prevalence of perceived donor-based corruption. These perceptions drive the reform process, even though the vast majority of actors involved in the process of reform believe this perception to be mistaken. This represents a breach in the logic of appropriateness to the extent that the perception of the corruption is real in its consequences.

### **6.1 The aristocratic era (1721-1883)**

The aristocratic era was characterised by a system of ‘bribery and high costs’ (Pinto-Duschinsky, 1981: 15). Pinto-Duschinsky puts a rather more polite spin on this era than the Queen’s chief minister at the time of the first Victorian general election: ‘Lord John Russell is sorry to add that bribery, intimidation, and drunkenness have been very prevalent in the late elections’ (quoted in Gwyn, 1962: 61). Indeed, it is estimated that in 1832 850 out of the 1,000 voters in the Stamford constituency were bribed. Further to this, the average cost of a seat in Parliament was approximately £20,000 a year, or if a full five-year term was run, £100,000 (Pinto-Duschinsky, 1981: 15-17). The expense of merely gaining a seat in parliament meant that only the very rich (often aristocrats) or those that gained the support of a very rich patron (often an aristocrat) could run for political office. The fact that this era is epitomised by high levels of bribery and spend is shown in the fact that local campaign costs (and general running costs) often outstripped national expenditure – there is very little need to spend money nationally, when patrons and aristocrats are doing the job themselves locally (ibid.: 25). The aristocratic era, then, can be understood in the wider literature on political parties as representing a classic cadre party model (the seminal works in categorising political party organisation are Duverger, 1954; Neumann, 1956; Kirchheimer, 1966; Epstein,

1967; for a recent reflection on the empirical validity of these models see Webb, Poguntke and Scarrow, 2017).

This era came to an end due to a trifecta of institutional threats: legislative, electoral and organisational. The Reform Act (1867) extended the franchise from 440,000 to 2,230,000 people, and the Ballot Act (1872) introduced the secret ballot. These caused bribery to become considerably more costly and considerably less reliable (Fisher, 2000: 16). The final legislative nail in the coffin however was CIPPA which, amongst other things, outlawed bribery and put a cap on spending at the local level – and, as we shall see, has provided much of the basis for legislative reforms (related to party funding) ever since.<sup>64</sup> Beyond these legislative and institutional pressures a further threat to the plutocratic era can be seen in the growth of party identification around this time. This growth in disciplined politics meant that it became ‘less worthwhile for individuals to stake such large sums as they had before on parliamentary contests’ (Pinto-Duschinsky, 1981: 30). Put simply, we can understand the end of the aristocratic era through the lens of a basic cost-benefit analysis: it became considerably more expensive (both financially and legally) to buy a seat in Parliament with less guarantee of success and even if one did find oneself on the green benches, one could no longer depend on (guaranteed) independent power or material gain.

## **6.2 The plutocratic era (1883-1922)**

The plutocratic era, then, is characterised by the slow falling away of patron-led aristocratic funding as aristocrats were only really interested in local, rather than national campaigning and the introduction of CIPPA left them somewhat hamstrung in these respects. As is so often the case with regulatory reform, however, when one door closes another tends to open (for more on the problems of regulation/over-regulation see Dunleavy, 1995; Anechiarico and Jacobs, 1996; Lodge and Hood, 2002). Indeed, when it comes to political finance, the truth is that parties need money and, if the aristocrats will not pay, then parties will find somebody else who will. Therefore, the development of cohesive parties increased the demand on party coffers, this demand was met by increased donations from businessmen adding to the aforementioned institutional pressure.

Thus, the plutocratic era was dominated by parties exploiting something businessmen craved, social acceptance, through the crude exchange of cash for honours (Fisher, 2000: 17).

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<sup>64</sup> It should also be noted that CIPPA was passed with support from both Liberals and Conservatives. Therefore, although not involving the introduction of state funding echoing the argument of Michael Koß that an intervention as important as this (and relating to party funding regime change) requires the consent of all major parties (Koß, 2011).

Though a practice exploited by both the Liberals and the Conservatives when in power it is the indiscretions, and enthusiastic abuse of the system, discharged by David Lloyd George that are most remembered today (see for example Morgan 1979; Cook, 2008). It has been noted that this may have been due to an increased tub-thumping regarding a decline in standards in public life when Lloyd George (and his party) were ascendant. Elements of the Conservative leadership and the traditional establishment were decidedly squeamish about power being passed out of traditional hands, and there was also some nostalgia for the ideals of Victorian aristocratic government – and its respective party funding regime (Seaward, 2010).

The plutocratic era had a further path dependent effect on internal Conservative Party structures. Due to the necessary secrecy behind the practice of the sale of honours, party accounts and other details of central party finances were kept secret. Formal party accounts were also avoided and fundraising itself was carried out only by a small number of people – this practice, and most importantly the prevailing veil of secrecy, was something that continued until the passage of the PPERA (Fisher, 2000: 17). Indeed, in 1994 Labour introduced a pledge which would include the name of each donor giving in excess of £5,000 per calendar year. Lord Levy stated that the aim of such a pledge was to ‘throw down a gauntlet to the Tories’ to do the same, adding – ruefully – that they ‘ignored it’ (Levy, 2008: 101).

### **6.3 The modern era (1922-1995)**

The rise of the Labour Party and the decline of the Liberals ran somewhat concurrent to, but ultimately defined, the modern era. This is largely due to the ensuing back and forth between large individual (and business) donations on the Conservative side and large institutional (trade union) donations on the Labour side. From the birth of the Labour Party, and certainly at the turn of the 20<sup>th</sup> Century, trade union funds dominated funding of Labour Representation Committee (LRC) candidates. In 1906 and in the subsequent two elections between then and 1910, the Labour Party (as the LRC was known forthwith) put forward 186 candidates. 137 (74%) were funded by the unions (Pinto-Duschinsky, 1981: 62).<sup>65</sup>

The weight of the Labour and Conservative institutional donors created the historical foundation (and direct path) of many of the party funding controversies we see today. Firstly, the Osborne Judgement (1909) restrained trade unions (and specifically the Amalgamated

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<sup>65</sup> Non-union sponsored candidates tended to be funded by local socialist societies or local trade councils, though their expenses were often considerably lower than their union sponsored colleagues.



Society of Railway Servants in this case) from levying money from their members for political purposes. The partial repeal of the Osborne Judgement by the Trade Union Act 1913 (TUA) during the Liberal government – incidentally adding more weight to the case that consensus is key to lasting reforms – allowed political contributions, on the condition of the creation of a second *political fund* out of which political payments could only come (for a comprehensive account of Osborne and its political ramifications see Ewing, 1982: 17-96). This political fund and debates around whether union members should be required to opt-in or opt-out of payments to it remained a key institutional stumbling block to reform until 2014 (see below).

The rise of the Labour Party led to a blurred transition between the plutocratic and modern era of British party finance. This was not least because the Conservatives were moving away from a plutocratic party funding model to their own institutional funding model, seeking donations from the business community. Furthermore, this period saw what might be understood as the first forays into attempts to legislate ‘contracting in’ to the political fund as opposed to ‘contracting out’ – in every parliamentary session between 1922 and 1925 Conservative backbench bills were introduced on the matter. The Conservatives were eventually successful introducing a system of contracting in in the Trades Disputes and Trade Unions Act 1927 (TDTUA) (Fisher, 2000: 20-21). Though financial damage to the Labour Party was limited, and despite opposition from both the Liberal and Conservative Party ‘contracting out’ was reinstated by the post-war Labour government in 1946.

The remains of the modern era of British party finance can be best understood as continued skirmishes between the prevailing parties and attempts to limit the (financial) strength of their respective institutional donors. Although this initial dispute may be understood as a negation of the consensus thesis forwarded by Michael Koß (2011), the modern era of the British party funding regime represents situations in which one of the major parties – often reflecting respective electoral strengths – tended to find itself in a weaker position (Pinto-Duschinsky, 1981).<sup>66</sup>

#### **6.4 The stop-go era (1995-present)**

For a number of reasons, such as the renaissance of individual donations and increased volatility of institutional income patterns, towards the end of the 20<sup>th</sup> century Great Britain entered the stop-go era – so called due to the passage of two key pieces of political finance

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<sup>66</sup> This situation, to an extent, mirrors the recent history of Canadian political finance reforms (Young, 2015).

legislation, and the two government-sponsored inquiries into further party funding reform (Fisher, 2015). One can understand the root cause as the perceived period of increased political malfeasance during the prime ministerial reign of John Major. This caused a considerable amount of navel gazing amongst the political elite. Though it has been plausibly argued that the episodes of the Major years were ‘largely superficial’ (Hough, 2013: 107) – much of the controversy had little to do with party funding – the continuing legitimacy of the party funding regime tended to get drawn into broader moral debates. However, the Major premiership represented a time when ‘a problem of real corruption in British public life’ was recognised to exist and that this ‘contributed to the undermining of the legitimacy’ of certain public bodies, in particular parliament and government (Oliver, 1997: 124).

Largely in response to this perceived legitimacy deficit and in the immediate wake of the high-profile resignations of Conservative ministers Tim Smith and Neil Hamilton over the ‘cash-for-questions’ affair, Major established the CSPL. The CSPL produced its first report in May 1995, which trod the now familiar path of ‘arguing that there was public anxiety about standards of conduct in public life, that cases of sexual misconduct were increasingly being reported by the media’ and that ‘championing personal standards of conduct was the key to returning parliament and parliamentarians to the high standards it *believed* once existed [emphasis added]’ (Doig, 2003: 186). The report further created seven principles (now known as the ‘Nolan principles’, named after Lord Nolan, chair of the CSPL) which it believed should underpin and define the standards public servants (including members of the CSPL itself) should be held to: selflessness, integrity, objectivity, accountability, openness, honesty and leadership (for more see Fisher, 2003: 397).

In this period we see that political elites react to a perceived problem of corruption; a problem that in many ways defines the stop-go era of party finance. There is no doubt that there were episodes of sexual and financial malfeasance that occurred during this time, and these episodes were no doubt made much worse coinciding as they did with John Major’s ‘back-to-basics’ agenda. However, underpinning the arguments of the CSPL is the assumption that there was once a time that politicians did adhere to the Nolan principles. The argument is a little more subtle; by harking back to an era that (in all likelihood) is a fantasy the CSPL tacitly endorsed the ‘bad faith model of politics’. This is a position which suggests politicians are venal, untrustworthy and even unwanted. A counter position would encompass an understanding that *most* politicians are ‘just - i.e. they are guided by a sense of fairness and a commitment to public service’ (Flinders, 2012: 2). It is much more likely that corruption and venality in public life were always prevalent; it was merely that during the

Major years, for myriad reasons, ‘a problem of real corruption in British life [was] recognised to exist’ (Oliver, 1997: 124). The distinction is key, accepting the basic premise that some politicians will act in a corrupt manner does not mean that politicians necessarily need to be held to the ‘bad faith model’, it merely involves accepting the reality that some corruption challenges are inevitable.

The stop-go era is also defined by a veritable legislative flurry of activity. Before the year 2000 British political finance was subject to a ‘remarkable lack of legislation’ (Fisher, 2015: 152). Indeed, before the passage of the PPERA the British party funding regime was shaped by CIPPA, leaving 117 years of legislative inactivity. With PPERA’s enactment ‘almost every aspect of political finance came under regulatory scrutiny and control’ (Ghaleigh, 2012: 155). This regulatory zeal can in part be explained by the fact that political finance reform itself is a low visibility issue, therefore debates surrounding reform only emerge in response to allegations of corruption and sleaze (van Heerde-Hudson, 2011: 477).

PPERA was a historical echo on the national level of the reforms introduced by CIPPA (Fisher, 2009). It saw the introduction, amongst other things, of spending limits on the national level, mirroring the spending limits that were introduced (on the local level) in 1883. This is also an explanation for why Great Britain did not follow the European trend of party finance reforms including the introduction of significant state subsidies. Historical precedent created a path dependent ‘constraint on other possible policy options on the basis that it had worked relatively well at the local level’ (Fisher, 2011: 30). Alongside the national spending limit (which currently stands at £19.5 million per registered party), PPERA also saw the creation of the Electoral Commission, a regulatory body which managed all electoral administration – including new transparency obligations which required all parties to declare any (aggregate or one off) donation of over £5,000 per calendar year (the current limit on declaration stands at £7,500).

Alongside PPERA numerous reviews into party funding were undertaken both within and without parliament. More specifically, by the Electoral Commission (2004), the Constitutional Affairs Select Committee (2006), the Hayden Phillips Review (2007), the CSPL (2011) and (again) the Electoral Commission (2013). Cross-party talks were undertaken during the Hayden Phillips Review and then again in 2013. On both occasions the talks broke down; after the latter failed a cross-party draft by Lord Tyler (Liberal Democrat), Andrew Tyrie (Conservative) and Alan Whitehead (Labour) was published. A version of this was introduced as a Private Members’ Bill (starting in the House of Lords)

titled Democratic Political Activity (Funding and Expenditure) and is currently awaiting a date for Committee Stage. The Hayden Phillips Review and the 2011 CSPL Review, however, mark the two most significant investigations into party funding reform, and corruption, in British party finance during the stop-go era.

The Hayden Phillips Review was commissioned in 2006 by Tony Blair in the wake of the loans-for-peerages affair, which at its height saw the prime minister himself questioned by the police, and the arrest of some of his closest aides. The basis of the Phillips Review was – echoing the consensus thesis – ‘that nothing was agreed in the talks we had until everything was agreed’ (Phillips, 2010). Whilst a noble aim it ultimately led the parties to remain in their respective entrenched positions and for any potentially major reforms to be shelved. Phillips was given a broad remit to review the whole basis of party funding (including the introduction of state funding), the resulting legislation, the Political Parties and Elections Act 2009 (PPEA), only enacted ‘first order changes’ in which ‘policy instruments were altered in order to take into account PPERA’s early experiences’ (Fisher, 2015: 164).

Perhaps befitting of an era which includes (historically speaking) a feverish amount of party finance legislation, political parties seem, outwardly at least, to be attempting to square the circle where further major party finance reform is concerned. In both 2010 and 2015, the Conservatives, Labour and the Liberal Democrats pledged some form of party finance reform, or at the very least promised to discuss party finance reform in their manifestos (see table 6.2). Furthermore, the Hayden Phillips Review was revealed as one of the ‘red lines’ of the Liberal Democrats in the 2010 coalition negotiations (Stratton and Allen, 2010). The outcome of this was the CSPL inquiry and subsequent report focused on ‘ending the big donor culture’ (Committee on Standards in Public Life, 2011). The report, whilst a little more radical, echoed the findings of the Hayden Phillips Review – where Phillips recommended an annual donations cap of £50,000, the CSPL recommended £10,000 – both included provisions for an introduction of significant state subsidy (in varying degrees)<sup>67</sup> and, at the very least an attempt to return union payments to the political fund to being on the basis of contracting in.

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<sup>67</sup> For example, Phillips recommended phasing out extra state support added by 2020.

**Table 6.1 Conservative, Labour and Liberal Democrat manifesto commitments to party funding reform 2010 and 2015**

	<i>Conservatives</i>	<i>Labour</i>	<i>Liberal Democrat</i>
2010	We will seek an agreement on a comprehensive package of reform that will encourage individual donations and include an across-the-board cap on donations.	Our starting point should be the Hayden Phillips proposals of 2008. We will seek to reopen discussions on party funding reform, with a clear understanding that any changes should only be made on the basis of cross-party agreement and widespread public support.	Get big money out of politics by capping donations at £10,000 and limiting spending throughout the electoral cycle.
2015	In the next Parliament, we will legislate to ensure trade unions use a transparent opt-in process for subscriptions to political parties. We will continue to seek agreement on a comprehensive package of party funding reform.	Labour remains committed to reforming political party funding and taking the big money out of politics by capping individual donations to parties.	Take big money out of politics by capping donations to political parties at £10,000 per person each year, and introducing wider reforms to party funding along the lines of the 2011 report of the Committee on Standards in Public Life, funded from savings from existing government spending on politics.

The fact that a key stumbling block during Hayden Phillips was getting parties toward some kind of compromise regarding their respective institutional donors and, in particular, contracting in to the political fund led some who were involved in the initial process to regard the CSPL review and subsequent negotiations as a futile exercise:

We didn't need another study to tell us where the solution was to be found. We knew where it was to be found. What we needed was a way of encouraging the parties to stiffen their resolve and to take difficult decisions, preferably before the next crisis hit. But for that to happen one needed luck and a shared sense that there was enough in a prospective deal to make it worth the while of each of the participants. We almost had that in 2007. But not quite. (Interview with Senior Advisor to Hayden Phillips, Andrew McDonald, 2015)<sup>68</sup>

<sup>68</sup> Phillips acknowledges that his 'calm wisdom and practicality added great value' (Phillips, 2007). McDonald subsequently served as the first Chief Executive of the Independent Parliamentary Standards Authority (IPSA) from 2009-2014 and is now the Chair of Scope.

## 6.5 British Exceptionalism: why has significant state subsidy proved so hard to implement?

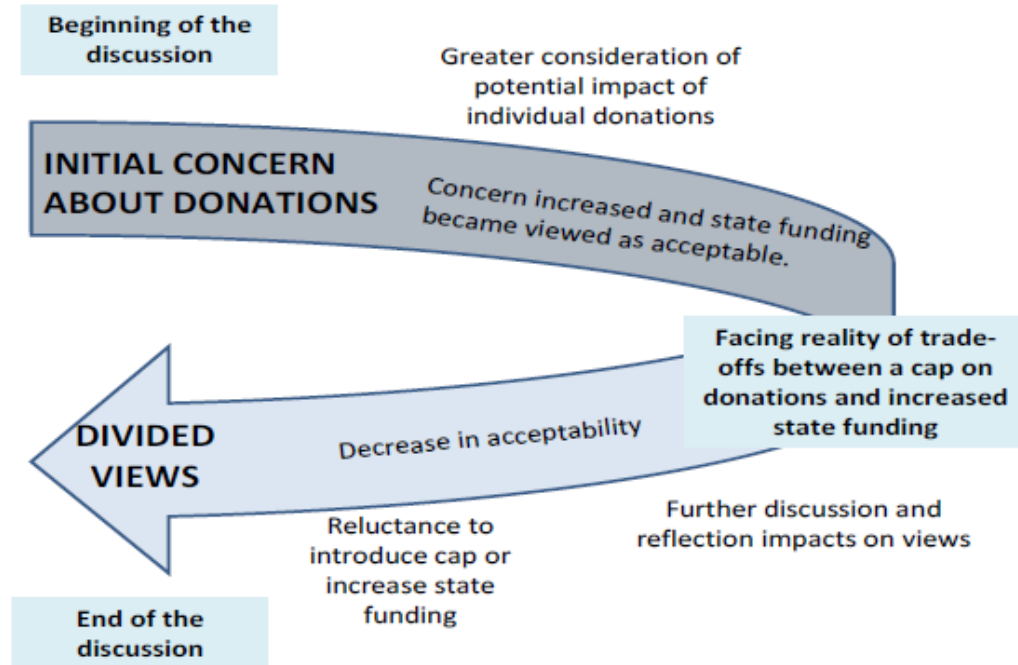
As we know from previous chapters, party funding regime change (particularly in advanced industrial democracies) tends to manifest itself in a move from private to public subsidisation, and much recent academic work has attempted to explain this trend (for example, van Biezen and Kopecký, 2014; Piccio and van Biezen, 2015). Party funding reform in Great Britain, however, tells a slightly different story. It has been argued that a ‘British Exceptionalism defines the British party funding regime as resistant to this European norm’ (Fisher, 2009). Investigating the recent history of British party funding has identified not just the key reasons for the continuance of British Exceptionalism, but furthermore the unpicking of one of the institutional locks preventing reform/movement towards the European paradigm.

Firstly, public opinion remains a key stumbling block. The vote-seeking nature of political actors resistant to unpopular change can also be understood through the lens of ‘electoral economy’ (Scarrow, 2004). Studies produced by the Electoral Commission (2003) and the Electoral Reform Society (2015) show that the public hold a real distaste for the current party finance model, yet stop short of supporting further state funding. The Electoral Commission, for example, showed that 70% of respondents believed that private donors could buy political influence, yet only 26% of respondents supported further state funding. The ERS had figures of 75% of the public believing that big donors have too much influence on political parties, 65% believing that donors can buy honours – with those respondents believing that state funding represented a fairer system at the hardly overwhelming figure of 41%. Moreover, during its review the CSPL ran focus groups explaining and discussing the introduction of further state funding and produced a chart which explained the broad reaction of participants (figure 6.1). When coupled with the statement from the 2011 CSPL report that if ‘the public want to take big money out of politics, the only way to do so is a cap on donations’ one can see the bind that policymakers are in. Indeed, this was seen as one of the main reasons the CSPL report was not acted on. As Lord Alderdice has noted, ‘the reality of it was that none of the three-party leaders was prepared at that stage to say anything about public money going to party funding’ (Interview with Lord Alderdice, 2015).

In this sense politicians from all parties are presented with a classic collective action problem. If we consider new institutionalist literature, particularly that on path dependence, ‘once a country or region has started down a track, the costs of reversal [become] very high’ (Levi,

1997: 28). During this period, the electoral cost of breaking with British Exceptionalism and the British voluntarist norm, was simply an electoral risk none of the main parties were willing to take. The vote-seeking nature of political actors was resistant to (unpopular) change.

Figure 6.1 Summary of focus group discussion regarding reform of the British party funding regime



*Source* Campbell-Hall and Joyce (2011: 25)

A second (related but not identical) structural constraint is *timing*, which again manifests itself (across the political spectrum) as vote-seeking preference. In essence party funding reform is much more likely to occur at the beginning of a parliament than towards the end when other political priorities can take over: ‘during September the polls began to move...a much heralded general election was not called. I felt this left our work stranded, not in the ‘too difficult’ box, but in the box marked ‘no longer a pressing priority...’ (Phillips, 2014: 232). This view is echoed by those within Parliament attempting to achieve reform; ‘one thing which links this is timeframe, every time we have edged to some sort of agreement we have also come into the big money collecting time for the next general election’ (Interview with Lord Tyler, 2015). The reason given in Parliament for the dismissal of this aspect of the CSPL report was that ‘the case cannot be made for greater state funding of political parties at a time when budgets are being squeezed and economic recovery remains the highest priority’ (Clegg, 2011: HC deb 23 November 2011, col 25WS).

The final institutional lock is the relationship between the two major parties and their institutional donors. The abiding history of this tension is covered above and it is a subject

that came up in all the interactions that were had with participants during the course of this study. It is best summed up in explaining why the talks surrounding the Hayden Phillips Review collapsed:

[On navigating agreement regarding contracting in] Certainly at that stage – and I don't know whether it would still be said to be true – at the heart of the Labour Party is the trade unions, the trade unions created the Labour Party, they are culturally absolutely intertwined. And to make that move was in political cultural terms a bridge too far for the Labour Party. (Interview with Sir Hayden Phillips, 2015)

We therefore see a threefold institutional basis for inertia – a lack of public support for change, the inability to navigate agreement on trade unions and issues of timing. In the sense that both issues of timing and public support can be seen as electoral economy models of strategic (vote-seeking) preferences, we see that there is a tangible notion that reforms which increase the level of state subsidisation might be seen as electorally damaging. This inertia is essentially a manifestation of a positive feedback loop (to not suffer potential electoral damage) creating an equilibrium which is resistant to change (Pierson, 1993; 2000). Furthermore, the fundamental basis of finance for both major parties can, in the case of Labour, be understood to have been locked in at the foundation of the party, and for the Conservatives since the dawn of the plutocratic era of political party finance. This has created a (path) dependence on these specific forms of fundraising, which leads to significant internal pressure not to rock the boat when it comes to reforming fundraising, again, referencing the institutional notion of increasing returns.

## 6.6 The lock picked?

In early 2010 Labour MP Eric Joyce was suspended from the Labour Party following a fracas in the Strangers' Bar in the House of Commons. Joyce vowed to stand down from parliament in 2015 which set in motion the selection process for a new Labour candidate in his Falkirk constituency. This selection process was dogged with accusations of corruption and vote rigging by the union Unite. Unite was adjudged to have unfairly prejudiced the process by 'stuffing' the constituency with over 100 members (some without their knowledge) to ensure their favoured candidate's – Karie Murphy – success (BBC News, 2013).

This became a major problem for then Labour leader Ed Miliband who was, rightly or wrongly, perceived as having been elected leader off the back of union support and as such 'tapped into key concerns raised in focus groups and opinion polls' (Bale, 2015: 176). Assistant editor of *The Spectator* Isabel Hardman, reporting on the week's episode of the



*Sunday Politics*, accurately summed up the Conservative glee at the unfolding controversy, '[on PMQs] it was very entertaining because every question managed to come back to Len McCluskey. I was half expecting David Cameron to blame people crashing out of Wimbledon on Len McCluskey!' (Hardman, 2013). In response to this pressure, Miliband enlisted former General Secretary of the Labour Party Lord Ray Collins to conduct a review into Labour Party organisation reform. Included in the final review was the proposal that over a transitional period of five years affiliated payments to Labour would only apply to those union members who opted-in to paying the political levy (Collins, 2014). This, and other proposals, were accepted by the Labour Party at a special conference in the spring of 2014.

These reforms are tied up with larger reforms regarding fundamental Labour Party reorganisation, and as such the party finance aspect sometimes gets lost – particularly due to the changes proposed on membership structures and leadership elections (see, for example Dorey and Denham, 2016; Garland, 2016). However, the opt-in 'fundamentally challenged the principle of collective action through unions and moved membership to a more individualised basis' (Fisher, 2015c: 143).

Keith Ewing described the party funding negotiations around the Phillips Review – and party funding more generally – as a 'fascinating subject...like a game of chess, and that's probably why you get drawn back to it' because there are 'a lot of checks that you can walk in to' navigating your way around the board (Interview with Professor of Public Law Keith Ewing, 2015).<sup>69</sup> Although facing both exogenous and endogenous pressures, the tactical astuteness of such a decision can reasonably be called into question. After the Conservative general election victory in 2015 they announced a Trade Union Bill which, amongst other union reforms, stated that:

- (1) It is unlawful to require a member of a trade union to make a contribution to the political fund of a trade union if –
  - (a) the member has not given notice in writing of the member's willingness to contribute to that fund (an "opt-in notice")...(Trade Union Bill, 2015, pp. 5-6)

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<sup>69</sup> Ewing has written extensively on issues to do with party finance, with particular reference to trade unions (see for example, Ewing 1982, 1987, 1992, 2007; Ewing and Issacharoff, 2006; Ewing et. al., 2012). He acted as an advisor to the unions during the Hayden Phillips Review, gave evidence to the CSPL on 9<sup>th</sup> December 2010 acting as an advisor to the Trade Union Liaison Office (TULO) and gave evidence to the Trade Union Political Funds and Political Party Funding Committee on 11<sup>th</sup> February 2015.

The bill caused almost immediate uproar amongst Labour ranks as breaking an unwritten rule to stick to the consensual approach to the reform of party funding, the so-called Churchill Convention.<sup>70</sup> Nevertheless, to many the concession of the opt-in seemed like a trap that was very much walked in to. Or, as one Labour official put it, ‘conceding the opt-in before you’ve got anything in return seems arse-about-face to me’ (Interview with Senior Labour Official, 2015). The Trade Union Bill itself was seen as ‘a serious breach’ but the Collins Review ‘emboldened the Tories’ (ibid.)

The Conservatives, for their part, argued that legislating for opting-in to the political fund (as trade union legislation) could be seen as conceptually distinct from legislating specifically on issues regarding party finance reform. They therefore argued they were not in contravention of the Churchill Convention (Boles, 2016). This argument was given short shrift by those amongst the Labour Party who suggested that if the two could be considered conceptually distinct it was odd that immediately following the pledge to seek a ‘transparent opt-in process’ in the Conservative Party manifesto was the sentence ‘We will continue to seek agreement on a comprehensive package of party funding reform’ (see table 6.1).

The Bill was so controversial that a temporary emergency committee in the House of Lords was arranged, the Trade Union Political Funds and Political Party Funding Committee. The Trade Union Political Funds and Political Party Funding Committee took written and oral evidence throughout January and February 2015 and eventually suggested a compromise that all current trade union members would not be subject to the new opt-in legislation and would be considered in effect already opted-in (unless they had opted-out). The new opt-in provisions would simply fall on new members. The Bill received Royal Assent in May 2016.

Although undoubtedly watered down, the Collins Review itself represents a critical juncture in the development of the British party funding regime (see Power, 2017). Although the opt-in will only apply to new members, the opt-in itself, and the principle of the opt-in itself, has been conceded – and has been conceded by the Labour Party. Therefore, by ‘shift[ing] the balance from *affiliation* to *donations* [emphasis added]’ the Collins Review removed a key obstacle to reform (Ewing, 2016). This placed the debate over the Trade Union Bill in close proximity to debates regarding party finance reform more generally.

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<sup>70</sup> “It has become a well-established custom that matters affecting the interests of rival parties should not be settled by the imposition of the will of one side over the other, but by an agreement reached either between the leaders of the main parties or by conferences under the impartial guidance of Mr Speaker” (Churchill, 1948 – HC Deb, 16 February 1948, col 859).

Some have argued that these reforms advantage Labour in future discussions – that ‘having made significant changes, which could enable reform to take place’ any further objection by other parties around the negotiation table would be harder to justify (Fisher, 2015c: 143). However, the problem with this position is twofold. Firstly, it suggests that consensus will be the continuing standard; but if there are no further moves on party funding reform, and indeed there is no onus on the Conservative Party to continue talks on party funding reform, then Labour have made a key historical, institutional and *philosophical* reform with nothing in return. Secondly, harder to justify to whom? As we have seen above – and has been shown in further research (see for example van Heerde-Hudson, 2011; van Heerde-Hudson and Fisher, 2013) – the public has little knowledge of how the party funding regime actually works. It would seem a further stretch to expect a public outcry over whether or not party funding reform talks are, or are not, adhering to the Churchill Convention.

With the Collins Review and the subsequent Trade Union Bill the British party funding regime is moving beyond the stop-go era of party finance and the Collins Review represents a critical juncture in this process. Indeed, a critical juncture can be said to occur when newly identifiable policy paths become apparent. Thus, the concession of the opt-in represents a moment ‘in which uncertainty as to the future of an institutional arrangement’ allowed ‘political agency and choice to play a decisive causal role’ (Capoccia, 2015: 148). Furthermore, even if this moment does not represent significant change and we see a continuance of the stop-go era of political party finance, this is no reason to discard the juncture as non-critical; ‘change is not a necessary element of a critical juncture’, merely the causal role played by political agents in said juncture (Capoccia and Keleman, 2007: 348).

## 6.7 Conclusion

This chapter has outlined the institutional development of the British party funding regime over four distinct eras: the aristocratic era, the plutocratic era, the modern era and the stop-go era. It has demonstrated that many of the legislative (and normative) principles were ‘locked in’ early on. For example, many of the changes made with the introduction of PPERA were based on CIPPA, legislation that was over a hundred years old, but had proved to be relatively effective at the local level. The analysis has also shown that there are three institutional locks which have served as a stumbling block for further reform: public opinion, timing and the relationship between the two major parties and their donors. Finally, the above analysis has suggested why a potential institutional lock may have been picked with the implementation of the Collins Review and the subsequent Trade Union Bill. Having

addressed the unique institutional evolution of the British party funding regime, we now turn to the type of corruption which is prevalent in this context.

**Table 6.2 Eras in the development of the British party funding regime**

	<i>Main features</i>	<i>Important legislation</i>	<i>Key sources of funding</i>	<i>Main political parties</i>
<i>The aristocratic era (1721- 1883)</i>	Bribery High costs High spending locally Low spending nationally Low party discipline	Reform Act 1867 Ballot Act 1872 Corrupt and Illegal Practices (Prevention) Act 1883	Self-finance Single candidature financed by patron	Conservative Party Liberals
<i>The plutocratic era (1883-1922)</i>	Continued growth of electorate Stagnating costs High(er) party discipline Growth of the Labour Party Secretive party accounts High spending locally Low spending nationally	Trade Union Act 1913 Representation of the People Act 1918	Business Trade Unions Individual donations	Conservative Party Liberals Labour
<i>The modern era (1922-1995)</i>	Continued attempts to legislate on the question of the trade union 'opt-in' Decline of the Liberals Domination of traditional donors to Labour and the Conservatives	Honours (Prevention of Abuses) Act 1925 Trade Disputes and Trade Unions Act 1927 Trade Disputes and Trade Unions Act 1946 Representation of the People Act 1983	Business Trade Unions Introduction of limited state funding	Conservative Party Labour
<i>The stop-go era (1995-present)</i>	Renewed focus on standards Creation of the Electoral Commission Introduction of limited levels of state funding to political parties	Registration of Political Parties Act 1998 Political Parties, Elections and Referendums Act 2000 The Electoral Administration Act 2006 Political Parties and Elections Act 2009 Bribery Act 2010 Trade Union Act 2016	Business Trade Unions Individual donations Limited state funding	Conservative Party Labour Liberal Democrats

## 7. Party funding and corruption in Great Britain

The following chapter will analyse the relationships, linkages and trends between the British party funding regime and corruption. It will first discuss issues regarding access and influence, arguing that access is multi-faceted. There is no doubt that a (relatively) large donation provides a seat at the table with legislators; however, there is considerable disagreement over whether this constitutes a form of corruption. The analysis then turns to political patronage and unpicks the perception that a (relatively) large donation may provide an honour or even ennoblement to the House of Lords, finding that the problem of political patronage is one of perception. The chapter discusses other potential types of corruption that could be prevalent, with a particular focus on whether the ‘revolving door’ can be considered a case of co-functioning corruption. It is argued that rather than a problem inherent in the party funding regime, the revolving door is considered to be a part of a more holistic understanding of the corruption challenges Great Britain faces. The chapter concludes by finding that the type of corruption prevalent in the British party funding regime is perceived donor-based corruption. The evidence, therefore, shows partial support for H1: that in Great Britain we would expect to find a prevalence of donor-based corruption.

### 7.1 Access vs. influence

As previously mentioned the British party funding regime, in its current iteration, is dominated by the historic institutional funding streams of the two major parties. A key question that is raised, on both sides of the debate, however, is whether these funds are merely just the aggregation of an historic constituency base for each party or representative of something altogether more pernicious? One way to view whether these donations are corrupt is to consider whether there is a belief that access, in and of itself, is corrupt. In Great Britain, there is no doubt that the provision of money provides privileged access. It does not provide exclusive access, but both the Labour Party and the Conservative Party run schemes which allow – for an annual subscription – a seat at the (often dinner) table.

The Labour Party runs the ‘Thousand Club’ where if you join the ‘President’s Tier’ (£5,000 annual membership) you receive ‘regular communications from the Thousand Club President and Vice President’, invitations to the annual ‘President’s Receptions’ and the ‘Thousand Club Lunch at Annual Conference’ (Labour Party, 2016).<sup>71</sup> The Conservative Party, on the other hand, has the Leader’s Group (£50,000 annual membership) where

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<sup>71</sup> The Current president is Rt. Hon Charles Falconer and the vice-president is Baroness Royall of Blaisdon.

members are ‘invited to join Theresa May and other senior figures from the Conservative Party at dinners, post-PMQ lunches, drinks receptions, election result events and important campaign launches’ (Conservative Party, 2016).

There is, of course, constant suspicion that this kind of access leads to undue influence. In this sense it is useful to speak to attendees and members of such clubs and groups, for example, Leader’s Group members:

I don’t think they really care. If someone says something interesting...that is politically credible and fits into their thinking then maybe. But I don’t think these dinners and lunches are anything but making people who are giving money feel like when they are having dinner at the weekend with their friends they’ve got something to talk about. (Interview with Conservative Party donor and member of the Leader’s Group, 2015)

This position is (unsurprisingly) mirrored by Conservative Party elite.

If you’ve got a thousand people who give money to the Conservative Party there’s probably two or three who are doing so with an ulterior motive...most are satisfying their hobby. They could no more sway party policy than fly to the moon...if they had any clout, it would have stopped 12% stamp duty...I mean I’ve listened to these people and the ideas that they come up with...once in a while you have a really good idea and it might spark something. I might be sitting down with David Cameron and say ‘have you thought about this?’ And actually he thinks that it is a good idea - it’s not just because you are sitting around a table and you’ve given him fifty grand. (Interview former Treasurer of the Conservative Party, 2015).

Of course, the issue of large donors (and potential reform of the donation system) should be understood in tandem with the issue of institutional donations to the Labour Party from (assorted) trade unions. Here trade unions are a little more bullish about how much influence they assert, or try to assert, and believe they are legitimately entitled to assert.

The media, the right-wing media, the Conservative Party and the right-wing of the Labour Party will always try and distort the importance of the link. Because whilst they have no problem taking money, what they don’t want is they don’t want trade unions to have a voice in policy-making decisions. And therein lies the dilemma for everybody. Our link with the Labour Party is that it is our party, we created it. (Interview with General Secretary of Unite, Len McCluskey, 2015).

Here the argument is that any influence that is leveraged over the Labour Party is entirely legitimised by two key institutional factors. First, the unique institutional history of the Labour Party and the trade union movement it was borne out of. Second, the fact that this historical affiliation manifests itself in, amongst other things, a (potential) place (if not

influence) at the table whether or not the affiliated unions donated in large amounts. This is because members who pay in to the political fund are in fact members of the Labour Party.

They are part of our membership structure; they have an influence on policy – not because they give us money, it's the other way around. Every party, its members have influence on the policy, and they wouldn't be members if they didn't have influence on the policy – that is all trade unions are. (Interview with Senior Labour MP, 2015)

The (multi) million pound question is whether these donations have a cumulative effect. Multiple interview participants highlighted the fact that the large donations often come from the political parties' natural constituencies, therefore the causal arrow is hard to trace. Do these large (and small) donors support these parties because they (broadly) align with their views, or is there a kind of *aggregated corruption* in which a (not dissimilar) constituency of support – whilst naturally aligned – persuades some policy-makers into making decisions they might not otherwise do, or might do less forcefully had the draw of big money not been apparent?

Again, trade union leaders are instructive on this process, they claim in interviews to have had large influence on the implementation of the minimum wage. Yet they would also cast their political activity from a much wider net, characterising gains over periods of thirty to forty years, rather than just policy implementation under the Labour years (1997-2010). Ultimately, any suggestion of undue influence or – as one interviewer put it 'special treatment' – is given short shrift: 'well most trade union leaders would fucking laugh at you if you asked them that question' (Interview with former GMB General Secretary, Sir Paul Kenny, 2015).

During the controversial passage of the TUA Conservatives defended their proposals as being 'conceptually distinct' from party funding reform, thus not in conflict with the Churchill Convention. Whilst this was not considered a credible argument by Labour members on the emergency select committee, one can see an echo of this in discussions with trade unionists. The funding of the Labour Party is seen as conceptually distinct from Labour's work as a campaign organisation – outwardly attempting to influence policy more generally, but specifically within the Labour Party itself. This distinction was hinted at throughout conversation with Sir Paul Kenny.

We have to route campaigns so that the public are very interested and it becomes a big issue and eventually politicians pick it up. But eventually we'd like to think that we can influence the Labour Party, quite openly and honestly, that these are the policies that the majority of the people in the country want...



People ask me this, and it is a good question, ‘how much have you given to the Labour Party in the last ten years?’ I don’t know: thirty million, forty million? And then they say, ‘do you think you’ve had value for money?’ No. But it misses the point, the point is if the unions didn’t fund the Labour Party it couldn’t exist, and if it didn’t exist there’d be no opposition to what the alternative is, truly. (Interview with Sir Paul Kenny, 2015)

This is a notion that is shared, to some extent, by Conservative donors. Donations may well have some effect on access to a political party, but the primary reason for a donation is to aid the survival of a political party that most accurately represents your views, or in the case of trade unions, your members’ views. In 2001 Stuart Wheeler set the record for the largest one-off donation to a political party when he donated five million pounds to the Conservatives. When pushed on his motivation for this unprecedented donation, Wheeler echoes the ideological levelling of the playing field motivation for political donations.

My company went public so I suddenly became worth 90 million...and I remember being told that the Conservatives badly needed someone to come down from Scotland to attend an important meeting but he or she couldn’t because they couldn’t afford the fare. And I thought that was jolly unfair, who cares if somebody is worth 90 million or 85 million, I’ll give them 5 million. (Interview with Stuart Wheeler, 2015).

It is also important to note that to a lot of rich donors what seems like a large donation to the vast majority of the British population, may actually be a mere drop in a considerably larger ocean. Indeed, one Conservative donor – a member of the Leader’s group – talked of his £50,000 yearly fee in the way that those of us not lucky enough to be in the bracket of the very wealthy might think about a subscription to Netflix, or a direct debit that was set-up for a charity. In other words, a somewhat neglected subscription that does not make enough of a dent in overall finances to worry about too much. Or further, how we might view many party members as broadly supportive of a party, but who do not turn up to meetings and are generally inactive campaigners yet they are happy to pay their monthly membership subs (see for example Fisher, Fieldhouse and Cutts 2014; Fisher et. al. 2014).

## **7.2 Access is multi-faceted**

This speaks to a wider issue of an immediate assumption that access, in and of itself, is a corruption in public life. For many campaigners, this is the case. The fact that money can buy access can essentially be considered a corrupt act that is damaging to political parties, irrespective of whether influence (undue or otherwise) occurs.

It’s really basic things, like the fact that if you donate at least £50,000 to the Conservative Party, you can have dinner with the prime minister and that is just wrong. I’m not saying that you get a specific policy outcome for it, but

the fact that just because you are wealthy you can have that access, it is wrong. And I do think that it is having a massive impact on public perceptions of politics. (Interview with Alexandra Runswick, 2015).<sup>72</sup>

Whilst a theoretically reasonable position to take, it does overlook somewhat the multi-faceted nature of access itself. Furthermore, it also overlooks the fact that large donations are not the only way to gain this kind of access. Privileged networks exist outside of the donor-based networks of political parties even if there may very well be significant overlap, but making a donation is not the only way to gain access to a political party, and a seat at the table is not the only way to have some form of influence. In the corporate world research suggests that ties go beyond the corporate world and reflect other shared experiences at elite schools, clubs and universities and there is little reason not to believe that much the same happens in the world of politics (see for example Whitley, 1973; Fidler, 1981; Bond, 2007). As noted on page 143, a senior Conservative suggested that if an idea was raised at Leader's Group meetings and it was a good one then it may go through a process of being investigated by the policy unit. However, access can also be considerably more haphazard than this; take for example on the policy of free school meals adopted by the Conservative-Liberal Democrat government of 2010-2015.

Ironically, its origin as government policy can be traced to a holiday that Michael Gove himself took in Marrakech, where he stumbled across Henry Dimbleby, the co-founder of the Leon restaurant chain and a healthy-food campaigner. As a result of the encounter, Gove commissioned Dimbleby and his business partner, John Vincent, to produce a report on how to raise the standard of school food. This became the 'School Food Plan', which was published in the summer of 2013 and was welcomed heartily by the Education Secretary. (Clegg, 2016: 103)

If we consider that these networks exist outside of a large donor culture, then we might see the transparency obligations that the British system allows for as a considerable benefit in terms of the party funding regime. Indeed, party funding experts argue that the Electoral Commission's searchable database is 'effectively world leading at this point' (Interview with Magnus Ohman, 2015).<sup>73</sup> If, then, in Great Britain yearly donations were – as per the CSPL recommendation – capped at £10,000 per person per year, an important consideration would be whether this would have a knock-on effect on the transparency in the British party funding regime. In other words, does private funding shed light on what we otherwise would not know?

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<sup>72</sup> Alexandra Runswick is the Director of Unlock Democracy.

<sup>73</sup> Magnus Ohman is the Senior Political Finance Advisor for the International Foundation for Electoral Systems (IFES).

It's not a good argument to make for private funding, but it is one of the benefits of private funding and transparency...it allows the citizen to know in whose interest the candidates of the party are representing. If you have state funding and no private donations we simply throw a blanket over the whole thing – there is a whole life going on under there that we just do not get to see. The present regime at least allows us to see that politics is a dirty business about personal relationships and that parties represent certain people. And it gives the press access to certain information that they share with us and that we wouldn't have otherwise. (Interview with Keith Ewing, 2015).

We might also consider that although access may provide influence, in any number of ways, privileged access might not provide any gain whatsoever.

If you get asked by the Vice Chancellor to have dinner with him, you might get in the fact that you want a pay rise and that there should be more money given to your side of the university...that's your point of view and the VC will probably turn around and say no thank you very much, it's been nice to see you but as a matter of fact I've decided that we are going to cut your people by four and I don't really like you so bugger off. (Interview with former Conservative Party Treasurer, 2015).

Furthermore, the privileged access money provides can act as somewhat of an irritant to policy makers. A major donor to the Labour Party outlined a long argument that they had with a then Secretary of State which culminated in a perceived (veiled) threat that this major donor might not receive an honour – which he was rumoured to be (and eventually was) awarded.

He went like this with his finger and said 'if you don't stop writing your fucking letters, I will make sure – as Secretary of State – that you won't get what you are otherwise about to – if you understand me?' And as he did it, I got hold of his finger, and I bent it back and said 'don't you blackmail me'. The next day, I went into my office and I sent a seven page letter to every cabinet minister – and to him – explaining precisely why he didn't know what he was talking about and how his department was a disgrace. Bullet point after bullet point, after bullet point. (Interview with Labour donor, 2015).

When considering the multifaceted nature of access we can identify, at the very least, two types of access: *access as (potential) influence* and *access as irritant*. The problem of access as a necessarily corrupt action is a fiddly one. If we accept this view, then the British party funding regime is undoubtedly corrupt. However, if access more often than not achieves nothing then it is worth asking whether there really is an issue. A potential answer to this question lies in the concept of mediated corruption (Thompson, 1993). Thompson identifies an act of (mediated) corruption as a donation whose primary aim is to influence the candidate in office. That has 'no function other than to translate the desires of a contributor directly into

government action' to the extent that it effectively 'short-circuits the democratic process' and 'makes the representative an apolitical agent' (Thompson, 1993: 375-376).

However, the funding regime of Great Britain is not representative of a system of mediated corruption. For example, key donors on both sides represent the natural constituency of the two major parties. These large donations are not aimed at apolitical agents, but at natural ideological bedfellows. At most one might consider the system to create a kind of aggregated-influence whereby a strong enough (already politically inclined) coalition, through sheer volume of donations might sway thinking, to a limited extent, a certain way.

There's a lot of soft perceptions with corruption; it's very difficult to pin it down to definite decisions, but inevitably your mind frame must be affected by what donors want you to do, or you certainly become aware of what your donors want. (Interview with former Head of the Parliament and Constitution Centre in the House of Commons Library, Oonagh Gay, 2015).

This echoes work in the USA which uses evidence on political preference to show that policies are more responsive to those from wealthy backgrounds (Gilens, 2012). Inevitably, when the predominant form of political party finance in a party funding regime comes from private sources, these allegations will arise. However, party funding in Great Britain can be understood as containing a 'high level of ideological bias' (McMenamin, 2013: 125). That is to say that it is rare, though there are some examples, of business donations switching sides (i.e. donating to the party in power) or merely donating across the board. The best example of this is the big four accountancy firms, who, in recent years, have donated 'staff costs' to the Liberal Democrats, Labour and the Conservatives, causing controversy about their influence in government (see figure 6.3). Labour defended this general accountancy arrangement saying:

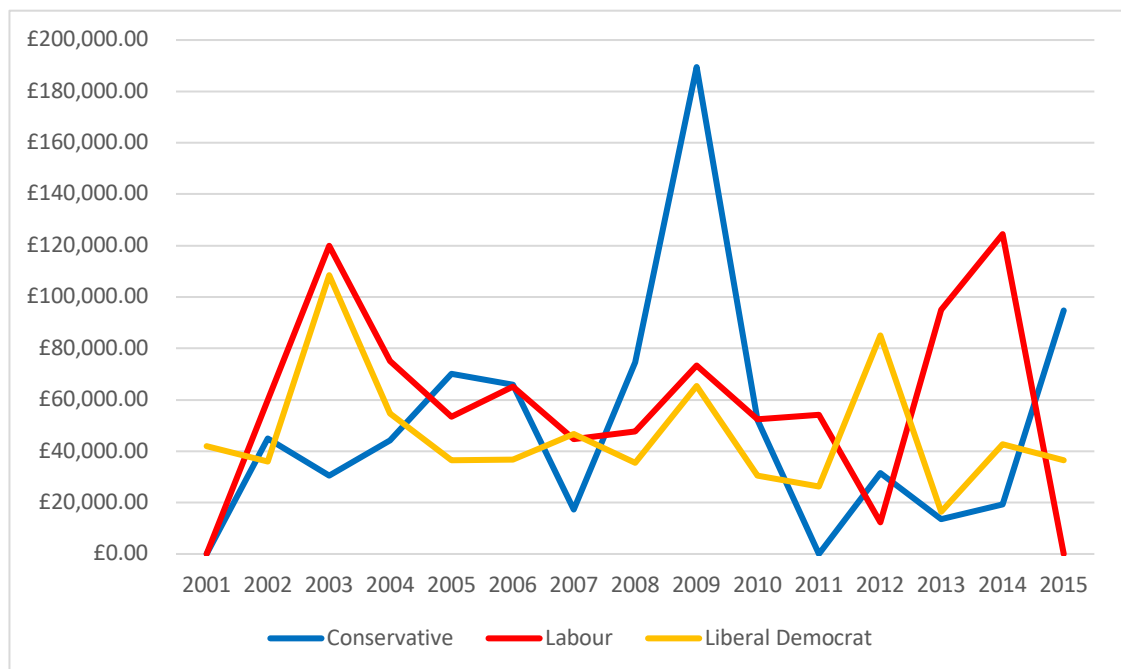
Given the complexity of government decisions in areas such as tax policy – and that opposition parties do not have significant access to civil servants the support provided by organisations such as PwC [PricewaterhouseCooper] helps ensure that there is better scrutiny of government policy...secondee [i.e. employees transferred temporarily from PwC to work for Labour] do not influence opposition policy decisions. Where organisations provide staff to support research and analysis for opposition parties, it is right that these are declared – as currently happens – in the register of members interests. (McClenaghan, 2012)

The big four accountancy firms aside (and with some exceptions), it is fair to say that large individual and business donations tend to favour the Conservative Party, but that these donations do reflect opinion polling and the perceived electability of the Conservative Party. This would chime with interview data (and data from the Electoral Commission) regarding

the relative poverty of the Conservative Party during their years in the electoral doldrums in the early 2000s.

Therefore, as donations do not merely ‘follow the winner’ (see Gelman and Zachary, 2016) in Great Britain and tend to follow a specific constituency, one cannot call these donations apolitical – or to use the terminology of McMenamin, pragmatic. That is not to say that pragmatic donations are necessarily corrupt, rather that viewing all donations that lead to a certain type of access as necessarily corrupt ignores some of the nuance surrounding them. However, there is a further charge regarding party donations and this is that they lead to some kind of honour or peerage. This issue, whilst no less clean cut is equally, if not more, controversial.

**Figure 7.1 Donation history KPMG (Conservative, Labour and Liberal Democrat), 2001-2015**



*Source:* Electoral Commission

### 7.3 The problem of political patronage

The honours system in Great Britain provides a unique challenge to party funding reformers, especially in the context of having a system almost entirely dominated by private subsidy of political parties. To be more specific, this refers to somebody buying their way to an honour (such as a knighthood) or ennoblement in Parliament’s second chamber. The issue of cash-for-honours, whilst almost as old as Parliament itself, is most notorious for tarnishing the career of World War One Prime Minister David Lloyd George whose resignation honours

list caused much controversy in 1922. Indeed, the allegation against Lloyd George was that he was effectively raising funds for his party through a political fundraiser, Maundy Gregory, and that there was a price list for various honours (Kennedy, 2016).

Although the practice of ‘selling’ honours was not eliminated by the Honours (Prevention of Abuses) Act 1925 this was the peak of its monetary importance to political parties. Though counterintuitively, as quoted in Naßmacher (2009: 257), some consider this to be somewhat unfortunate when considering tackling corruption more generally, ‘it may be the least corrupt way for political parties to raise cash. Certainly, handing out medals and extra letters [i.e. titles] is preferable to handing out tax breaks and government contracts’.

This is an understandable (and provocative) position when taking into account more general honours, it is also pertinent to accusations that the very rich can buy their way into the second chamber of Parliament, the House of Lords. Furthermore, appointees to the House of Lords are appointed for life, so there are very few real mechanisms (short of an Act of Parliament) to remove a peer. It is therefore a question that continues to elicit great controversy and is the cause of much journalistic scrutiny, particularly around the time that new ennoblements (and resignation honours) are announced (see Cook, 2008; Friedman 2013).

The most recent full-scale episode involving supposed cash-for-honours occurred almost immediately after the 2005 general election; the loans-for-peerages imbroglio. This involved Labour’s chief fundraiser Lord Levy who had solicited a great deal of loans (amounting to approximately £13 million) to fund Labour’s general election campaign. This loaning arrangement came under scrutiny, not least because it was noted that all individuals who had loaned over £1 million to the Labour Party had subsequently been awarded an honour or a peerage (see Ghaleigh, 2012: 160-163). At the heart of this was a specific loophole in PPERA which allowed for commercial loans (i.e. those loans not below market rates) to remain undeclared, circumventing transparency obligations.

The implicit (and often explicit) charge laid at the door of the Labour Party – and particularly Lord Levy – was that these loans were taken on with the promise that ennoblement or some other patronage would follow. Further, that because these loans were non-declarable that they would be a) harder to trace and b) (in theory) keep donors’ details from the press. Of course, the opposite occurred.<sup>74</sup> This interpretation is clearly contentious. Those on the

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<sup>74</sup> This phenomenon, in fact, has a name: *The Streisand Effect*. Which is said to occur when the attempt to conceal or remove a certain piece of information rather has the effect of publicising said piece of information more widely than if the initial information had been declared. It is named after an attempt by Barbara Streisand to censor pictures of a newly purchased mansion in Malibu.

Labour side attest to the fact that Labour funding was not only in dire straits immediately prior to the 2005 general election (the party had debts of approximately £35 million) but that donations themselves had dried up considerably compared to 2001 and 1997 (see accounts from Levy, 2008; Watt, 2010).

Thus, two basic institutional factors were at play in the (more innocent) understanding of why the Labour Party accepted such a high number of loans. Firstly, as money was tight and donations were drying up it was much easier to solicit money from people who were assured that they (might) get it back (in fact many loans were written off). Second, Labour were faced with fighting an election in the context of an increasingly unpopular leader. Not only did this have the effect of making the onus on raising money more drastic, but it made it considerably harder to raise such donations. Lord Levy answers the charge that loans were preferred over donations (interpretation one) head on:

The suggestion in the press by one major lender that, after the ‘cash for peerages’ furore erupted, that I had turned down donations in favour of loans was, I can only imagine, the product of impaired memory. The notion that I would have preferred a loan to a gift was nonsense. There were many reasons that I had been against Labour taking loans. But one of them was both obvious and straightforward: loans, unlike donations, had to be paid back. (Levy, 2008: 229)

The secret loans argument is also refuted by those donors involved:

There were never any secret loans, never. Ordinary proper loans which had been made to the Conservatives and Liberal Democrats for years, with full knowledge of the Electoral Commission...at the time it was an absolutely respectable, normal, procedure. When I was asked on the form that you had to sign as a nominee for the House of Lords [the House of Lords Appointments Commission (HoLAC)], they asked whether I had donated any money to any political party and how much. It deliberately did not say, ‘and what have you loaned?’ (Interview with Labour donor, 2015)

Ultimately, the Labour Party was referred to the CPS in March 2006 by SNP MP Angus MacNeil. This was done so for a potential breach of the Honours (Prevention of Abuses) Act 1925. This caused politically astonishing scenes with the subsequent arrest of Lord Levy, businessman Christopher Evans and then Director of Government Relations at 10 Downing Street, Ruth Turner.<sup>75</sup> Eventually, after a politically damaging process that was believed to have contributed to Tony Blair’s resignation, the CPS decided against prosecution due to insufficient evidence. Further to this, the disclosure loophole was subsequently closed by the

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<sup>75</sup> Key members of the Labour government were also interviewed by the police, including Tony Blair himself.

Electoral Administration Act 2006, although the immediate government response (as mentioned above) was to instruct Hayden Phillips to conduct a review of party funding.

#### **7.4 Attempts to demonstrate the sale of honours**

The loans-for-peerages episode was an almost inevitable manifestation of an overarching position amongst the press and the general public that large donations to political parties could effectively buy you a seat in the House of Lords. Much like the question of access and influence it is both something that is not easy to illustrate empirically, and which has a causal arrow that is hard to trace. This is not to say academics have shirked the challenge, in fact a recent study at Oxford University investigated whether there was a market for peerages and contended that the data pointed in this direction (Mell, Radford and Thévoz, 2015).

The study used data from 2005 to 2014 to code appointments to the House of Lords under two categories: the ‘usual suspects’ (ex-parliamentarians, former senior party staff, council leader or ex council leader, experts, the joint interim peers panel, reserved public sector posts and HoLAC nominees) and ‘the others’. After controlling for a number of (unspecified) variables the data showed that nominees from ‘the others’ donated more than nominees from the ‘usual suspects’ although this result ‘leaves open the possibility of some influence from conflating factors we don’t know about (ibid.: 18). The headline finding, covered in many media outlets (see for example, Boffey, 2015; Riley-Smith, 2015; Walter, 2015) was that the ‘probability of seeing at least 27 people nominated for a peerage in 2005-14 in a random sample of 779 people from 383,800 who are members of the three main British parties...is approximately equivalent to entering the National Lottery and winning the jackpot five times in a row’ (Mell, Radford and Thévoz, 2015: 22).

There are a number of problems with this analysis. Firstly, the use of the term ‘random’ and the example of the National Lottery are instructive. It equates appointments to the House of Lords as random statistical probability. Lords are not appointed by a lottery system, they are appointed by recommendation. It can therefore be seen as perfectly reasonable that some big money donors will be put forward for nomination to the second chamber. This is in fact recognised by the study itself:

A frequent justification for the system of life appointments to the House of Lords is that it is a revising chamber which draws on the expertise of its members in scrutinising legislation. Not all experts on topics of relevance to such detailed scrutiny of legislation developed that expertise within the political class. Those from outside the political class may well have excelled in some area and become wealthy in the process. It is no great stretch of



imagination to suggest if such people are willing to serve as legislators, they must have an interest in politics. If they do, there will be a political party which advocates policies they believe to be the correct ones more frequently than do other political parties. Such people may well wish to support that political party's activity financially (ibid.: 24).

The conflation between random assignment and appointment is clumsy, if we take into account the absolute numbers of 'big donors' who have been ennobled since 2005 (13 Conservative, 9 Labour, 6 Liberal Democrat). It seems as plausible that this number of donors is representative of what we might call 'rich politically active expert members' than merely people who have bought their way into the House of Lords.

Much of the elite interview evidence speaks to the notion that experts who have risen to the top of their respective fields would actually be the exact people that one would want in a revisionary second chamber. And further, the fact that they had given donations should not necessarily serve as a hurdle or moreover disallow them entry to the House of Lords. Indeed, one expressed surprise that many 'who were caught up in the rows about loans' had not been put up for nomination years before (Interview with senior Labour MP, 2015).

This position is challenged by Sir Christopher Kelly – the chair of the CSPL review in 2011 – who argues that being an expert, being rich and receiving a seat in the Lords because of undue influence/privilege are not necessarily mutually exclusive.

A lot of them are very distinguished in their fields, so it becomes very difficult to say well they were appointed because they were a donor. The analysis we did was 'did this person do anything else other than be a donor?' Not many people fall into that category. But then you ask the question, 'well why did you choose him rather than him? He's a captain of industry and he's a captain of industry, so why is he in the Lords and he is not?' Well he was a party donor and he wasn't. (Interview with Sir Christopher Kelly, 2015).

However, some who worked on the CSPL report believed that the figures they uncovered in relation to large donors actually receiving ennoblement suggested a different story to one that is told in the report and serves as a direct rebuttal to the above contention by Sir Christopher Kelly.

When they got the figures from people who had been given honours, who were donors, it was an incredibly small percentage...<sup>76</sup> I wanted to make more of that in the report, but of course he didn't want us to because it didn't fit his picture. (Interview with CSPL member, 2015).

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<sup>76</sup> If we use the figures from Mell et. al. 2015 then we can put the percentage of large donors appointed to the House of Lords in the period between 2005-2014 at 9.2%.

The actual percentage of so-called large donors who find themselves appointed to the House of Lords is, to some, a moot point. The perception that large donations can buy their way into the Lords is enough. Indeed, of interest in this respect is evidence given by Elfyn Llwyd of Plaid Cymru (PC), who along with Angus McNeil complained to the CPS during the loans-for-honours episode, and Lord Pearson of Rannoch of UKIP to the CSPL Inquiry.

The public perception, I have to say, is whether there is a linkage. If as an individual I give a political party £250,000, I might be a very worthy individual. I might be a hard-working person...The donation and my being ennobled may not be connected in that way, but the public will say there is a direct connection. Very often there are very innocent and proper appointments of the Lords from people who have made large donations, but the public will view them with suspicion. (Llwyd, 2010)

During the same hearing Lord Pearson echoes this sentiment.

I think it is in the public perception, and I think it has happened probably quite a lot in the past. I think it is, with the new Appointments Committee and all the rest, very much more difficult, but it will always be part of the scene where individuals are free to make large donations to political parties. It will almost be subconscious in some cases, but it is difficult to avoid it in perception, and I think it is more difficult in fact now than it was five years ago. (Lord Pearson, 2010)

This is where the issue gets difficult. To an extent it almost entirely negates the above argument that a) somebody may have donated a lot of money to a certain party but that b) they have risen to the top of their profession so very much deserve a place in the Lords regardless. The root of the issue, in fact, harks back to evidence that (then) Assistant Commissioner of the Metropolitan Police John Yates gave to the Public Administration Select Committee in the wake of the loans-for-honours affair.<sup>77</sup>

These types of cases are very, very difficult to prove because they are bargains made in secret. Both parties have an absolute vested interest in those secrets not coming out. (Yates, 2007).

Therefore, the empirical proof that we have is that between 2005 and 2014 9.2% of appointments made by the Conservatives, Labour and the Liberal Democrats were also large donors. How many of those had a secret agreement attached to their donation we will never know, one would suspect – and Llwyd's evidence suggests as much – that the figure is relatively small. However, the key factor here is the term that comes up in the evidence, and in many of the responses during the elite interview process, perception.

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<sup>77</sup> Yates headed the team of detectives in the CPS investigation.

## 7.5 The problem of perception in political patronage

The argument seems to be that the public perceive that a large donation can buy you a place in the House of Lords, so whether or not it does is irrelevant. Therefore, one might suggest that the very fact that so-called large donors are allowed a place in the House of Lords represents a breach of the aforementioned logic of appropriateness. Thus, we might understand the position of both the CSPL Review and the Oxford study of the issue of donations as so: that perceived linkages and trends between party funding and corruption are as important as actual linkages and trends.

Furthermore, real issues about appointments to the House of Lords become buried behind this veil of large donations almost necessarily buying one a seat in the Lords. Seats are given in the House of Lords for all kinds of reasons which one might consider cronyism. MPs might be offered a seat in the House of Lords: as reward for sterling long-term constituency work, outstanding service in parliament and cabinet, as an enticement to retire so that a rising star can be parachuted in to a safe seat or as an enticement to retire full stop.<sup>78</sup> One might suggest that some of these reasons aid the functioning of the upper house, but that an equal number may not – yet ‘nobody ever complains about it’ (Interview with CSPL member, Lord John Alderdice, 2015).

Furthermore, some – and it does seem to be party fundraisers that hold this view – understand cash-for-honours, or even access as a way of life. That is to say that many rich people give money to a lot of different causes, not merely political parties, whilst expecting something in return.

Cash for honours, it seemed to me, had been a fact of life for ever – whether in the arts, or in the world of charity, or in political parties. Over the years, long before I met Tony Blair and began helping Labour in the mid-1990s, I had raised tens of millions of pounds for charities, persuading dozens of wealthy people to give money to a range of causes in which I passionately believed. They gave out of genuine generosity. But very few of them were Mother Teresas. They hadn’t amassed enormous personal wealth without also having a well-developed sense of their own accomplishments, a fierce competitiveness, a desire to get ahead, and usually the hope of some form of recognition or validation as well – their name on an old people’s home, a school or an opera house, or perhaps the chance to let drop across the dinner

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<sup>78</sup> A speculative example of this occurred during discussions regarding the potential boundary review and reduction of seats in the parliament from 650 to 600 which abolished Labour leader Jeremy Corbyn’s North Islington constituency. As reported in the press Corbyn was relatively sanguine about this development as ‘finding a seat for the Labour leader should prove fairly simple, as his popularity among the membership remains undimmed, and a loyalist could be rewarded with a seat in the House of Lords at a later date’ (Bush, 2016).

table that they'd met a prime minister or Leader of the Opposition. That was simple human nature. It was also a key part of the process through which all voluntary organisations secured the funding – the financial oxygen – without which they could not survive. (Levy, 2008)

This example is key to understanding much of the nuance surrounding donations to political parties. It is especially true in a system in which this represents the most significant form of finance within the party funding regime. If we understand this through the frame of political parties as public utilities we begin to see an understandable frustration on the part of donors and fundraisers. If political parties are public utilities then we accept that they are fundamental to the functioning of democracy which, in itself, is fundamental. Therefore, in the absence of increased funding from the state – those that fund political parties are essentially acting in the interest of the populace and providing a fundamental service, just as one might be when donating money to the arts or to a charity.<sup>79</sup> The implicit contention here is that we rarely see complaints, or allegations of a hidden agenda, when those who give to charity, or the arts, are rewarded for their generosity.

Furthermore, all fundraisers and donors interviewed for this project believed that funding should be provided by the state and that donations should be capped, but in the absence of state funding, the system must be upheld through donations. Thus, we return to the collective action problem discussed above.

Well, on the one hand they don't want public support for elections and on the other hand they want to criticise the hell out of anybody who has given money to a political party. So it's a very unfair situation and, frankly, why would you give any money? (Interview with former Conservative Party Treasurer, 2015).

A final (provocative) point regarding cash/loans for honours is that the argument against large donors being framed as a democratic argument is in fact invalid – because the House of Lords as an institution that relies on appointments and not elections is, itself, not a democratic institution.

If you are worried about corruption, the question is, are the institutions that are being corrupted worth defending? So why should we reform our party funding laws in order to protect an unelected second chamber? Why do we have an unelected second chamber? If the second chamber was elected in a way that the first chamber is, nobody raises any questions... You can't make a democratic argument for party funding law, if the argument is based on a

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<sup>79</sup> One might further draw the parallel that both the arts and charities rely on certain subsidisation from the state (free entry and gift aid respectively), which could be seen as equivalent to the limited subsidisation political parties receive (i.e. Short/Cranborne Money and free party political broadcasts). This underlines the point that a normative preference for voluntarism remains in Great Britain across many sectors.

premise that an undemocratic institution needs to be preserved. (Interview with Keith Ewing, 2015)

The above analysis has highlighted that cash for honours and cash for access represent the most discussed and, importantly, the type of corruption most prevalent in the public consciousness. These represent two distinct sub-variants of donor-based corruption, which might both ultimately amount to pathways to policy influence. This in turn guides many of the reforms, or attempted reforms to the current system. There is however, a second question in need of brief discussion – can any other types of corruption be identified in the British party funding regime?

### **7.6 The revolving door: a case of co-functioning corruption?**

In the British case there is an overwhelming discursive emphasis on – perceived or otherwise – donor-based corruption. However, in earlier chapters this thesis has identified a second potential type of corruption that could be prevalent in a country's party funding regime. Is there any evidence of co-functioning corruption? A type of corruption that is based around personal linkages where corruption takes the more opaque form of a revolving door between business and finance. Whilst, again, we must accept the Commissioner Yates premise that many of these agreements will not be written down – or even explicitly said – and so remain hard to illustrate empirically, a group of academics have investigated trends (González-Bailon, Jennings and Hodge, 2013).

The findings of their study do very little to suggest that there is a meaningful trend towards co-functioning corruption in British political life. Only a small minority of former politicians and civil servants enjoy positions and rewards in the corporate boardroom. Where this is the case it tends to come from three departments, the Treasury, the Foreign Office and the Home Office (for a recent example see Kenber, 2017). The authors of the study are also quick to note that this could partly be due to the transparency obligations involved to prevent the very suspicion that a revolving door exists in such a sense and that less transparent earning possibilities, such as consulting roles, may be more tempting for those retiring from public life.

There remains some degree of scepticism, especially within the anti-corruption industry, of the effectiveness of legislation regarding what we might consider as the revolving door. As such TI have three key recommendations: that the Advisory Committee on Business Appointments (ACoBA) should be replaced with a more robust statutory body (similar to the Electoral Commission) with greater resources and powers to regulate the employment

of former ministers; that government bodies should have to annually publish the number of secondments in and out of their respective organisation and publish a kind of risk assessment of any potential conflict of interest areas that might arise; and further legislation (in addition to the two year cooling off period) should be introduced for those ministers wanting employment as lobbyists (Transparency International, 2015).

In this sense, TI draw together three strands that should be considered of varying relevance to specific challenges to a party funding regime: party finance itself, the revolving door, and lobbying. This slightly more holistic view of tackling corruption addresses the ‘fundamental problem of vested interests’ that ‘distort the democratic process’. It is believed these issues need to be tackled in tandem ‘otherwise the problem will merely migrate to the least well-regulated area’ (ibid.: 3). That said, in terms of the British party funding regime itself, and most importantly elite responses to the perceived issues with the party funding regime, a perceived donor-based corruption takes precedence. Indeed, at this juncture rather than a problem inherent in the party funding regime co-functioning corruption is seen as more of a challenge on a different side of the same coin.

### **7.7 The British party funding regime: a case of perceived donor-based corruption**

In the British party funding regime, we find a prevalence of what should be understood as perceived donor-based corruption. Public opinion surveys show that the public overwhelmingly believe (institutional and individual) donors have too much influence on the political process. A survey conducted by the Electoral Commission in 2003 showed that 70% of respondents believed that private donors could buy political influence (Electoral Commission, 2003). More recently the ERS produced polling that outlined 75% of respondents who felt that big donors have too much influence on political parties and 65% who believed that party donors could buy honours (Electoral Reform Society, 2015). Furthermore, the GCB 2013 reported that 90% of respondents considered the government to be somewhat to entirely run by a few big entities acting in their own best interests (Transparency International, 2013).

Polling such as this, it was argued in many research interviews, shows the damaging effect the funding regime has on the perception of Britain’s democratic institutions. For example, 66% of respondents to the GCB considered political parties to be corrupt/extremely corrupt and 55% of respondents considered Parliament/the legislature to be corrupt/extremely corrupt. This chimes with wider academic findings, which argue that the impact of corruption and the exposure of corruption can be a financial drain on the state and lead to a

decline in trust in institutions (such as parliament and political parties) causing increased voter apathy (Bull and Newell, 2003: 242-243). Whilst this perceived corruption might not threaten the tangible viability of the pre-existing institutions themselves and might not seem to undermine the system (Johnston, 2005: 60) it can have a more pervasive effect on the more abstract institution of democracy itself as well as wider democratic values (Thompson, 1995).

In the case of Great Britain, these perceptions are driving the reform process. This is a common theme among many interview participants across the political spectrum (in both ideological terms and in terms of their experience in politics). Furthermore, the perception is being driven forward even though the vast majority of those involved in the process believe that the public perception is mistaken. This is a continued theme of the evidence given to the CSPL in 2010/2011, the public perception of corruption became a repeated bone of contention: the term ‘perception’ (or variants such as ‘perceive’ or ‘perceived’) was mentioned 286 times. The position of the CSPL can be summed up by evidence given to the committee by the Conservative MP for Croydon Central, Gavin Barwell, ‘if you are saying: do I think it is unhealthy and that those large donors exert some effect on policy, not in my direct experience. I certainly think that the public perception is unhealthy and that, therefore, there may well be a case for doing something’ (Barwell, 2010).

The importance of public perception in this debate is no less ironic due to the fact that academic research shows that the public has little knowledge of the details of British party finance, but that this ignorance was no barrier to hostility towards the system (van Heerde-Hudson and Fisher, 2013: 43). This academic work is corroborated by focus group research undertaken by TNS-BRMB on behalf of the CSPL which found that ‘awareness and knowledge of the current system and monitoring was limited’ with ‘initial confusion in relation to what party funding constituted’ (Campbell-Hall and Joyce, 2011; see also figure 6.1). This evidence ultimately leads to the conclusion that ‘the British public knows little of party finance and, consequently, public opinion is unlikely to offer a rational choice for effective reform’ (van Heerde-Hudson and Fisher, 2013: 56). The question of whether the public are right or not remains a bone of contention for some, particularly those lobbying for change in the system.

I don’t think it is the right question to ask, ‘is the public accurate?’ I think it misunderstands what the indicator is...there’s all these limitations with perceptions but what they do indicate is public concern and public concern is not illegitimate, it is based off what people believe from what they have read, or what they understand about the current situation. What we are grappling

with is that politicians haven't responded to that public concern. (Interview with former Head of Research and Advocacy at TI, Nick Maxwell, 2015).

This is a position that can be understood in political science terms within the lens of the thermostatic model of public policy and public opinion responsiveness (see for example Wleizen, 1995; Jennings, 2009; 2014; Soroka and Wleizen, 2010; Green, 2015). That in the singular the public seem to be mistaken, but that in the round – collectively – public opinion is coherent and, to an extent, rational. That whilst the public might have little idea of the nitty gritty of policy details (in this case exactly how political party finance works in Great Britain) they can make relative judgements on when there is too much, or too little of something.

Therefore, whilst the public might be entirely wrong about how the British party funding regime works and any possible solution they could be relatively accurate about the fact that there is simply too much money flowing in from large donors, and this has some kind of tangential effect on how level the democratic playing field is. In other words, they might not know the exact temperature, but it is definitely too hot.

What I think is probably going on is that although people don't have much accurate knowledge or an overall picture of the system, they are right to be as concerned as they are about individual cases. So in  $x$  number of individual cases they are absolutely right, but I don't think that adds up to 'everybody is in it for themselves'. Where the public could be wrong is that this is absolutely widespread and that every single donor is then having tea with David Cameron. I think that's probably less accurate but I think that the snapshot that they are giving to be worried is about the individuals in the newspaper, I think that's pretty accurate. (Interview with former Chief Executive of the ERS, Katie Ghose, 2015).

The above analysis adds further credence to the aforementioned notion of the logic of appropriateness. Public opinion, in this instance, is so strong that the logic of appropriateness has been breached and has actively caused attempts at policy reform. Therefore, in this instance whether donor-based corruption is actual or perceived is inconsequential, the change (or at the very least attempted change) is real. The perception is real in its consequences. That is not to say that some policy makers find this prospect ideal, creating public policy based largely on perceptions can cause a great deal of frustration.

The more you get into this standards business, the more you get people who want to act on perception as opposed to reality and as someone who has always believed in evidence based policy making, I've got problems with that. I don't think you can ignore perceptions, but I do think that reality ought to matter as well...the thing that has always bothered me is this notion that if



there is a perception of wrongdoing then it has got to be stopped...it bothers me. Evidence matters. (Interview with senior Labour MP, 2015).

That frustration aside, the analysis above outlines a type of corruption that is best summarised as perceived donor-based corruption. That this perception is prevalent is evident in analysis of newspapers, elite interviews, documentary research and evidence from polling data. Whilst there is evidence of other anxieties regarding elite corruption – most notably the revolving door and lobbying – these controversies are more tangentially related to the explicit issue of political party finance.

As outlined, a solution to this is often mooted as a cap on donations, which would lead to the introduction of further state funding, therefore bringing Great Britain into line with the vast majority of advanced industrial democracies in Western Europe. The question remains however, does this lead to a necessarily less corrupt situation, or the perception of a less corrupt situation? Is there instead, merely a different type of corruption that is prevalent, or at the very least, perceived to be prevalent?

## **7.7 Conclusion**

This chapter finds partial support for the hypothesis that in Great Britain we would expect to find a prevalence of donor-based corruption. Instead we see a prevalence of perceived donor-based corruption, although, due to a breach in the logic of appropriateness this perception is real in its consequences. It is this perception that drives the reform process. However, a focus on public perceptions also acts as a significant constraint on the process of reform. There is a collective action problem in this case, in so far as perceived donor-based corruption leaves policy makers (and the political elite) hamstrung, aware that the current system is unpopular but that reform in the shape of an increase in state subsidy is equally unpopular. Therefore, attitudes about the corruptness of the British party funding regime more generally feed into a wider distrust of politicians. We now turn to Denmark, to analyse the similarities and differences there are in a system in which we find high levels of state subsidy.

## 8. The institutional evolution of the Danish party funding regime

The Scandinavian experience, both politically and culturally, is often assumed to be a homogenous one. The classic 20<sup>th</sup> century Scandinavian model was social democratic, welfarist, corporatist and egalitarian. In the anti-corruption world too, Nordic states are seen as the gold-standard, with Denmark in particular performing well in Transparency International's CPI, holding the top spot for the past four years (see Table 8.1). This close correlation between the performances of the Nordic/Scandinavian states again leads the countries to rather be lumped together. However, the analysis below unpicks why the development of the Danish party funding regime has been exceptional to its neighbours. If we consider Table 2.2 from Chapter 2 (see page 43) we can see that Denmark actually introduced significant state subsidies considerably later than its geographic neighbours. This legislation was introduced in Finland, Sweden and Norway in 1969, 1971 and 1972 respectively, while its introduction in Denmark did not occur until 1986. This represents an exception to what Naßmacher (2001) refers to as the diffusion thesis, which posits that if one country introduces certain party finance reforms, then neighbouring (or institutionally similar) states are likely to follow soon after. Therefore, in outlining the history of the Danish party funding regime below, this chapter will show the extent to which, whilst the Danes were admittedly late to the (state funding) party, once it was introduced they fell in with a broader Nordic norm. As with the Chapter 6 the evolution of the Danish party funding regime is separated into four distinct eras: the pre-party era, the traditional party era, the expanded party era and the public party era.

**Table 8.1 CPI ranking (Denmark, Finland, Norway and Sweden), 2002-2016**

	<i>Denmark</i>	<i>Finland</i>	<i>Norway</i>	<i>Sweden</i>
2002	2	1	12	5
2003	3	1	8	6
2004	3	1	8	6
2005	4	2	8	6
2006	4	1	8	6
2007	1	1	9	4
2008	1	5	14	1
2009	2	6	11	3
2010	1	4	10	4
2011	2	2	6	4
2012	1	1	7	4
2013	1	3	5	3
2014	1	3	4	5
2015	1	2	5	3
2016	1	3	6	4

*Source:* Transparency International

### 8.1 The pre-party era (1660-1870)

Of the Nordic states it was Denmark that experienced the longest period of royal absolutism (1660-1849) before the introduction of a political system, which is formally still in force, where legislative authority encompassed the king and parliament together (Damgaard, 2011). Indeed, even though political parties were only introduced to the system in 1870, the king maintained a central role in the Folketing until 1901, when cabinet responsibility was introduced (Jensen, 2014). Whilst it might seem bizarre to begin a chapter on political party finance in Denmark before the advent of political parties to the system, many important principles and laws – often encompassing more general anti-corruption legislation – were established during this period. There has been much scholarly work in the area of anti-corruption more generally, that has mined this period of reform in an attempt to contextualise how and why these anti-corruption reforms were so successful (see, for example, Mungiu-Pippidi, 2014; Jensen 2014; Teige 2014). In this context, however, we can understand these more general reforms as encapsulating what should be understood as pre-electoral electoral law.

For example, the first ban on bribery and the acceptance of gifts was introduced in 1676, then renewed and extended in 1700 – this law initially covered clerical, civil and military officials, but by the 18<sup>th</sup> century was targeted at specific officials such as customs servants (Jensen, 2014: 9). After the Napoleonic wars and the subsequent financial crisis due, in part, to the transfer of Norway to Sweden, officials began – and were permitted – to ‘borrow’ money from public funds, as long as said money was repaid when an audit took place; if it was not, it was considered to be a crime of corruption (see Jensen 2009; 2013; 2014). This practice was outlawed in July 1840 (though the Act was effective January 1<sup>st</sup> 1841) in legislation that introduced more detailed account keeping, a ‘considerable intensification of audits’ and, importantly in this case, a *‘clear separation of civil servants’ private and public funds [emphasis added]’* (Jensen, 2014: 17).

Alongside this, starting in the late 18<sup>th</sup> century the Danish monarchy introduced a system of *supplikerne* (the closest translation is petitioning), which would gradually introduce reforms desired by the people. The *supplikerne* system gave the crown a way of receiving information regarding maladministration and malfeasance by its representatives. *Supplikker* is, in a wider sense, a historical representation of a fundamental cultural difference between Denmark and Great Britain which has had a normative causal effect on the evolution of the party funding regime. That is to say *supplikerne* represents a concerted effort, on the part of the Danish

elite, to cultivate a collective responsibility amongst citizens regarding the needs of society. This contrasts with the preference for, and ultimate dominance of, voluntarism in Great Britain – which is reflected in their respective party funding regimes. The individual right versus the collective responsibility. This is a comparison that has been noted in many comparative studies, but most recently in an innovative comparison between British and Danish literature and the cultural roots therein of contrary developments in education policy (Martin, 2016).

Although, the first democratic constitution was written in 1849, political parties were considered anathema to the political process. The first constitution stated that ‘members of parliament are solely expected to follow their own conscience and are not bound by any directions by their voters’, and political parties were only recognised in the Folketing towards the end of the 19<sup>th</sup> century (Pedersen and Bille, 1992: 148-149). The fact that political parties were viewed as necessary evils in the running of parliamentary democracy rather than – as understood latterly – public utilities, coupled with the relatively late flourishing of Danish parliamentary democracy may explain, to some extent, why the provision of financial support by the state was both something neglected in elite discourse (until the late 20<sup>th</sup> century) and the temporal lag in its adoption in relation to the Nordic neighbour states.

Thus, before the introduction of political parties the state had adopted laws defining the duties of civil servants, criminalized bribery, forgery, fraud and embezzlement and introduced a meritocratic system of recruitment for the bureaucracy (see Teige 2014; Jensen, 2014: 10). Fundamental principles, but also laws, regarding propriety in the public sector were locked-in long before political parties existed in the Danish state and fed into the way that Danish political party law was formulated. Furthermore, the 1840 legislation outlining a clear distinction between public and private funds for civil servants, would colour much of the debate moving forward when discussing the financing of politics in the following eras of Danish political finance.

## **8.2 The traditional party era (1870-1973)**

The traditional Danish party system developed between 1870 and 1920. Although, as we shall see, despite remarkable electoral events occurring, most notably the ‘earthquake’ election of 1973, the party system itself has remained relatively stable since then. Indeed, since 1920 – at the very least – ‘the political regime, its parties, and the party system have remained rock solid through two world wars, the Great Depression, constitutional

amendments, membership in the European Union, and entrance into the non-industrial 21<sup>st</sup> century' (Elmelund-Præstekær, Elklit and Kjaer, 2010: 121; see also, Sundberg, 1999).

The early stages of Danish party politics, and the societal cleavages that the parties were borne out of, much of the debate surrounding not just the relative stability of the party system itself, but also issue of influence, undue or otherwise, in the party funding regime. The main actors in the Danish party system (and the Nordic democracies more generally) from the traditional party era have been organised around three poles: social democratic parties (representing organised labour), conservative parties (representing capital) and agrarian/centre parties (representing the rural periphery and urban centre (Rokkan, 1987: 81-95).

The traditional party system, then, was dominated by the four old parties: Socialdemokraterne, Radikale Venstre, Venstre and the Konservative Folkeparti. Venstre were founded in 1870 out of the previous decades of political mobilisation over the struggle for a democratic constitution, with various elements of this struggle for equal and universal suffrage (Bille, 192: 201). Though always, at root, an agrarian party the steady decline of the rural population has led to an increasing focus on the bourgeois and self-employed, with Venstre setting out its ideology in direct conflict with the SD.<sup>80</sup>

The SD are, in many ways, a traditional party of the left and – in the sense that any of these parties can be directly compared – has its closest analogue with the British Labour Party. It was founded in 1871 as a section of the First International, as such the labour movement in Denmark in general is composed by the party itself, trade unions and the co-operative organisation, all of which are organisationally connected (ibid.: 202). To this extent (as we will see below) many debates and issues (and legislative inertia) regarding party funding regime change are centred on the relationship between trade union members, and trade union donations to political parties.

The KF were originally formed as the Right (Højre) in direct conflict with the Liberal party's constitutional struggle in 1883. The party was dominated by landowners and – as they fought for the preservation of privileged suffrage to the upper house – was the historic party of the

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<sup>80</sup> Confusingly, for those of us minded towards a traditional understanding of the political spectrum, the British translation of Venstre is Left – better suited to the SD. The even more eagle eyed will notice that RV, translates as the Radical Left. Which again, to the political spectrum traditionalists amongst us, might cause raised eyebrows. This quirk is due to the formation of the parties, Venstre emerged before the SD and were considered 'left' and 'radical' in terms of issues concerning legal and political rights (for example the extension of the suffrage). They were therefore the 'left' opponents of the more traditional Højre, which sought to defend the traditional order. It is a state of affairs not dissimilar to the Liberals and Labour in Great Britain.

establishment. After privileged suffrage was abolished in 1915 the party changed its name and began stressing more general conservative attitudes, aiming its appeal at ‘business interests, middle class values and national defence’ (ibid.: 201-202). Again the strong historic ties with, particularly business interests, means that financially the KF sees a level of donation that belies its recent electoral performance.

The last of the big four old parties RV was, as the name suggests, founded as a result of a split with Venstre in 1905. The split was due to three groups (pacifists, urban liberals and small farmers) feeling rejected by the latter’s policy platform. The pacifists felt disillusioned by the (Venstre) government’s military policies, the urban liberals believed Venstre to be no longer committed to reform and the small farmers perceived Venstre to be increasingly speaking for the interest of large agricultural proprietors (an early indication the rightward switch that was to come) at their expense (Miller, 1996: 4). As a party formed out of an admittedly curious mix of constituents it is hard to trace a core RV demographic and RV are often – though not at present – seen as the smallest of the big four (see Bille, 1992: 202). However, due to their more centrist position and the frequent recourse to coalition government from 1905 on in Denmark, RV has had a role and influence beyond its numerical size in the Folketing.

The current Danish political party system comprises a blue block (those parties on the right) and a red block (those parties on the left). Currently, Venstre and the SD are the primary parties representing each block respectively. Venstre and the SD have always been in fairly direct competition, however at their inception they did have a broad common goal, which suggests why the introduction of significant state subsidy took longer in Denmark than its Nordic neighbours. They were both born out of stiff opposition to the (at first) not very democratic state, and then as Denmark democratised in the late 19<sup>th</sup> century, to Højre.<sup>81</sup> The parties, then, were opposed to the traditional state apparatus (and Højre) and as such were conceived as purely private political organisations. No wonder, then, a general antipathy towards being considered – and worse having a reliance on – any branches of government. For the first seventy years of parliament as an institution, members only received modest per diems for the actual time spent in the Folketing (not unlike the situation in the British House of Lords today) and it was only in 1920 that a salary was introduced (Pedersen and Bille, 1991: 149).

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<sup>81</sup> This provides further explanation as to why Venstre, who would now be understood as a party of the centre-right – translates as the Left. They were in opposition to the right, and to the extent that they forwarded a programme of parliamentary democracy were, in their origin, anti-establishment.

As in Great Britain, what we see in Denmark is traditional constituency bases of political parties being locked in at the birth of those parties. Therefore, when we consider traditional funding streams and the potential corrupting influence that they might have, we must also consider the extent to which parties in Denmark receive funds because of these historical ties. The traditional party era, then, is in some respects comparable with the modern era of party finance in Great Britain. This is particularly notable considering the back and forth between large, individual (and business) donations on one side, and large institutional (trade union) donations on the other.

However, unlike Great Britain institutional donors were not merely representative of two major parties, but at the very least the big four old parties. Newer parties such as the Socialistisk Folkeparti founded in 1959, the Kristen Demokraterne founded in 1970 and the Fremskridtspartiet (FrP) founded in 1972, could also rely on some institutional support. Therefore, Danish (financial) party politics during the traditional party era was defined by a tension between the parties and their institutional donors – there was a limited pot of money, and more parties to share it with. However, due to this expanded effective number of parties (in comparison with the British system), there remained a tension between those parties that could rely on those institutional donors, and those that could not.

The SD could rely on both direct and indirect economic support from the trade unions – although this support fluctuated over time and fell off considerably in the public party era.<sup>82</sup> Similarly, but to a lesser extent, the two primary parties of business (Venstre and the KF) could rely on substantial support from certain employee organisations – for example, the Dansk Arbejdsgiverforening (DA) and the Confederation of Dansk Industri (DI).<sup>83</sup> This ‘interparty variation in economic opportunities’ created a system in which conflict was caused both between the ‘haves’ and ‘have nots’ but also between the SD with its relatively stable fiscal institutional relationship and others whose financial support was considerably more volatile (*ibid.*: 151).

These tensions came to a head in the 1960s when an employee at a public hospital lost her job because she was unwilling to join the specific trade union which was required. The reason given was an unwillingness to join a union that provided financial support to the SD – arguing that through her own membership subscription she would be involuntarily supporting the

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<sup>82</sup> The Landsorganisationen i Danmark (LO) – the umbrella organisation (for want of a better term) of Danish trade union donated to the SD until 2001-02. Specific unions still contribute to parties in the red block but on an individualised basis.

<sup>83</sup> The Danish Employers’ Association and the Confederation of Danish Industries respectively.

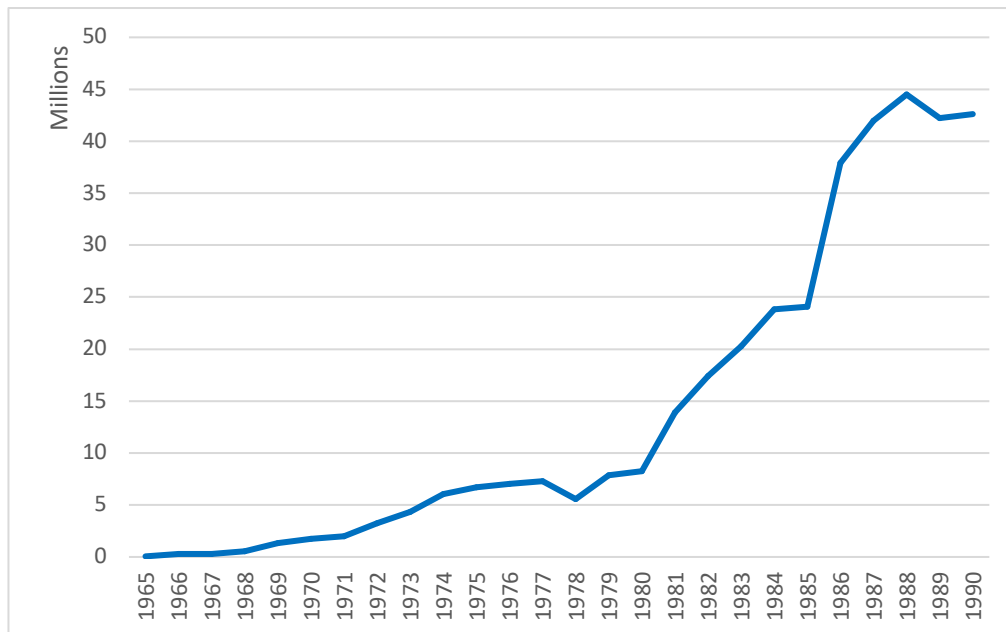
SD. Concurrently with this a member of the DA expressed displeasure at being forced to be a member of an organisation which explicitly supported Venstre and the KF. Both cases were publicised widely in Denmark, leading to much debate amongst the big four parties. Unsurprisingly, and much like the British case, debates tended to be conducted along partisan lines. Firstly, the SD considered support from the unions to be entirely natural ‘since the Social Democratic Party is the party of the employees’ (quoted in Pedersen and Bille, 1991: 151), whereas the KF considered institutional donations to the blue block as levelling the playing field as to what was considered the SD’s unfair fiscal advantage.

This is where, when it comes to party funding regime change, the comparison with Great Britain is at its most stark. Reform in Britain is often framed around questions regarding a trade union opt-out system (currently in place) and a trade union opt-in system. However, in Denmark, the de-facto opt-out also applies to employers’ organisations as well as trade unions (van Biezen, 2003: 26). Unlike Great Britain, however, this did not manifest itself in reforms that tended to benefit the party (or parties’) electoral strength at the time (Pinto-Duschinsky, 1981). Aside from the introduction of a small provision of state finance to the parliamentary group in 1969, these debates in the traditional party era are fascinating precisely because, although their neighbouring Scandinavian and Nordic cousins enthusiastically adopted systems of state subvention, in Denmark further state funding was barely discussed. Indeed, when it was, ‘it was only mentioned as something to be warned about’ (Pedersen and Bille, 1991: 151).

It has also been argued that the introduction of support to the parliamentary group (PGG) in the late ‘60s, first proposed in 1965 as an increase in secretarial staff of the Folketing, laid the foundations of the basic principles of later Danish party finance law (Pedersen and Bille, 1991: 157). This is because these arrangements were based on a new principle, that the amount of secretarial staff would be based on the relative size of the political parties. Therefore, another basis of Danish state finance was effectively established at this period, and furthermore, the amounts paid for such services gradually ratcheted up throughout the end of the traditional party period. Therefore, although explicit political finance legislation was not introduced in 1986, we should equally not see 1986 as a kind of ‘big bang’ where state funding suddenly, drastically increased (see figure 8.1).



**Figure 8.1 Total public support (DKK) for political parties in parliament 1965-1990**



*Source:* Pedersen and Bille (1991: 158)

A Special Advisor to the Folketing, interviewed for this project, emphasised this point – that the principle of state funding had been conceded long before the 1986 regulation itself. It was also argued, though not explicitly, that this notion of state provision had been (normatively) conceded at the birth of democracy in Denmark:

When you raise the question of 1986, you automatically assume that party funding is state funding, but you have to be aware that there are two major support schemes: one for the party inside parliament and then one for the parties in public – the party organisations. The party group scheme was in place long before 1986; in principle it was in place from the very beginning of the democratic history of Denmark - what was originally in the scheme was support to politicians. It started out with buying books from the library of parliament and then gradually increasing and giving more and more goods; providing services, hiring staff and then, taking off in the '80s, giving more money to the groups themselves for their own administration (Interview with Peter Egemose Grib, 2015).

In the traditional party era we see a process of institutional lock-in which helps us to understand the traditional constituencies of the main parties – and their funding bases. This is key to understanding and conceptualising the extent to which Denmark suffers from corruption (and what type of corruption) in its current party funding regime. Secondly, we also see a seemingly paradoxical cultural institutional lock-in process. Here, although pre-party Denmark fostered a cultural collectivism which has informed much policy making, the main political parties were born out of an antipathy to the state apparatus itself – in a purely

political sense. We can then understand the continuation of a voluntarist party funding regime in the traditional party era (in spite of reforms in neighbouring states) as a triumph of the norm of voluntarism over collectivism – though there was state support in the form of parliamentary support pre-1986. Normative voluntarism may not be apparent in other walks of Danish life – and public policy – during this period. One can, however, understand the particular relationship between the political parties and the state as conceptually distinct from a more general cultural norm. The pressing question is, what changed?

### **8.3 The expanded party era (1973-1986)**

Much academic work operationalises the 1973 ‘earthquake election’ as a critical juncture, or at least as being representative of a critical juncture, in which Danish party politics was transformed (Borre, 1974; Pedersen, 1987; 1988; Hutcheson, 2011: 472-476). This analysis is no different, although the focus here is less on the sheer amount of new parties that entered the Folketing, but more on what this earthquake represented. Both in how we understand Danish political parties in an organisational sense and the effect this has on their prospective funding streams, putting further pressure on reform. As we saw in the late traditional party era, much like the relationship between CIPPA and PPERA in Great Britain, much of the intricacy of the 1986 party funding act had its historical groundwork laid by reforms made in the 1960s.

The causes of the earthquake election are legion and have been discussed at great length (for example Pedersen, 1979; 1983; 1989; Sundberg, 1999; Rydgren, 2010) and have also been put into a wider Scandinavian phenomenon of disaffection with traditional party politics (Sundberg, 2002). The most important aspect of this to consider here is the – representative of a wider European phenomenon – decline in party membership. In the Danish context, the trend is clear. The decline began in the 1950s, accelerated drastically in the 1970s, before slowing down and stabilizing by the 1990s. In total, individual membership of Danish political parties ‘decreased from a total of about 615,000 in 1960 to about 180,000 in 2000’ (Pedersen et. al., 2004: 368; see chapter 5 for more on this). This represents a shift from a membership of approximately 22% of the electorate to 5% over this period. The latest data available (running up to 2011) has the total membership at 149,648 representing 3.68% of the national electorate (Poguntke et. al., 2016: 668).

The causes of this decline have been widely discussed by political scientists without provision of definitive answers, though a number of prospective interpretations have been offered. These range from the transformation of the social class structure (Togeby, 1992), a failure to

attract younger members (Pedersen and Bille, 1991), new media technology (Pedersen, 1989; Elklit, 1991) and a lack of material and practical incentives (i.e. career progression) for party members (Sundberg, 1987). This decline – particularly from the 1970s – had an unsurprisingly negative effect on the relative health of party coffers.

Thus, in the early 1970s we see a conflagration of institutional pressures. Firstly, and practically, political parties had a real membership crisis. Furthermore, Denmark was yet to introduce significant state subsidy so – in relation to its neighbours – would be feeling this pressure to a considerably larger extent. Secondly, the earthquake election of 1973 created havoc in the party system, not least because of the sheer number of new actors in the Folketing, but moreover because the share of the vote of the traditional parties had been cut from 73% to 47% (see Sundberg, 2002). This had the effect of creating a brief, yet genuine, instability in the system. The very legitimacy of the traditional parties, and thus the traditional party system had been called into question.

As figure 8.1 shows, the gradual increase in the amount of state subsidisation leading up to the 1986 legislation represents a gradual legitimisation of a collective form of party finance. This can, again, be understood as an example of Danish political elites fundamentally formulating political parties as public utilities (see van Biezen 2004). Furthermore, Danish politics has a long tradition of state interference. The welfare state itself supports the very structure of its institutions – including its fundamental democratic institutions (see, for example, Torpe 2003). This principle is outlined succinctly in the report of an expert committee formed by the SD-led coalition in 2011 (that met in 2014) to investigate reforms of the Danish party funding regime:

Danish democracy, in the form it is known today, would not be able to work if there were no political parties. Parties can therefore truly be characterised as state-bearing; it is therefore reasonable that the parties' relationship be subject to regulation in some areas (Justits Ministeriet, 2015: 43).<sup>84</sup>

The principle is put differently by one of the expert consultants to the report: 'In Scandinavia, the state is your friend' (Interview with Jørgen Albæk Jensen, 2015). This mirrors wider institutional theory – and institutional theory applied in the Danish case – that policy paths are 'formed through a complex interaction between deliberate design, long-lasting traditions, learning processes and chance discoveries' (Torfing 2001: 287).

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<sup>84</sup> Translated from Danish.

In the introduction of the 1986 law, it is notable that it was a decision taken without much public discussion. Parties were merely implementing long-held Danish principles – outside of the political sphere – and building on public funding principles in the political sphere (i.e. the PGG) in response to an existential challenge to their legitimacy. The discussions that were held in parliament reflected this existential and organisational crisis – ‘a development in the society which has led to decreasing participation in the basic political decision making-process (meetings, lectures, membership of parliaments, etc.’ (quoted in Bille and Pedersen, 1991: 159). As per the Koß consensus thesis (2011), the bill was passed largely unopposed; only the FrP and the SF dissented. Finally, any discussion in newspapers and media was, at best, sporadic and of a critical nature – though this had little effect on legislators themselves (ibid.).

The finance minister at the time of the 1995 reforms, Mogens Lykketoft, has a somewhat different view of the introduction of reform. Although undoubtedly a response to the myriad institutional pressures Danish parties faced, he also noted the spectre of the potential of a flourishing of corruption:

The driving force in the ‘80s and the ‘90s...was that we would not expose the parties even more to be clients for special interests. We wanted them to be as independent as possible of special interests, and we saw also – it was more of a concern for us in the SD – that it became more and more difficult for trade unions to get the acceptance from their members of subsidising political parties. So it was both of principle and of need that this system was installed with the public subsidies for the parties. (Interview with Mogens Lykketoft, 2015).

The prevention of corruption aspect of this drive, from elites, mirrors an understanding of party funding corruption based on those systems in which neither private, nor public forms of subsidy were available to the political parties. In the Western European context, this is a situation most notable in pre-1988 France. In this period, parties were not allowed to receive gifts or donations, and membership fees were limited to no more than 100 francs and campaign expenditure was only partially refunded, and at a low ceiling (Evans, 2003: 81). This has been described as being rooted in a ‘Rousseauian suspicion of intermediary interest’ (Clift and Fisher, 2004: 682), but in reality merely ended in large scale illegal financing of political parties (Koß, 2011: 17).

We also see the weakening of the trade union links as a key factor in the specific decision making of the elites in the SD. Political parties make these decisions in a strategic manner, which is why so often consensus is the key driver of reforms – they necessarily involve a

trade-off. This is further why, as we saw in the previous chapter, recent British reforms and attempts at reform have either been controversial or failed. They did not adequately weigh the costs and benefits to all political actors in the system.

In the expanded party era, then, we can see the earthquake election, and the subsequent crisis of legitimacy as a driving factor of the reforms that came in 1986. However, these factors were considerably longer term than this. The instability created in 1973 was merely a manifestation of underlying trends – and deterioration – of the traditional party era. It is also important to remember that party funding reforms were shaped by earlier reforms to party groups, these reforms in the 1960s laid the institutional groundwork for the introduction of state subsidy to political parties (in the field) in 1986.

The 1986 reform was not defined by party funding based corruption – in fact it was barely reported on; rather, it was the instability of the current party system, and the decline of resources that drove the reform. However, elites also considered the alternative that political parties could no longer afford to function as political parties as the funding regime stood. If not the state, then someone, would pay. A pre-1988 Franco-plutocratic form of party finance was not preferable to a system of public collectivism that had already proven to be effective more generally as Scandinavian welfarism – but more specifically in the form of PGG in the Folketing.

This, in a sense, is comparable to analysis of adoption of significant state funding by France, post-1988. Here it was understood that the status quo had failed to deliver corruption-free party finance – and that this failure led to significant reform. Authors argue however that historical institutions did little to constrain the policy path in this context, but that the normative institution of the French party model of democracy endured (Clift and Fisher, 2004: 687-690).

In the Danish context we can see that although the notion of parties and the state being interlinked was anathema, from the very beginning this principle was weakened through gradual erosion of their independence and the introduction of party group grants (in the Folketing). We also see a more general acceptance, in Danish (and Scandinavian) culture of a norm of collective welfarism. In Denmark the traditional system may be relied on to produce (seemingly) corruption-free party finance, yet it could not deliver sustainable party finance. Here, in contrast with the French, norms and history interacted to produce a new policy path – the introduction of state subsidy.

#### 8.4 The public party era (1986-present)

The public party era is less comparable with the current era of party finance in Great Britain (the stop-go era). This is because although they both begin with significant legislation that marks a shift in the party funding regime, the shift in Great Britain was more one of historical continuation rather than a – less emphatic than some might assume – break with a traditional form of financing. Therefore, the stop-go era represents attempts to both update but also fundamentally change party funding in Great Britain. In Denmark, however, a fundamental break with tradition occurred. Therefore, what is left in the Danish context is updates to the existing (1986) legislation. The most important of these occurred, as Lykketoft suggests, in 1995. In 1995, state subvention to political parties was significantly increased from the level initially introduced (see figure 5.15).

This updated legislation was passed in a less consensual manner than in 1986, with Venstre, SF, FrP and EL voting against, leaving the government coalition of the SD, the Centre Democrats (CD) and RV in support alongside the KF.<sup>85</sup> Of note is that, in parliament, both Venstre and FrP did not merely oppose this latest change, but favoured active repeal of state subsidisation more generally. Venstre in particular argued that such a sharp increase would provide a system of state-dependent parties, in which the democratic system would be transformed to centralist political control, with less interest in actual party membership and a growing top-down organisational party structure (Justits Ministeriet, 2015: 74-75).

This, however, seems to be what we might understand as virtue-signalling, or playing the electoral game. Indeed, by attempting to play to the political gallery – and public opinion – we see a difference in the 1995 debates that is absent in the debates in the 1980s. Elites in the party were aware of how these reforms might play in the country at large. When asked why Venstre dissented it was confirmed in anonymised elite interview(s) that the public were not in favour of increasing subsidies to political parties, but a majority in the Folketing was for the policy. Therefore, it was ‘easy’ to hold a dissenting position.

That said, the significant increase in state subsidisation in 1995 is actually indicative of a wider development in Danish politics at the time, but that again has its roots in the traditional party era. This is the notion that the relationship between the state and associations is characterized by cooperation and that in dominant discourse the state and organizations are seen as partners (Klausen and Selle, 1995). This was a principle that encompassed both the liberal

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<sup>85</sup> This, much like the evidence relating to how much the DF and EL rely on state subsidies (see page 124), does undermine the cartel theory.

and then the welfare state eras in Denmark. In the concession of the principle that political parties were equivalent to other organisations in Denmark (i.e. deserving of state support) the floodgates had been opened.

In the 1990s, state support to organisations was increased dramatically, both in the form of indirect support (equivalent to PGG) and general operational support (equivalent to grants introduced from 1986). This support was given to cultural and recreational associations with generous conditions for its reception: an association had to have at least five members, be non-profit and organised democratically (Torpe, 2003: 42). In this sense, the 1995 reforms were a part of a wider civic drive, and, in this civic drive we see a stark contrast to the conception of political parties in Great Britain. In the previous chapter it was highlighted that many donors and fundraisers were frustrated that donations were not seen as performing a service, a democratic good, just as one who donates to culture, or the arts is. In Denmark, the fact that the significant increase in state funding occurs concurrently with an increase in state funding to organisations that are perceived to provide civic goods is an example of the normative conception of political parties as equivalent to this – at the very least in the eyes of the elites.

The notion of thresholds is also a normatively consistent one. Five people, it must be said, is not a large organisation. Similarly, thresholds for state financing to political parties in Denmark is the most moderate amongst established democracies at 1,000 votes in a national election, or a 0.03 per cent share of the popular vote (Naßmacher, 2009: 311).<sup>86</sup> In the Folketing debates surrounding this legislation, it was further argued (in favour of higher levels of subsidisation) that funding from Denmark was dwarfed by that which parties received in both Norway and Sweden (Justits Ministeriet, 2015: 76). A manifestation of the diffusion thesis, and the causal power of historical ties, in shaping both initial and existing policy paths/implementation. Finally, 1995 saw the legislative buttressing of the link between *partistøtte* law (regulation on public financial support to political parties) and *partiregnskabs* law (rules concerning publication of accounts) manifested in new transparency requirements.

Further reform that occurred after the large increase in state subsidy in 1995, much like PPEA, should be understood as first order changes. In 2001 there was a strengthening of regulation in the introduction of penalties for false statements and various reporting requirements in *partiregnskabs* law such as the amount of the grant used in a year, and the

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<sup>86</sup> This contrasts with Germany where the threshold is 0.5 per cent of the vote, Uruguay where the threshold is 1.5 whereas in Ireland, Sweden, Norway, Italy and Poland the threshold is 2 to 3 per cent.

extent to which ‘political activities’ for which the grant is used are traceable to this to the period of the grant. A 2002 amendment reduced the amount paid to the political parties (though ultimately by less than two DKK per vote received) and a 2005 amendment encompassed slight changes to state funding of local party organisations. Though these amendments were ultimately a consequence of wider changes in Danish politics regarding the abolition of county municipalities and the establishment of regions.

The most important of these amendments – beyond the vast increase in actual state subsidy – was the introduction of sanctions, nominally enforced by the Ministry for Economic Affairs and the Interior (MEAI). These were for various misuses of the funding provided by *partistøtte* law, or inaccurate reporting of accounts under *partiregnskabs* law. Regulations under *partistøtte* law are very broad, essentially encompassing all political work understood as: a) raising awareness of political views, b) establishing and operating organisations, c) cooperating with other organisations and d) ‘otherwise’ (i.e. in any other way than by the above activities) (ibid.: 82). Those actions that do not constitute political work are activities aimed at promoting elections, or referendums, abroad.

Though this can lead to misuse, or perceived episodes of misuse of these funds (see page 187), the law was designed in such a way to prevent overt state interference and preferential treatment. In this sense, *partiregnskabs* law represented a historical echo of the antipathy towards state interference that epitomised much of early Danish party politics.

Political purposes is the criteria and there is a wide margin as to what political purposes is – it is deliberately made that way. We are not supposed to supervise how each krone is spent. We represent the government...if we were to supervise the other political parties that would easily be a conflict of interest...we are expected to be reluctant to go into that sort of detail. There is a democratic issue on one state body supervising the political parties. (Interview with Chief Electoral Officer at MEAI, Christine Boeskov, 2015).

Though this is understandable, in this context a general lack of regulatory oversight in state funding does introduce the potential for misuse of public funds. The reports submitted to MEAI do not ‘usually state in very much detail exactly how the money was used’ – just that it was used, and was used for political purposes (ibid.). It is unsurprising, then, that when asked how misuse – or misreporting – was policed, the participant responded, ‘I don’t know, because I don’t think that has ever happened’ (ibid.).

The final development in the Danish party finance regime came with the election of the SD-led coalition in 2011. In its programme for government (‘a Denmark that stands together’) an expert committee was announced to make concrete recommendations on how best to



raise transparency levels and modernise the Danish party funding regime (*Report on the openness of financial support to political parties*). The expert committee eventually met in 2014 and published their findings in early 2015, they produced three models for potential reform (see table 8.2). These reforms were categorised as minor (model one), moderate (model two) and major (model three); the committee ultimately recommended model two.

**Table 8.2 Recommendations regarding party funding regime reform delivered to the 2011-2015 SD led coalition government**

<i>Recommendation</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>
Guidelines for non-financial support	X	X	X
Reporting and disclosure of financial donations exceeding a certain value extended to all party levels and individual candidates elected as representatives	X		
Central organisation accounts to be audited by approved auditor	X	X	X
Disclosure of exact value of private donations. Increase, if appropriate, in public party funding in order to compensate		X	X
Special disclosure arrangement for certain associations, federations and other entities. Increase, if appropriate, in public party subsidies in order to compensate		X	X
Accountability for all party levels and individual candidates elected as representatives. Increase, if appropriate, in public party funding in order to compensate		X	X
Publication of accounts		X	X
Earlier deadline for presentation of accounts		X	X
Lowering the limit on amounts, including considering two thresholds. Increase, if appropriate, in public party subsidies in order to compensate		(X)	(X)
Increase public funding			X
An arrangement of offsetting			X

*Source:* Justits Ministeriet (2015)

The recommendations in the report were not acted on. Many interview participants – on and off the record – speculated that this was because the SD became less and less committed to reform as the parliament went on. It was suggested that organising an expert committee in 2014 and then sitting on the subsequent report until immediately prior to the dissolution of parliament for the 2015 election effectively represented a filibuster by elites uncommitted to reform.<sup>87</sup>

<sup>87</sup> In many interviews I asked whether to ‘kick into the long grass’ both translated and was an appropriate term to use, and was answered in the affirmative.

Two important reasons were posited for the breakdown of the subsequent negotiations between the major parties. Firstly, a key architect of the 1986, 1995 and the 2011 commitment was Mogens Lykketoft.<sup>88</sup> Lykketoft was nominated to the position of President of the United Nations (UN) General Assembly in 2013 and thus took a leave of absence from the Folketing until 2017. Participants thought that his drive and reformist zeal in this matter was missed both within the upper echelons of the SD itself, and the inter-party negotiations.

Furthermore, and in direct comparison with recent attempts at reform in Great Britain, the main stumbling block was over the trade union opt-out clause. Venstre were not prepared to concede further transparency obligations – which would principally affect them – without trade union members being required to opt-in to the political fund (which would principally affect the finances of the red block). The SD, it was claimed, were simply not committed enough to said reform to concede this principle, and a potential drop in private finance.

This is a representation of an argument put forward that when it comes to party finance in Western Europe state funding is seen as ‘the carrot which goes along with the less welcome transparency requirements’ (Scarrow, 2006: 636). In the Danish case (and as we can see in table 7.2) many recommendations are made with the carrot of ‘if appropriate, an increase in public party subsidies in order to compensate’. One might imagine that in these discussions, the carrot of further state funding was discussed but, as per the electoral economy model of political finance, was deemed neither large enough nor juicy enough to offset both increased transparency obligations and a trade union opt-in clause. In this context Scarrow’s initial claim can be updated: state funding in Western Europe is the carrot which goes along with less welcome transparency obligations, or legislative constraints on traditional streams of institutional private party finance.

## 8.5 Conclusion

The above elements of this chapter have outlined the historic formation of the Danish party funding regime. Much like Great Britain, the evolution of the Danish party funding regime can be split into four distinct eras: the pre-party era, the traditional party era, the expanded party era and the public party era. There are several similarities to the British case, not least that the institutional characteristics of the party funding regime were locked in early. Moreover, many of these developments that produced the lock-in predate the advent of

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<sup>88</sup> He was the president of the parliament in 2011.

political parties. Laws were adopted which defined the duties of civil servants, criminalised bribery, forgery, fraud and embezzlement. The system of supplier, for example, was a concerted effort on the part of the political elite to cultivate a collective responsibility amongst the citizenry. Further, in both cases we see disagreements over a trade union opt-in acting as a key constraint to reform, as well as an increased reliance on public opinion as justification for reform (or to explain away inertia). The following section – much like the previous chapter – will outline the type of corruption that is prevalent.

Table 8.3 Eras in the development of the Danish party funding regime

	<i>Main features</i>	<i>Important legislation<sup>89</sup></i>	<i>Key sources of funding</i>	<i>Main political parties</i>
<i>The pre-party era (1660-1870)</i>	Bribery Absolute monarchy Meritocratic appointment to civil service Supplikerne	Forbud Paa Skienk og Gave 1676 Om Supplicationer 1683 Forordningen Om Tyves og Utroe Tieners Straf 1690 Forordningen angaaende kasse – og regnskabsvæsnet 1840	N/A	N/A
<i>The traditional party era (1870-1973)</i>	Traditional party cleavages Secretive party accounts	The Penal Code 1930	Business groups Trade Unions Individual donations	Konservative Folkeparti Socialdemokraterne Radikale Venstre Venstre
<i>The expanded party era (1973-1986)</i>	Weakening of traditional cleavages Increased party competition	Act on Financial Support to Political Parties 1986	Business groups Trade Unions Limited state funding (party group grants)	Centre Democrats Kristen Demokraterne Konservative Folkeparti Fremskridspartiet Socialdemokraterne Socialistisk Folkeparti Radikale Venstre Venstre
<i>The public party era (1986-present)</i>	Emergence of left and right populist challengers (Dansk Folkeparti, Enhedslisten) Significant public funding of political parties Introduction of transparency requirements	Private Contribution to Political Parties Act 1990 Accounts of Political Parties Act 1995 Grants to Political Parties (Consolidation) Act 2006	Business Trade Unions Individual donations Large-scale state funding	Alternativet Kristen Demokraterne Konservative Folkeparti Liberal Alliance Dansk Folkeparti Radikale Venstre Enhedslisten Socialdemokraterne Socialistisk Folkeparti Venstre

<sup>89</sup> The legislation in the pre-party era has been left as Danish, there are not adequate English translations.

## 9. Party funding and corruption in Denmark

The following chapter will analyse the relationships, linkages and trends between the Danish party funding regime and corruption. Much like the British case it is found that access is multi-faceted and whilst a (relatively) large donation provides a seat at the table with legislators, there remains disagreement over whether this constitutes a form of corruption. As in Britain there are what can be termed traditional institutional donors, but on account of the greater number of parties in the party system these donors tend to donate to a specific block (i.e. blue or red) rather than a specific party. There is also evidence that donors provide more funds to those parties that are electorally successful (ironically mirroring the system of matching state subsidisation to votes and seats gained at elections). The phenomenon of the misuse of state funds is also analysed with a focus on the broad definition of ‘political purpose’ under *partistøtte* law. Much like chapter 7, this chapter utilises the elite interview, documentary research and public perceptions indicators to show a null finding for H2. In fact, in Denmark as in Britain, we see a prevalence of perceived donor-based corruption, so much so that it represents a breach in the logic of appropriateness and the perceived corruption is therefore real in its consequences.

### 9.1 Access vs. influence

As we might expect considering the prevalence of subsidy provided by the state, Danish political parties are considerably less reliant on private sources of income than British parties are. This is particularly the case for those parties that came to prominence in the system after the earthquake election of 1973.<sup>90</sup> However, parties that came to prominence in the traditional party era still receive significant amounts of funding from private sources. The question again, therefore, is whether these funds represent the aggregative (financial) support of a traditional constituency base, or an attempt to gain further influence in the Danish party system. In other words, is there any evidence of donor-based corruption?

In the previous chapter, it was outlined that one way to view this was whether there is a belief that access, in and of itself, is corrupt. Indeed, just as in the British case, there is little doubt that money provides privileged access. Again, it does not provide exclusive access, but it provides a seat at the dinner table – or at least an invite to certain receptions – in the form of what are known as ‘Business Clubs’.

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<sup>90</sup> This exception here is LA, formed in 2007, and are largely funded by Saxo Bank.

These clubs are considerably less open than similar groups in Great Britain (such as the President's Tier and the Leader's Group). They are, for example, not advertised on party websites but the principle is nevertheless similar. For an annual fee – in the case of the SD 15,000 DKK – a donor joins the business club and is then invited to lunch with various ministers/former ministers, or elite party members. The collected fee of the Business Club is then donated annually to the political party associated with the Business Club. The 15,000 DKK (or similar for other parties' clubs) is an important figure; the figure is always below 20,000 DKK. This is for a number of reasons but partly because 20,000 DKK is the number at which donations to a political party are declared – as such, the (singular) donations can remain anonymous whereas collective donations (i.e. the club itself) above this level are declared.<sup>91</sup> To some the fact that the SD established a Business Club at all represented a tangible manifestation of the notion that, as a party, they were not committed to the findings of the expert committee on party finance.

[Firstly] they started negotiations based on recommendations just before the election...so we were fairly nervous that that the SD didn't want to [pass the expert committee recommendations] in practice. Also this was because the SD, just before, had formed one of these so-called Business Clubs...[which are] not illegal but against the spirit of the law...it seemed to us like they didn't really want transparency laws. (Interview with EL MP Pernille Skipper, 2015)

It is, then, unsurprising that the (relatively new) emergence of Business Clubs has caused no small deal of concern in Denmark, with many likening them to Political Action Committees (PAC) or super-PACs in the USA (see for example Leterme and van der Stark, 2016; Arnfred and Jessen, 2016). Although much of the concern surrounds privileged access and potential influence, another concern, voiced by investigative journalist Carl Emil Arnfred is a cultural one. These super-PAC arrangements are normatively exceptional to how Danes might expect their democracy to be run, or how democracy has functioned in the past. Therefore, suspicion that these arrangements are less than acceptable is heightened.

It is not actually a tradition in Denmark to have these clubs. In the UK you might have these networks, for decades to us it was seen as an Anglo-US phenomenon – we didn't have this kind of system. That is why we raise our eyebrow a little bit when we hear it. These networks are not public, you don't see a list of names, and you don't see what is happening, so you don't know

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<sup>91</sup> This has an analogue with evidence provided to me by those in the Conservative Party that created the Leader's Group. It was inferred that £50,000 was set as the fee because the Leader's Group was established around the time of the Hayden Phillips review. Hayden Phillips had suggested an annual cap on donations at £50,000 so the Conservatives were experimenting with ways to diversify their considerable funding base, working within this potential cap.

what kind of potential agreements they make. (Interview with investigative journalist Carl Emil Arnfred. 2016).

What was clear during the period of fieldwork was that suspicion regarding these Business Club abounds, both amongst sections of the elite and amongst the public. It is therefore all the more important that we lift the veil (somewhat) and consider what actually occurs at these meetings. Here we find a remarkably similar story to that told in Great Britain. Some donors attend to try and get a hearing for their specific point of view, and gain influence in this way – but unless it is practical – it is ignored.

There's no deal in it, the only deal is that you pay 15,000 DKK and you have the possibility of discussing, in a general way, with other people attending – and that is it. We are not arranging face-to-face meetings with a special person, people understand that...people are fond of the meetings because they say there is a frank and open discussion about business issues, economic issues – so it is not a specific interest-driven purpose they come for...of course the managing director of the electricity organisation, he stands up every time and will tell anyone who wants to hear among the politicians that the Danish electricity sector is awful and it is overregulated! It is almost some kind of ritual, but people are a little tired of that. (Interview with founder of the SD Business Club, Carsten Koch, 2015).

An interesting point raised in the discussion with the aforementioned participant was, in fact, his motivation for setting up the Business Club in the first place. Whilst making it clear that it was his motivation alone, and only part of it, he wanted to anchor a relatively (at that point) ideologically volatile party to what might be understood as the centre-left, especially after their loss of office in 2015.

I have stressed in more informal connections that personally, my agenda is special. I am very insistent that the SD in opposition are not going too far to the left – we have experience of that...my agenda is that these meetings might keep the SD on a sensible and rational track. But that is just my agenda, it is not an official agenda...I do not think that we can participate in directly forming the policy, but perhaps be a correction as they move on, direct them on a sensible track. Forming is too strong a word, but perhaps correcting. (ibid.)

The importance of the Business Club, for Koch, is three-fold. Firstly, it has the basic function of raising money for future election campaigns. Secondly, by keeping a dialogue with business groups it may anchor the party – in a general aggregative sense – to a specific ideological way of thinking. Though one might struggle to find an instance (or smoking gun) of a donation leading to a certain policy, one might consider this to be an attempt at a kind of aggregative corruption. Finally, it touches on the politically symbolic nature of continuing these relationships. By continuing a dialogue with business, and organising these clubs, the SD

demonstrates its business credentials. By showing itself to be ‘open for business’ (as it were) it proves itself to a key constituency that may be naturally sceptical of parties on the left.

This motivation is directly comparable with the courting of business undertaken by Tony Blair’s Labour Party in the 1990s.

We talked about how to put his almost evangelical vision of a ‘new’ Labour Party into practice, and what we both soon identified as a potentially critical role for fundraising. The long-term aim was to secure donations from leading businessmen, not just for the important boost that would give to the party’s finances, but because it would imply an extraordinary new credibility for New Labour in a traditionally Tory constituency. (Levy, 2008: 99).

This again shows the multi-faceted nature of access – it is too simplistic to see privileged access as necessarily a form of peddling undue influence. It also shows a political rationality behind continuing relationships, in Great Britain and Denmark, which might be considered unpopular with the electorate. Or, at the very least, continuing arrangements that may have a negative effect on public perceptions of the legitimacy of political parties and, more worryingly, democracy (see pages 191-193 for detailed analysis of public perceptions in Denmark). These groups, and donations more generally, demonstrate a kind of performative competence to key constituencies that are seen as desirable to appeal to in a wider sense – in this example big business and the (centre) left. These arrangements are an extension of Susan Scarrow’s (2004) electoral economy understanding of political finance relationships. In this example, however, parties are not acting rationally by eschewing collective (state provided) financial gains for electoral benefit, but conceding a certain reputational damage (in a public relations sense) for targeted electoral (and internal political) gain.<sup>92</sup>

## 9.2 Traditional institutional donors

Moving beyond Business Clubs, much like in Britain political parties in Denmark also rely on large donations from traditional institutional constituencies. In contrast with a Britain, however, it is less easy to categorise these donations as ideological donations. Furthermore, when comparing the two, it is most useful (with exceptions) to consider Danish donations as semi-pragmatic and British donations as largely ideological.

It is more accurate to describe Danish pragmatism as a result of the electoral system, actors tend to donate to a specific block on the left or the right: the blue block or red block. Table 7.4, for example, shows donors to multiple political parties during the accounting year 2010-

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<sup>92</sup> This, of course, applies in the reverse. A new leadership of, for example a party on the left could reject business donations. To show to a separate constituency, that they are not ‘open for business’.



2011.<sup>93</sup> The motivation seems to be a general support for the democratic process, but only to those parties that might represent the donor's best interests. This is neatly summarised in a statement received from AP Møller/Maersk, a Danish business conglomerate and donor to many parties.

We have not supported the election campaign of any one individual. As a business, we want to support the political process in connection with elections to the Danish and European parliaments. We believe that it is natural and legitimate to support political work with financial contributions...We have provided support based on whether we find that the parties have an industrial policy that can promote long-term, Danish business interests. We do not place any conditions on the contributions we have given and we do not promise any future support. (Interview Louise Munter, 2015)

The donations in the case of AP Møller/Maersk are pragmatic, but dependent to some extent on having what might be considered a business-friendly outlook. This could nonetheless be considered a euphemism for parties of the right/centre right.

Furthermore, there is qualitative evidence from interview data that the level of donations – to the various parties in each block – is contingent on electoral success. This mirrors (often quantitative) research in the USA which suggests that money ‘follows the winner’ in general election campaigns (Gelman and Zachary, 2016). In the Danish context, a representative from an employee organisation (who traditionally donate to the blue block) described their policy (and formula) for funding multiple political parties.

Participant: If the political power in the Folketing shifts and for instance RV gains quite a key position in supporting the economic policy that we want, some donations can shift...and also there has been a shift when the KF became smaller; the donations from us also decreased. When RV grew their support, their support grew.

Interviewer: Is that because it is a bad economic decision on your part, because they won't have as much influence in the actual government?

Participant: Yes...you don't want to go into a bad spin. (Interview with representative from a business group 2015).

It is clear, then, that institutional donors – on both sides – see their donations much like trade unionists do in Great Britain, ‘as a part of [their] work with political influence as a whole’ (ibid.). Indeed, the donations come in many forms from the provision of actual funds, to the leasing of property and brain power. However, it is again important to consider the motivations of those receiving said donations.

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<sup>93</sup> As this covers an election year, this represent the time during a parliament when parties receive the most donations.

We are clear that there is no benefit to supporting Venstre. So they don't have special access. We also have an internal rule that the chairman does not know who the supporters of Venstre are... We also say to them that they cannot have any influence on our campaign, they cannot have any influence, on what we use the money for. We write to them that we use it on advertising or commercials. (Interview with Venstre Party Secretary, Claus Richter, 2015).

This view is widely shared amongst many of the elite in political parties.

We have been very clear that everyone can give money and a donation to the DF but there will be no conditions that we have to do something. We are very strict about that, otherwise we would rather not have the money. (Interview DF Party Secretary, Steen Thomsen, 2015).

This suggests again that the key issue in Denmark is related to the perception that these donations allow some kind of undue influence, despite the fact that the vast majority of political party financing is provided by the state. Evidence from the political elite suggests that this perception, much as in the British case, ignores historic, cultural and political ties parties might have to certain constituencies. Whether a donation is pragmatic or ideological, a reductive understanding of being in receipt of privileged access as necessarily corrupt, as in the British example, neglects important nuances surrounding these institutional relationships.

You can look at it the way that some in the media see it, that they make an impression that our party has a very friendly agriculture policy and that is because the agriculture sector is supporting Venstre. So we have this opinion because agriculture gives us money. That's the main opinion in Denmark - we have this policy because we have money from the agricultural sector. But, it could also be opposite. We have agriculture policy because we are grounded in the agriculture sector from one hundred years ago. And we had this policy and for that reason the agriculture sector supports us. That is not a discussion. (Interview with Claus Richter, 2015).

Further evidence from political elites suggests that despite the significant level of state funding Denmark enjoys, the perceptions of the public and the reformers are similar to those in Great Britain. That is to say there is evidence of perceived donor-based corruption (see pages 191-193 for more on public opinion). This is best elucidated by Pernille Skipper.

Our fear is that you can buy politics...the demand for openness and transparency and the unfairness of not being able to see what is going on behind the scenes, I think speaks into a larger discussion or feeling in the population of not being able to see what is going on in power. (Interview with Pernille Skipper, 2015).

That being said, it is important to consider what other types of corruption are in evidence in the Danish party funding regime. The next section will focus on this, before considering the thorny issue of public perception – and the effect that has on reform, and what type of corruption is prevalent in Denmark.

**Table 9.1 Disclosed institutional donors to Danish political parties (EL, SF, SD, RV, V, DF and LA), 2010-2011**

<b>Party (Block)</b>	<b>Company</b>
<i>Enhedlisten (Red)</i>	MF'ere, Dansk El-Forbund
<i>Socialistiske Folkeparti (Red)</i>	MF'ere, Dansk El-Forbund, 3F
<i>Socialdemokraterne (Red)</i>	Dansk El-Forbund, 3F
<i>Radikale Venstre (Red)</i>	AP Møller, DA, DI, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv
<i>Konservative Folkeparti (Blue)</i>	AP Møller, DA, DI, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv, Dansk Byggeri, Chr. Augustinus Fabrikker, Finanssektorens Forening til støtte af et sundt og konkurrencedygtigt erhvervsliv, Fondet af 31. marts 1979
<i>Venstre (Blue)</i>	AP Møller, DA, DI, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv, Dansk Byggeri, Chr. Augustinus Fabrikker, Finanssektorens Forening til støtte af et sundt og konkurrencedygtigt erhvervsliv, Fondet af 31. marts 1979
<i>Danske Folkeparti (Blue)</i>	AP Møller, DA, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv, Finanssektorens Forening til støtte af et sundt og konkurrencedygtigt erhvervsliv
<i>Liberal Alliance (Blue)</i>	AP Møller, DA, Dansk Byggeri, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv, Finanssektorens Forening til støtte af et sundt og konkurrencedygtigt erhvervsliv, Fondet af 31. marts 1979

*Source:* Kosiara-Pedersen (2014)

### 9.3 Misuse of state funds

An important type of political finance based corruption involves the misuse of party finance provided by the state. Put simply: the misuse of state funds. Whilst this kind of corruption is not apparent in the strict sense of political finance in Great Britain, it was the type of corruption that triggered one of the most important crises in modern British political history – the parliamentarians' expenses scandal (see van Heerde-Hudson, 2014). The issues that caused the expenses scandal, and issues with the misuse of state funds in the Danish political system, were born of the same concept: self-regulation within broad rules (for the expenses scandal see Wright, 2014).

This forms the basis of the criticism of the system of state subsidy that many advocates of reform in Denmark make. Two key perceived issues with the way that political parties receive their state provided funds are that a) the remit of what constitutes 'political reasons' under

partistøtte law is defined very broadly, and b) a historical antipathy to state interference (in this area) leads to a necessarily self-regulatory system. The fact that not even random audits of party accounts are undertaken remains a source of frustration for many party funding reformers and campaigners.

You don't have any control of the money. You don't even take out five politicians a year and check how they spend the money. Officially, you do have a state, where they could check it, but we have never seen public accountants go out and do it...maybe the biggest issue in Denmark is that we don't check if they are following the law. It is the responsibility of MEAI but they don't do it because either they don't have the resources, or it is not a priority. There is no control at all, which is kind of an issue when you spend millions and millions of taxpayer's money every year. That is an issue. (Interview with Carl Emil Arnfred, 2015).

This is entirely reasonable, but the Boeskov position, that it should not be the job of MEAI to police these matters, still stands. It would be, perhaps, politically dangerous to have a body of the state regulating what is, and is not, a misuse of state funds. There is more reason, therefore, to take regulatory oversight out of the hands of what is effectively the civil service and put it in the hands of an independent regulatory body – in Britain, the Electoral Commission.

This perception of the issue with the system of distributing and regulating state subsidy is one that has actual evidence in Danish political life. That is to say, much like the expenses scandal, there have been episodes of public outcry involving the way these public funds are spent. The most recent, and controversial occurred in the height of campaigning in the European Parliament elections of May 2014 – pantsgate.

Pantsgate involved the current (at the time of writing) prime minister of Denmark, Lars Løkke Rasmussen, and what was considered to be inappropriate spending of public money. In this case Venstre were revealed to have paid for clothing (including underwear) amounting to the equivalent of €20,000 for Rasmussen. Of course, this is entirely legitimate under partistøtte law – campaigning is undoubtedly a political purpose and one wonders how successful the chair of Venstre would be if he/she campaigned naked. It was, however, the expense that caused raised eyebrows; spending this amount on clothing is 'far from what a large part of the hinterland finds appropriate' (Kosiara-Pedersen, 2015: 92).

The outcry was made worse due to the fact that Rasmussen had already garnered the nickname 'Luxury Lars' following a similar episode in 2013 (Copenhagen Post, 2013). This imbroglio occurred when it emerged that Rasmussen had spent roughly one million DKK,

of state funds on first class airfare in his role as chairman of the Global Green Growth Institute (GGGI) – the GGGI was (financially) supported by Denmark via Danish development funds (Bille, 2014: 108). Pantsgate, as well as highlighting the opportunity for corruption within the party funding regime, was further indicative of Rasmussen's arguably cavalier disregard for the way in which he, and as the figurehead his party, spends state subsidies.

The broad understanding and lack of regulation in *partistøtte* law, represents a type of corruption (not necessarily exclusive to the study of party finance) in the Danish regime which those in predominantly state financed regimes should pay (more) heed to. Whilst, perceived donor-based corruption is still apparent in the Danish system, the heightened levels of state finance increases scrutiny on how, and why, politicians spend this money. A fix to some of these issues have been suggested in the above analysis: by sharpening up what can, and cannot, be considered 'political purposes' under *partistøtte* law, taking regulatory control out of the hands of the MEAI and into the hands of an independent body such as the Electoral Commission, and introducing random audits of politicians' party accounts – issues regarding misuse of public funds can be better controlled.

In Great Britain it was apparent that there was an overwhelming discursive emphasis on – perceived or otherwise – donor-based corruption. This is also evident in the analysis provided above in the case of Denmark. However, earlier chapters hypothesised that due to the substantial level of donations provided by the state, we might expect to see a prevalence of co-functioning corruption. It is therefore important to investigate whether this is the case in Denmark – in particular due to the corporatist nature of Danish democracy.

#### **9.4 Co-functioning corruption in Denmark: a corporatist tradition?**

When looking into the corporatist tradition in Denmark and how this might be linked, if at all, to what we may understand as co-functioning corruption, it is important to define what we mean by corporatism. In this case it is defined within the academic tradition of understanding corporatism and lobbyism to be inextricably linked, as two ends of a continuum, rather than discrete and distinct models (see for example Christiansen and Rommetvedt, 1999: 196). In this sense corporatism here is as an 'institutionalised political exchange between privileged interest groups and the state' which 'assumes that organisations control internal opinions, while the state controls authoritative decision making' (Öberg et. al., 2011: 367).

Much recent academic work has focussed on the extent to which corporatism itself is in decline in Denmark (and Scandinavia more generally). It is argued that corporatist networks have been weakening since, at the very least, the early 1980s. This represents a loosening of the collective exchange approach to policy making in favour of a considerably more individualistic approach from the policy making elite (Blom-Hansen, 2001; Christiansen and Klitgaard, 2010; Öberg et. al., 2011; Binderkrantz et. al., 2014; Klitgaard and Nørgaard, 2014). However, although the corporatist tradition is in decline there is still evidence to suggest that the traditional partners of corporatism are prominent in the decision-making process and that rather than a decline, as such, we can understand the corporatist tradition as having adapted, rather than withered, over the past 35 or so years (Binderkrantz, et. al., 2014b; Binderkrantz and Christiansen, 2015).<sup>94</sup>

Therefore, studies do show that the corporatist tradition continues but in a somewhat different form, and indeed traditional economic groups such as business groups (e.g. the DA, DI) and trade unions retain an advantage on policy making committees relative to, for example, citizen groups (Binderkrantz and Christiansen, 2015: 1036). Indeed, in the move from the collectivism to individualism in this sphere, we may be seeing a move from the corporatist democracy to a lobbyist democracy.

However, there is little evidence to suggest that these elite networks are either more robust due to the levels, or otherwise, of public finance in Denmark and any more robust relative to other advanced industrial democracies in Western Europe. A large scale quantitative study of elite networks in Denmark found that inter-elite networks through formal relations are not that frequent, and that the extent that MPs and civil servants do hold posts as members of boards is negligible. Indeed, it is in decline relative to 1932 and 1963 and the Danish elite generally is both less cohesive as a policy-making whole and reluctant to contribute to activities outside its narrow interest (Christiansen and Tøgeby, 2007). This suggests the weakening of a traditional understanding of a collectivist corporatist tradition towards a more individualist lobbying one. It further indicates that H2, the expectation of a prevalence of co-functioning corruption in states with significant levels of state subsidy, is not supported in this case.

Returning to the argument that Claus Richter made above, it is no surprise that business or agricultural organisations are consulted by some parties and trade unions by others – these

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<sup>94</sup> A further irony when discussing whether co-functioning corruption is more prevalent in those countries with greater levels of state subsidy is that, in Denmark at least, the decline of the traditional conception of a corporatist linkage, somewhat mirrors the introduction of significant state subsidy.

relationships are both (institutionally) deep and (as argued in the previous chapter) representative of the wider constituency these parties traditionally represent. What is of further interest in this case is that in the vast majority of academic work on corporatism in Denmark, corruption is barely mentioned, a stark contrast to academic work surrounding lobbying. This adds further credence to the notion that these relationships are embedded and institutionalised amongst the policy elite. There is evidence, however, that the general public does, and has always, felt a little unsure about these corporatist structures. For example, a national survey in 1971 found that 48% of respondents thought that ‘trade unions and big employers’ associations have obtained a power which properly belongs in the Folketing and that 74% agreed that ‘whichever party is in power, it is a few big organizations that determine what will be done’ (quoted in Jarlov, 1978: 67-68). The question, for the following section is what public opinion suggests now.

Concerns or otherwise, about corporatism – and what we might understand as co-functioning corruption – mirror what was discussed in the previous chapter regarding lobbying. These concerns draw together three strands that are of varying relevance to a party funding regime: party finance, the revolving door and corporatism/lobbying. This holistic view addresses a fundamental problem with vested interests that (may or may not) distort the democratic process, thus encompassing the wider definitions of corruption discussed in previous chapters (Thompson 1995, Williams, 1999: 509; Thompson 2013). However, the above analysis can find little support (at least amongst) elites that these concerns are considered to be a more important issue in the party funding regime than a perceived donor-based corruption. This suggests, as discussed in the previous chapter, that co-functioning corruption is less to do with party funding itself and a problem inherent in any type of party funding regime, but rather a challenge on a different side of the same coin. The next section of the analysis will focus on how the public view these relationships and, importantly, how key figures in the policy making process react to these perceptions.

## **9.5 Public perceptions of party funding in Denmark**

A direct comparison of the UK with Denmark in the TI GCB (2013) suggests that Denmark performs considerably better on these measures. In the UK 90% of respondents considered that government was somewhat to entirely run by big entities acting in their own best interests, 66% of respondents considered political parties to be corrupt/extremely corrupt and 55% of respondents considered parliament/the legislature to be corrupt/extremely corrupt. In Denmark only 54% of respondents considered that government was somewhat

to entirely run by a few big entities acting in their own best interests, whereas 30% of respondents considered political parties to be corrupt/extremely corrupt, with 18% saying the same of the parliament/the legislature.

These figures mirror findings in the Eurobarometer survey. When asked whether respondents thought that the giving and taking of bribes and the abuse of power for personal gains was widespread among political parties, 56% of respondents from the UK answered in the affirmative, compared with 34% of Danes. Further, Danish respondents consistently score Denmark as the lowest, or amongst the lowest, on public perceptions of corruption. Though sometimes these results are not necessarily always impressive. For example when asked whether there was a too close link between business and politics 51% replied in the affirmative (78% UK) – it is telling about the general public perceptions regarding politics in Denmark more generally (Eurobarometer, 2014).

Danish respondents are the least likely to think that corruption is a widespread problem in their country, that they are personally affected by it in their daily lives, that it exists within their local and regional or national public institutions, or that it is widespread amongst their politicians. Furthermore, they hold the most positive views about all issues relating to corruption within business, the transparency of political party financing (41% respondents agreed the financing of political parties is transparent and sufficiently supervised) and the prevalence of bribery among their politicians (*ibid.*).

The Eurobarometer data points to an interesting anomaly. On the question about transparency of party finance Denmark, Finland (37%) and Sweden (36%), do very well. However Scandinavian countries, in particular Sweden and Denmark, are somewhat notorious in party funding reform circles for lagging behind on these very transparency obligations.<sup>95</sup> For example, in 2012 TI recommended to both Denmark and Sweden that although their CPI scores were consistently impressive, their party funding regimes, in relation to disclosure and transparency, could be improved (Transparency International, 2012). In 2015 GRECO criticised Denmark as having a ‘globally unsatisfactory response’ to a compliance report of 2011 due to the fact that nine recommendations for reform, all relating to political party funding, were not implemented (GRECO, 2015). When asked about how exceptional this non-compliance was a representative from GRECO responded that although each case had to be ‘monitored on its own merits, the Danish case, comparatively speaking [was] not very good’ (Interview with GRECO representative reviewing Danish

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<sup>95</sup> Sweden introduced significant reform in 2014 regarding transparency of the party funding regime.



party finance arrangements, 2015). This regulatory lag is described – within Western Europe – as a ‘Nordic phenomenon’, best explained by the historical conception (and definition) of political parties as a ‘group of people acting together on polling day’, such that historically the ‘regulation of political parties has been fairly loose’ (Interview with Magnus Ohman, 2015). In this sense we can see the transparency lag as representative of a kind of ideational path dependence.

Therefore, public opinion regarding the Danish party funding regime is reflective of a wider phenomenon that we see in the British case. Academic research shows that the public has little knowledge of the details of the British party funding regime, but this ignorance is no barrier to hostility (or in the case of Denmark a lack of hostility) to the system (van Heerde-Hudson and Fisher, 2013: 43). That academic work is corroborated by focus group research, undertaken by TNS-BRMB on behalf of the CSPL, which found that ‘awareness and knowledge of the current system and monitoring was limited’ with ‘initial confusion in relation to what party funding constituted’ (Campbell-Hall and Joyce, 2011). The evidence ultimately leads to the conclusion that ‘the British public knows little of party finance and, consequently, public opinion is unlikely to offer a rational course for effective reform’ (van Heerde-Hudson and Fisher, 2013: 56).

Finally, comparative data from the European Social Survey (ESS) and the Comparative Study of Electoral Systems (CSES) found that Nordic states in general tended to outperform the European average when it came to measures of trust in parliament and satisfaction with the way democracy works (see Önnudóttir and Hardarson, 2017: 127-134). The Danish figures show that between 2002 and 2014, that trust in parliament remained at the relatively stable figure of around 6/10 (where 0 represents no trust and 10 represent complete trust). The CSES, similarly, shows a broad satisfaction with the way democracy works.

## **9.6 Another case of perceived donor-based corruption**

There is evidence, however, that although when it comes to public opinion surveys the Danes perform somewhat better than does Britain – the scores are bad enough to encourage elites in both political parties and expert committees that reform should occur nonetheless. This would fit with the wider argument in this thesis that to understand the type of corruption that occurs in a party funding regime one must consider the potential breach of the logic of appropriateness. It is the case in Denmark that although they score comparatively well on these indicators the logic of appropriateness is breached, and thus, public opinion drives both reform and further attempts at reform.

For example, the TI Denmark chair, Knut Godfredsen, discussed why results on public opinion surveys drive their campaigning and lobbying to change the Danish party funding regime. Godfredsen also discussed the TI National Integrity Survey (NIS), where he felt that Danes also performed poorly.

Political parties are actually the lowest scorer in the TI NIS and the reason for that is that the rules for party funding are poor, subjectively measured and they are poor objectively measured against the criteria defined by GRECO...the last time the GCB was done in 2013 30% of Danes thought that the political parties were corrupt or very corrupt – which was an increase of about 18% on the year before. I'm not saying that is exclusively due to party funding, but it is part of it. (Interview with Knut Godfredsen, 2015).

Other campaigners for party funding reform, when reflecting on the public discourse surrounding corruption in the Danish party funding regime also draw parallels with how well Denmark performs on other aspects of corrupt activity – in comparison with issues surrounding party funding itself.

There's been a lot of discussion about the fact that Denmark actually has issues with party funding. When we are talking about corruption, it is for sure that Denmark is number one and we get a lot of credit. But on the issue of party funding we are not doing very well. (Interview with Carl Emil Arnfred, 2015).

Furthermore, those arguing for reform within the Folketing itself also rely on public opinion – and the media – to make their arguments about reform of the party funding regime. In this sense, further reform is operationalised using the 'discourse on corruption' variable posited by Michael Koß (2011).

We have as a party campaigned a lot for more transparency – we have had actual political campaigns for it – we tried to have social media interventions, signatures and proposals in parliament. We have had debates in parliament to try and force the debate through and it succeeded in some way. Of course we were helped by the media interest which is a part of it...[they spend] a tremendous amount of time digging and digging...and we depend on them doing that. (Interview with Pernille Skipper, 2016)

Skipper further suggests, explicitly referring to public opinion, that.

It is mostly a demand for openness and transparency and [a feeling of the] unfairness of not being able to see what is going on behind the scenes...you have a lack of transparency in donations...this was a big issue in the population because there is a feeling that power is closing up. I think it speaks to a larger anger of people that power is closing up. (ibid.)

However, this position is not merely held by reformers in Denmark, it is held by decision makers within the political process of potential reform itself. The main purpose of the

aforementioned 2014 expert committee and the remit of the report that was subsequently released was to update and improve the transparency regulations in the Danish party funding regime. Indeed, the report itself translates as *Report on the openness of financial support for political parties* (Justits Ministeriet, 2015). Reasons for this, despite the vastly different amounts of state funding in each system, are remarkably similar to those for reform of the British system – that is both strategic, and also of controlling for the potential of corruption.

As suggested by Mogens Lykketoft in the analysis above this is not only the case for the attempted reform in the last parliament, but also more successful reforms. In fact, although less influenced by opinion polling, those on the commission explained that a focus on public perception was ‘underlying the whole work...[transparency] is good because it creates trust in the political system...we didn’t look specifically at polls...but I think we agreed that it would have a positive effect on public feeling and public trust more generally’ (Interview with Expert Commission Representative, Jørgen Albæk Jensen, 2015).

In Denmark we see less public concern regarding political corruption. That does not mean public anxiety is not apparent surrounding the party funding regime. This public perception in part drives the reform process. There are – as in Britain – of course various political strategic manoeuvrings that also guide the process. However, those within and external to the political process cite public opinion as a key factor in their support of change of the funding regime. Therefore, although when comparing opinion polling to Great Britain, Denmark performs better, the logic of appropriateness has still been breached. In the case of Denmark, then, public opinion surrounding (general) corruption is relatively sanguine – this is reflected in both public opinion polling and wider perceptions based indicators (e.g. the CPI and the GCB). However, within this picture – as reflected by criticisms from GRECO – there is, rather, a party funding blind spot.

This would again suggest that it is a perceived donor-based corruption that we see prevalent in the Danish party funding regime – or more accurately, the potential of perceived donor-based corruption. Furthermore, although reform is advocated – the system is considered to be, by and large, a clean regime: ‘even though there is no transparency; behind the closed doors it is not a corrupt system’ (Interview with Chair of the Expert Commission, Bo Smith, 2015). This holds significant implications for our understanding of political party finance, but also for reform in both cases.

## 9.7 Conclusion

As in Great Britain, in Denmark we find a prevalence of what should be understood as perceived donor-based corruption. This represents a null finding for H2 in the specific case of Denmark. This could be explained by the fact that co-functioning corruption is understood as a more holistic understanding of corruption more generally, and a wider issue than merely party finance based corruption. Whilst public opinion surveys do not show that the public overwhelmingly believe (institutional and individual) donors to have as much influence on the political process as in Great Britain, the scores still have consequences. Both reformers themselves and elites within and without the political process consider the scores to be high (or low) enough to warrant action. Therefore, in Denmark the corruption threshold of the logic of appropriateness is, in fact, lower. This could be due to the overwhelming belief amongst the public and the elite – and the elite (and public) in other countries – that Denmark represents the ‘gold standard’ when it comes to anti-corruption.

Therefore, as in Great Britain a perception of donor-based corruption drives the reform process. This is due to previously outlined understandings that these perceptions can lead to a decline in trust in institutions, can undermine the system itself and have a pervasive effect on democratic values (see for example, Thompson, 1995; Bull and Newell, 2003; Johnston 2005; 2014). A further similarity is that interviews with elites suggest that public perceptions of corruption and campaigner perceptions of corruption are mistaken. However, a key difference is that there is a general acceptance that transparency obligations are lacking in both a general, and international, sense. However, there is little pressure amongst key policy makers to change this. Furthermore, as latter sections in this thesis have outlined, in a focus on transparency – and transparency alone – Denmark finds itself lagging behind Great Britain. These are almost mirror images of debates being had around the time of the introduction of PPERA. Yet a solution to the problem of party funding in Great Britain, remains intractable.

These wider similarities and differences are questions for a concluding chapter, however. The above analysis outlines a type of corruption in Denmark that, again, can best be described as perceived donor-based corruption. The prevalence of this perception is evident in analysis of newspapers, elite interviews, documentary research and evidence from polling data (and reactions to polling data). In contrast to Great Britain – and largely due to the amount of public funding (and lack of regulatory oversight surrounding this funding) – we also see instances of what would best be described as misuse of public party funds. Again,

although we see evidence of co-functioning corruption, these controversies are less tangentially related to issues of party finance itself.

The final part of this thesis will summarise the findings of the work as a whole, including a comparison of the concrete similarities and differences between Great Britain and Denmark. There will also be suggestions of what these two countries can learn from each other, and what the evidence can tell us about party funding, and party funding reform more generally. The concluding chapter will then widen the argument to outline why these findings are important beyond these two cases.

## **10. Conclusion: summary of findings**

This thesis represents the first cross-national comparative study of the link between types of party funding regime and types of corruption. At the centre of the analysis is the in-depth country case studies of Great Britain and Denmark, two countries with vastly different levels of state subsidisation. In the introduction to this work it was considered whether political parties were essential to the functioning of representative democracy, and was concluded that if not essential, then representative democracy was certainly implausible without them. Put another way, 'if they did not exist in the advanced industrial democratic world, somebody would undoubtedly have to invent them' (Webb, 2002: 458). If somebody would have to invent them, then equally somebody would have to foot the bill for their functioning. This thesis has outlined a range of issues surrounding the funding of politics and corruption related to the central research question: does the amount of state subsidisation in a country have an effect on the type of corruption that occurs? It is time to summarise the complexity of these findings, before widening the argument beyond merely the countries of study. This summary of findings should also be read as the contribution to knowledge that this thesis provides.

### **10.1 Does the amount of state subsidisation in a country have an effect on the type of corruption that occurs?**

In chapter 4 two hypotheses were stated:

H1 In Great Britain, we would expect to find a prevalence of donor-based corruption.

H2 In Denmark, we would expect to find a prevalence of co-functioning corruption.

The above analysis has found partial support for H1 and a refutation of H2. Instead, in both cases, the prevalent form of corruption has been typified as that of perceived donor-based corruption. In neither case did the relative level of state funding have the expected effect, which holds important ramifications for our understanding of party funding, corruption and party funding regime change. The hypotheses have been refuted utilising the logic of appropriateness. The strength of this is that when coupled with the elite interview it allows us to look beyond the headline figures of corruption perceptions. It might seem like Denmark scores impressively (which comparatively speaking it does), but these scores are negative enough to cause real concern amongst the political elite and act as a spur to further reform attempts. It is generally agreed that corruption means different things in different

contexts. The logic of appropriateness allows us to move beyond this truism and understand what is, and is not, acceptable in certain country specific contexts and settings.

The introduction to this thesis outlined the possibility that the discourse surrounding the introduction of increased levels of state subsidy as a remedy to both corrupt practice and the perceptions of corrupt practice was representative of a self-evident truth (Ostrom, 2000). The findings here suggest that this is indeed the case. That in attempting to enact party funding reform as a means of decreasing perceptions of corruption and legitimising political parties which may be in crisis, reformers miss the woods for the trees.

It is considerably more likely that perceptions of corruption within a party funding regime are linked with a wider anti-political malaise (for example Lösche, 1993; Persily and Lammie, 2004; Birch, Allen and Sarmiento-Mirwaldt, 2017). A sense of a ‘cosy politics’ which ‘contributes to the increasing erosion of civic confidence’ and belies knowledge of the ins and outs of a particular party funding regime and relative levels of state subsidisation (Kobrak, 2002: 1). In Great Britain, other academic research has found that although the public have little knowledge of the British party funding regime, this ignorance was no barrier to hostility toward the system as a whole (van Heerde-Hudson and Fisher, 2013: 43). This work is consistent with analysis of grey literature surrounding the review undertaken by the CSPL in 2011 which found that ‘awareness and knowledge of the current system was limited’ with ‘initial confusion in relation to what party funding constituted’ (Campbell-Hall and Joyce, 2011).

Similarly, Chapter 9 demonstrated that in Denmark the public believe the Danish system to be relatively transparent. This is despite the fact that comparatively speaking their transparency regime lags behind many other countries in Western Europe. Indeed, it is on this lack of transparency that Denmark is regularly criticised by bodies such as GRECO (see for example GRECO, 2015). This could be an example of a wider normative bleed as aside from party funding, Denmark is a relatively open and transparent society. Therefore, as public knowledge of the workings of party funding regimes tends to be limited, it might well be assumed – amongst the citizenry – that the Danish party funding regime reflects wider Danish norms.

Attitudes about the corruptness of party funding regimes, then, are fed by and feed into a wider mistrust of politicians and parties. In Great Britain voters in focus groups tend to run together funding and, for example, the expenses scandal, ‘they were saying about all these second homes and all these things they get expenses for...their second home with all this

taxpayers money...TVs and whatever' (Campbell-Hall and Joyce, 2011). This may explain the collective action problem outlined in the introduction: that voters reject the any further increase in state subsidy, despite the current system being overwhelmingly unpopular. If the polity believes the system is corrupt reforms linked to taxpayer money may well be perceived as either an establishment stitch up or, perhaps, the actions of a cartel (Katz and Mair, 1995).

The primary research findings of this project therefore would offer a note of caution to those advocating further state subsidy, in any number of advanced industrial democracies, as a means of improving perceptions of corruption. It is much more likely that disaffection with the workings of a party funding regime, and perceptions of corruption within a party funding regime, are baked into a much larger cake. Therefore, reforms which only focus on perceptions of corruption are likely to fail. That does not, however, suggest that there are not good reasons to enact reform.

Sustainability is a real problem for political parties. Analysis of the first-hand experience of fundraisers and party secretaries (both in interviews and autobiographies) tells us this (see for example Levy, 2008; Watt, 2010). Furthermore, evidence collated from returns to the Electoral Commission in Chapter 5 shows that campaign expenditure makes up a small fraction of the total expenditure of political parties, especially in non-general election years (see for example figure 5.11; for evidence beyond Great Britain see Webb and Keith, 2017: 53). Voluntary funding of political parties is driven by electoral cycles whilst party financial needs are constant – as such it is an 'ineffective and unresponsive way of funding parties' (Fisher, 2002, p. 398).

There remains an argument that if parties are unable to raise enough money to stay afloat that there should be no obligation to keep them afloat (see for example Casas-Zamora, 2005). However, this is a formulation of parties in business rather than electoral terms. Whilst both aspects remain important, implementing electoral thresholds for the receipt of state support – as is practised in most democracies (see Naßmacher, 2009: 311) – ensures only those parties who have sufficient democratic support receive this sustainability. Furthermore, though it may seem anathema when considering models of cartelisation, state funding can also be used to incentivise political parties to engage further with civil society and foster democratic linkages. An example of this is to make state subsidies partially contingent on party membership figures – as occurs in the Netherlands and Germany (see for example Kölln, 2015: 722).



State subsidies can further be linked to activities that might foster a greater civic-democratic linkage between party and the polity. For example, addressing the representativeness of the political establishment with the provision of bonuses for those parties that look like the population as a whole (practically that means more female candidates, BAME candidates, disabled candidates and LGBTQ candidates), state aid could also be provided in return for a political party undertaking civic education campaigns or youth activity. Whilst the provision of state support is not a panacea to disaffection with the political system, if provided in such a way that it reflects at least an attempt to foster a greater democratic engagement, it might seem less like an ossification of the establishment.

That there was a null finding for H2 is cause for one final reflection before moving on to the secondary research findings. What of co-functioning corruption as a concept? It would be tempting to consider it largely dead in the water, this would be premature. It may well be the case that in both Great Britain and Denmark it was not found to be a prevalent concern, relegated by perceived donor-based corruption. However, party funding is both a low visibility issue and a concern on which public ignorance of the functioning of the regime is high. It is therefore probable that co-functioning corruption as a concept is robust, and as a practice does occur. However, it is more abstract than donor-based occupation so is therefore unlikely to appear as a potential concern in public perception indicators and in analysis. This does not mean that further research should not focus on the extent to which it occurs within a party funding regime and to consider measures (and regulatory solutions) which can limit the corruption risks it presents.

## **10.2 Innovations in the measurement of party income**

The recent Political Party Database Project (PPDB) provided a new measure of total party income (see Table 4.3). However, it also uncovered a number of issues, namely a large discrepancy between these figures and figures cited in earlier seminal academic works (for example Koß, 2011; van Biezen and Kopecký, 2014). These were summarised in Table 4.4 but there was notable variance in countries such as Austria, Czech Republic, Denmark and Poland. The PPDB, however, is not without its own methodological failings. Namely, that by taking total party income from just one or two years (effectively one or two data points) the entire party income picture is not clear. This is because in many cases donations tend to be cyclical, peaking leading up to an election, and falling off in the years in between.

Chapter 4 outlined how the data gathered in this project (SMI), shows further variance to that reported in previous academic contributions and for the PPDB. Rather than taking a

snapshot of data, SMI takes a longitudinal view, measuring party income for Denmark from 1996-2015 and for Great Britain from 2002-2015. This, it is argued, gives a more holistic and accurate picture of the percentage of income from subsidies, donations and membership fees. The argument, put forward in Chapter 4 and repeated here, is that it makes profound methodological sense to cover as many electoral cycles as possible in any dataset which measures party income, therefore better accounting for the potentially cyclical nature of donation patterns. The creation of a specific data handbook (inspired by projects such as the PPDB) is recommended but, unfortunately, beyond the scope of this project. This methodological reflection does, however, serve as a contribution as to ways we can, as party scholars, improve our research when it comes to the study of party funding.

### **10.3 Understanding institutional development**

Chapters 6 and 8 traced the institutional development of both Great Britain and Denmark. In Great Britain the institutional development of the party funding regime is separated into four distinct eras: the aristocratic era, the plutocratic era, the modern era and the stop-go era. The aristocratic era was characterised by what we would now understand as rampant corruption, and is integral to the evolution of the British party funding regime as its end is marked by the passage of CIPPA. In the language of historical institutionalism CIPPA marks a critical juncture in the evolution of the British party funding regime. It outlawed bribery and put a cap on spending at a local level. Indeed, much of the PPERA was based on reforms that had proved successful in CIPPA, so much so that PPERA was a ‘historical echo’ of it (Fisher, 2009). In this sense, CIPPA ‘locked in’ many of the legislative (and normative) principles those regulating party funding follow today.

The plutocratic era is notable for marking the development of cohesive parties which increased the demand on party coffers. This demand was met by businessmen and was marked by the crude exchange of cash for honours. This led to the necessity of a veil of secrecy behind these large donations which was not lifted by the Labour Party until 1994 (who did so voluntarily) and by the Conservative Party until necessitated to do so under the terms of PPERA.

One of the most important tensions in the British party system was locked into place due to developments which ultimately defined the modern era. The rise of the Labour Party and the decline of the Liberals entrenched the (continuing) back and forth between the traditional institutional donors of both the Conservative and Labour parties. The modern era also saw the first forays into attempts to legislate the ‘contracting in’ of trade union parties to the

political fund as opposed to the system of ‘contracting out’. These debates still rage today and were at the centre of the controversy surrounding both the Labour Party’s organisational reforms as a part of the Collins Review and the turbulent passage of the Trade Union Act 2016.

The stop-go era is notable because we start to see politicians making reforms in reaction to perceived episodes of corruption and malfeasance. That there was wrongdoing, there is no doubt, yet underpinning the arguments made by political elites is the assumption that there was some kind of golden era when politicians adhered to the now famous Nolan principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The reforms of PPERA were, in large part, driven by the notion that these episodes were seen to be causing lasting harm to British democracy. This is a narrative that has continued and is consistently utilised in further attempts to reform the party funding regime (most notably in the Hayden Phillips Review and the report undertaken by the CSPL in 2011). It is a normative position clearly elucidated by Lord Bassam when presenting PPERA to the House of Lords.

The core purpose of this Bill is nothing less than to reinvigorate our democracy. Over the past decade or so public confidence in our democratic institutions has suffered as a result of the now well documented instances of financial sleaze that at times seemed to pervade the political life of our country...the secretive funding of our political system...has undoubtedly left a sour taste. (Bassam, 2000: HL deb 3, 3 April 2000, col 1086).

Like Great Britain, the institutional development of the Danish party funding regime can be separated into four distinct eras: the pre-party era, the traditional party era, the expanded party era and the public party era. It seems somewhat odd to discuss a pre-party era in reference to political party funding, but in Denmark fundamental principles and laws were locked in long before the introduction of democracy or political parties into the Danish polity. The pre-party era saw the state adopting laws defining the duties of civil servants, criminalising bribery, forgery, fraud and embezzlement and introduced a meritocratic system of recruitment for the bureaucracy. These fundamental principles guided the formation of Danish political party law.

Furthermore, the 1840 legislation outlined a clear distinction between public and private funds for civil servants, which would colour much of the debate in the subsequent eras of Danish political finance. Finally, the fact that political parties were viewed as necessary evils, goes some way to explaining why the provision of financial support by the state was something neglected until the late 20<sup>th</sup> century. It also goes some way to explaining why, in

contravention of the diffusion thesis, Denmark lagged behind its Nordic neighbours with regard to the introduction of significant state subsidy.

The traditional party era, and the early stages of the development of Danish party politics, explain much about the further evolution of the party funding regime in subsequent eras. Namely that three of the 'big four' traditional parties (the SD, RV and Venstre) were born out of an opposition to the state apparatus and the party that represented 'the establishment' Højre (latterly the KF). It is no wonder that there remained a residual antipathy towards being considered, or indeed having a reliance on, any branches of government or the state. The traditional party era also saw the locking in of traditional bases of (donor) support, with trade unions on one side and business groups and large individual donors on the other. Finally, an increase in secretarial staff laid the foundation of the basic legal foundations of later party finance law.

The expanded party era saw the introduction of Act on Financial Support to Political Parties (1986) which introduced state subsidisation of political parties, though truly significant levels of state subsidy would not be introduced until APPA. This was due to a number of institutional pressures: the earthquake election of 1973 caused a real (if brief) crisis of legitimacy amongst the established parties which, coupled with a continuing decline on membership, meant that parties were in need of a boost to their finances. Whilst historically the notion of parties and the state being too closely linked was anathema, the more general Danish societal norm of collective welfarism prevailed over this antipathy. Furthermore, reforms to the party groups in the 1960s had laid the institutional groundwork for the wider introduction of state subsidisation. Preventing a more corrupt form of party finance (akin to the pre-1988 French party funding regime) was a concern, but the reforms were largely initiated out of a general need for fiscal sustenance.

In the public party era we see the introduction of significant levels of state subsidisation (see figure 7.2) with the passage of APPA. APPA is notable because it was passed in a less consensual manner and with a greater eye on public opinion than debates in 1986. The reforms in 1995, however, should also be seen in the context of a wider civic drive in Denmark. Having conceded the principle of political parties as public utilities, this increase in state support mirrored similar increases in state support for cultural and recreational associations in the mid-90s. This shows both a normative concession that political parties are a public good, but again the normative institutional consistency of collective welfarism. Whilst Danish party law has been updated a number of times since APPA, more fundamental

changes were recommended by an expert committee in 2015, which were ultimately not acted on. This was largely due to the parties being unable to find agreement over a trade union opt-in clause; the SD were unwilling to concede the principle of an opt-in, without parties on the blue block conceding further transparency obligations.

The analysis of the institutional development of both the British and the Danish party funding regimes has uncovered a number of important things with regards to the further study of political parties, corruption and party finance. In both cases we see normative (and legislative) principles being 'locked in' at the early development (or even before the development of) the party funding regime. In Denmark, for example, *suppliker* represents a concerted effort on the part of the elite to cultivate a collective responsibility among citizens in contrast to the dominance of voluntarism in Great Britain. This would ultimately be reflected in the developments of their respective party funding regimes.

We also see that in latter reforms, a focus on public opinion begins to take hold in a way that it did not in earlier years. This is particularly noticeable in the public party era in Denmark and the stop-go era in Great Britain. Indeed, in both cases, recent attempts at reform have been guided to a large extent with one eye on how reforms would play in the public. In particular reforms seem to be increasingly pursued as an attempt to dilute the perception that the system, as is, fosters a culture of corruption.

Finally, as well as historic principles being key to the development of the regimes in question, we also see that institutional donor bases become locked in at an early stage in the development of the party funding regime. In Great Britain both the Conservative and Labour Party still rely to a considerable extent on their institutional donor bases. In Denmark, the KF continue to enjoy significant support from private companies and wealthy donors, a support which belies their electoral success.

The comparison becomes all the more stark when we consider recent attempts at reform. As well as being hamstrung by elite anxiety regarding public opinion of either the introduction of significant state subsidy, or further increasing state subsidies, recent discussions in both countries have stumbled over a key institutional lock. The principle of trade unionists opting in to the political fund has been a sticking point in negotiations, which shows the long-term effect that these institutional actors can have on reform. Indeed, from this evidence we can sketch the generalisation that state funding in Western Europe is the carrot which goes along with less welcome transparency obligations, or legislative constraints on streams of institutional private party finance, to paraphrase Scarrow (2006: 636).

#### 10.4 Transparency obligations

The primary means of monitoring party funding has been identified as covering a ‘magic quadrangle’ of accounting, practicality, sanctions and transparency (Naßmacher, 2003: 139). Naßmacher further suggests that none of these aspects of a party funding regime can be ignored. Alongside the almost Europe-wide trend from private to state subsidisation, a focus on transparency obligations has guided much of the reform process. This chimes with wider research on political finance, cited in Chapter 2, that talks of a diffusion effect when it comes to party funding reform.

This does suggest that in reformist circles there is a right and wrong way to do party finance reform, and more broadly introduce anti-corruption measures, one of which is transparency. Transparency is a key recommendation, and lobbying point of many international organisations such as GRECO, the OECD, IDEA and TI. Other projects such as the MPT and Global Integrity collect data which give an explicit scorecard on these transparency measures. Indeed, the concluding sentence to the previous section provided an adapted version of a quote regarding general trends in party funding reforms; it originally read that state funding is ‘the carrot which goes along with the less welcome transparency requirements’ (Sarrow, 2006: 636). However, this ‘sunlight as the best disinfectant’ approach to transparency views the notion with an uncritical eye.

This is not to say that transparency is not desirable, but during the course of this project it has been shown that party funding reform is often driven by the notion that state funding can deliver a corruption-lite version of party finance. We have also seen that these reforms are enacted with the damage to democracy that corruption perceptions are causing at the forefront of elite deliberations. There is very little evidence that increased transparency in any way lowers corruption perceptions. In Western Europe, Nordic states have tended to trail others in the introduction of internationally ‘acceptable’ transparency regulations – and Denmark still does (see page 192) – yet they regularly appear at the top, or near the top, of the CPI and all other aggregate indices measuring corruption.

Moreover, the relative lack of transparency within the party funding regime might be precisely why these Nordic publics do not perceive there to be much corruption. Indeed, party funding experts argue that the Electoral Commission’s searchable database, and to a large extent the transparency regime in Great Britain, is ‘effectively world leading at this point’ (Interview with Magnus Ohman, 2015). This has had little effect on the dire perceptions citizens have of the way political parties are funded.

Much of the debate in Denmark surrounding the 2015 reforms mirrored the debates surrounding the introduction of PPERA. In interviews across the spectrum, transparency was heralded as a key factor in improving any perceptions of malfeasance that there may be in the party funding regime. This is best elucidated by 2015 expert commission member Jørgen Albæk Jensen who suggested that transparency ‘is good because it creates trust in the political system’ (Interview with Jørgen Albæk Jensen, 2015). This is also suggested by investigative journalist Carl Emil Arnfred: ‘if you get politicians to be honest about what they receive, then you can have an open discussion about it’ (Interview with Carl Emil Arnfred, 2015). Indeed, in Great Britain and Denmark we are faced with the curious situation that in some ways the Danish party funding regime is more advanced than the British (levels of state subsidy) but also that it lags significantly behind (transparency).

In their fifth report *The Funding of Political Parties in the United Kingdom* (1998) the CSPL set out a series of recommendations, which would end up being enacted in PPERA. As such, we can glean much of the intentions behind PPERA from this report. In it we can see that whilst transparency is (explicitly) not understood to be a cure-all, it is seen as a cure-almost-all.

The most significant part of our philosophy depends on transparency. Some of our witnesses suggested this in itself would solve all the problems. While we accept transparency is of major importance, we do not believe that it is sufficient by itself. (Committee on Standards in Public Life, 1998: 2).

The CSPL report then parrots assertions that have been made throughout this thesis that these perceptions of corruption are mistaken, but they must be acted on due to the perception itself.

In fact, the suspicions which are entertained concerning large givers are commonly lacking in any justification. We have been given no evidence that leads us to doubt that nearly all give generously either because they support the general aims of the party which they finance, or in order to minimise the risk of the opposing party attaining power. Yet, if the identity of the giver is unknown...it is impossible to allay the suspicion that each large giver is actuated by some improper motive and that the political party has accepted some kind of tacit obligation...there is room for unlimited speculation and rumour as to [their] identity. (ibid.).

The assumption behind the British position in 1998 and the current Danish position is that if the public know who the large donors are, then any suspicion can either be allayed or confirmed. It is not an unreasonable position, but it does rather assume that the vast majority of the general public can move beyond the position that ‘if very rich person A has given a large amount of money to political party B or politician C, there must be something in it for them’. It neglects to understand the ‘broader psychological phenomenon: distrust of others’,

such as ‘those who are predisposed to see the worst in people, also tend to see the worst in government’ (Persily and Lammie, 2004: 174).

Therefore, sunlight may very well be the best disinfectant and it may well curb actual instances of corruption, but as the analysis in this thesis has shown, decisions regarding reform of political finance are often made with reference not just to actual instances of corruption, but perceived instances of corruption. It could well be the case that an increase in transparency also leads to an increase in how corrupt the party funding regime is perceived to be, thus causing damage to the democratic process.

This is not an argument to put the genie back in the bottle, to make party funding regimes less transparent. It is merely to suggest two important things to consider. First, if the argument for reforming party funding is to reduce perceptions of corruption and rejuvenate feelings towards democracy, there is very little evidence that transparency does this (in the short term). Second, that as transparency has in many ways become the buzzword in the anti-corruption community, there is a case for a more in-depth study into the links between transparency obligations and perceptions of corruption, particularly in advanced industrial democracies. In the Danish case, then, a note of caution: this study shows that it is unlikely that improved transparency obligations will improve perceptions of corruption within the Danish political system and party funding regime.

### **10.5 Access vs. influence**

The above discussion regarding transparency relates to another secondary focus of this thesis, gaining a greater understanding of the motivation of donors, to move beyond the notion ‘that business [or large donor] cash in politics is bribery’, or ‘that it has no influence’ (McMenamin, 2013: 136). We have seen in both the British and the Danish case, that access is multi-faceted. In Great Britain, Stuart Wheeler donated £5 million to the Conservative Party because ‘who cares if someone is worth £90 million or £85 million’. In Denmark we have seen politicians at Business Clubs get frustrated by the manager of an electricity organisation who constantly discusses the way in which legislation surrounding electrics is overregulated. I therefore propose a four-fold typology of access. It represents by no means an exhaustive understanding of the nuances of political access, rather a summary of the evidence gathered in the previous chapters. In this respect these typologies serve more as a starting point for other scholars to frame further research into this area of political science.



- *Access as (potential) influence* – This is the most common, but least nuanced understanding of the relationship, commonly espoused as money buying access being corrupt in and of itself. However, as the previous chapters have shown access as influence is also manifested in a different, less sinister, form. That is if a donor, having paid the requisite money to attend a dinner, meeting or club, has an insight that the politician in question may not be aware of, it may well be run through a policy unit. The influence in this case occurs precisely because the point made was interesting, and potentially workable. The donation merely facilitated that exchange. There will, of course, in some situations be cases where a large amount of money is paid for a specific policy favour. They are also, of course, very hard to prove.
- *Access as social status/interest* – This is a type of access that is predicated on two understandings. The most important being that although the figures paid to gain access might seem astronomical to you or I, to the donors in question the figures are small change, or at most disposable income. It is a little like my subscription to Netflix. I do not watch it every month, but I do now and again and I do not think about the nominal fee that is taken from my bank account every month. Furthermore, much like discussing the latest prestige television drama, for the rich and politically engaged there must be fewer pleasures greater than being able to boast that you were at dinner with the Foreign Secretary to friends and family.
- *Access as irritant* – This is a type of access best summed up by both the Danish manager of the electrical company, or the Labour Party donor who wrote an 18-page letter to every department in Whitehall outlining why a particular cabinet member, in a particular department, was ‘a disgrace’. Political parties do need money, and they may have to raise that money in ways in which they would rather not and engage with characters who can be somewhat testing. Understood in this sense access seems less like the actions of a shadowy, sinister elite and more, well, farcical.
- *Access as electoral strategy* – This is a type of access best characterised by the Labour Party in the early New Labour years and the SD leading up to the 2015 general election. In this sense access is both provided, and to an extent heralded, as a sign that a party that may be seen as antagonistic to the business community is, in fact, open for business. We saw in the British case that securing early business donations prior to 1997 was seen as an important signal to this typically (small and large c) conservative constituency of voters that Labour could be trusted. In Denmark, this

was also an aim of the Business Clubs, to provide reassurance to the business community that the SD were not tilting too far to the left.

### **10.6 Perceptions drive the reform process: ramifications for our understandings of representative democracy**

It was found in both Great Britain and Denmark that perceptions drive the reform process even though elites in both situations believed these perceptions to be mistaken. This suggests a broader issue with the way in which elites understand their place within a representative democracy. In both cases public opinion reflects a spur, but a significant constraint to further reform.

Chapter 2 outlined the way in which research into party funding might fit into wider research into our understanding of representative democracy itself. There is therefore a wider research project that can be undertaken using the above analysis as a starting point. Utilising the aforementioned fourfold typology of representative democracy (see page 51) we might expect that dependent on the both timing and institutional context political actors either enact, or attempt to enact, reform with competing understandings of representative democracy (Andeweg and Thomassen, 2005). That is to say that if corruption plays an important role, then the form of representative democracy will be a different type than if the reform, or attempted reform, took place without corruption as a mitigating factor.

The existing literature suggests that the later the reform, the more likely it is that corruption will have played a decisive role in the eventual institutional change (Naßmacher, 1993: 239-240; Strauss, 1994: 1369; Pinto-Duschinsky, 2002; Bull and Newell, 2003; van Biezen, 2010; Koß, 2011; Casal Bértoa et. al., 2014; Piccio, 2014). In Denmark it was shown that later reforms were/are driven by perceptions of corruption in a way that the 1986 reforms were not. Koß (2011: Chapters 7 and 8) shows that in both Germany and Sweden (where (key) reforms were enacted in 1959 and 1972 respectively) reforms occurred (in small part) because political parties themselves owned the discourse on political corruption. This (almost entirely) coordinative discourse is similar to an understanding of representation as *accountability*. Here the representative 'is essentially proactive, identifying and promoting policies that she believes will be appreciated ex-post rather than preferred ex-ante' (Brennan and Hamlin, 1999: 115). Seen in the case of party funding reform in Germany, state funding allowed the Christian Democratic Union (CDU) and the Free Democratic Party (FDP) to free themselves of business influence in a situation of 'common unease' with corporate donations (Koß, 2011: 126-127).

However, in later reforms we see corruption, or perceptions of corruption, playing an increasingly communicative role in which political parties have increasingly less control over the discourse (see Koß, 2011: Chapters 9 and 10). This communicative and coordinative discourse is similar to an understanding of representation as *responsiveness*. Here representation occurs from below, is ex-post and is defined by the desire to please. The representatives are best described as ‘like antelope in an open field cock[ing] their ears and focus[ing] their full attention on the slightest sign of danger’ (Stimson, MacKuen and Erikson, 1995: 559; quoted in Andeweg and Thomassen, 2005: 513). Seen in the case of Great Britain, an ‘intense communicative discourse on political corruption...recently facilitated a consensus on rudimentary state funding to political parties...and continues to exert pressure for further reform of the British party funding regime’ (Koß, 2011: 178).

We might, therefore, expect those reforms that occurred earlier (see table 2.2) to epitomise an *accountability* understanding of representative democracy. This is a situation in which political parties (almost entirely) own the discourse on corruption (i.e. coordinative) – or the reform occurred less as a product of public opinion and more as a product of other institutional factors. Similarly, we might expect those reforms (or attempted reforms) that occurred later to epitomise a *responsive* understanding of representative democracy. This is a situation in which the discourse is owned to a greater degree from below (i.e. coordinative and communicative) and in which corruption will have played an increasingly important role. As such we will expect public opinion itself to have played a greater causal role. These hypotheses are outlined accordingly:

H1 In those countries in which reform occurred prior to 1988, we are more likely to find accountable representative democracy

H2 In those countries in which reform occurred post 1988, we are more likely to find responsive representative democracy

This project would provide us with considerably more insight regarding the ways in which elites understand representative democracy and whether elite understandings of representative democracy have evolved over time. It could be that in a time of perceived political crisis – as outlined in the introduction – politicians are increasingly unwilling to act as accountable representatives. This divide between two different understandings of representative democracy is well articulated by a discussion on a British news channel at the time of the parliamentary vote to trigger ‘Article 50’, between Baroness Chakrabarti (responsive) and Ken Clarke (accountable).

Baroness Chakrabarti: I have colleagues who are democratically elected, unlike me who have really painful anguish because, on the one hand, the British people have voted one way but they have got very different circumstances in their constituencies and that has got to be understood...I was against Brexit, I campaigned to remain, but I'm a democrat and I have to respect this decision...

Ken Clarke: My position is so simple. It is very straightforward, for 50 years I have believed, I still believe, that the country is made more powerful politically, and better off economically, by being in the EU. People would fall about laughing if I cast a vote in favour of leaving the EU...let all the Labour members wrestle with the dilemma that individually each of them face. (Channel 4, 2017).

This further research, therefore, will add vital understandings to the ways in which fears over corruption perceptions and political legitimacy among the political elite affect their decision making in a more general sense.

### **10.7 Conclusion: widening the argument**

Issues relating to the way in which we fund politics are by no means limited to Western Europe or, indeed, political parties in advanced industrial democracies. It is in these countries, however, that they do warrant particular focus. News stories relating to a public outcry over various perceived misdoings are common. In Australia the Liberal party's Mike Baird admitted that the party had 'done the wrong thing' after the New South Wales Electoral Commission withheld \$4.4 million in public funding from the party over a failure to declare a number of donors hidden through the Free Enterprise Foundation (Farrell, 2016).

Despite a raft of reforms to the party funding regime (for the definitive collection on this see Young and Jansen, 2011) Canadian party politics has experienced a number of episodes of perceived malfeasance. These range from recent expenses episodes relating to fraud and bribery within the upper echelons of the Conservative Party (Murphy, 2015) to the 'In and Out' scandal which resulted in the Conservative Party being fined \$230,198 as a part of a plea deal over allegations that they had fraudulently spent over the legal limit at the 2006 federal elections (National Post, 2012). Justin Trudeau has been criticised for attending too many fundraisers after promising a return to 'sunny ways' in Canadian politics and pledging to hold cabinet members to the highest standards with regards to conflicts of interest and fundraising (Austen, 2016).

In 2008, Finland was mired in an ugly party funding episode when the chairman of the Centre Party, Timo Kalli, admitted on a talk show that he had (knowingly) broken political finance regulation when he had not revealed who had donated to his 2007 election campaign (Ibison,

2008). The episode prompted numerous other politicians that had too taken advantage of this lax legislation (the law stated that donations must be revealed but held no sanctions for those who did not comply) to admit they had done the same and calls for an early election amongst those who had not formed a part of the coalition government.

French politics in recent years has been dominated by accusations of political wrongdoing on the field of political finance. In February 2017, it was reported that ex-President of the Republic Nicolas Sarkozy may face trial over the ‘Bygmalion scandal’ – allegations his campaign spending in the 2012 presidential election was over twice the legal limit (BBC News, 2017b). Sarkozy had previously been embroiled in a, frankly bizarre, party funding imbroglio involving France’s ‘richest woman’, L’Oréal heiress Lillane Bettencourt, in which the police investigated allegations of illegal party funding, tax evasion, illegal phone tapping, influence peddling and conflicts of interest (Chrisafis, 2010). In the most recent presidential primaries centre-right candidate François Fillon’s campaign was terminally damaged when he and his wife were arraigned over accusations including embezzlement, the misappropriation of public funds and aggravated fraud (Willsher, 2017).

In the year 2000, Germany was rocked by one of the biggest party funding scandals in recent history when ex-chancellor Helmut Kohl admitted to running secret slush funds to finance elections. This, leading on from the Flick affair in the 1980s, which had engulfed much of the political class and was also linked to party finance, caused a great deal of soul-searching amongst the German political class (for more on these episodes see McKay, 2003). Indeed, as Dan Hough notes, the gradual drip of various episodes of perceived and actual corruption led to the creation of a new vocabulary, ‘Germans complained firstly of *parteienverdrossenheit* (disillusionment with political parties), the *politikverdrossenheit*, (disillusionment with politics), but finally, and most worryingly of all, *politikverachtung* (a disdain for politics)’ (Hough, 2013: 101).

Finally, in the USA disputes over the way in which elections are funded are critiqued by a whole range of voices from across the political and societal spectrum. In the most recent presidential election both Bernie Sanders and Donald Trump ran (from different ideological poles) campaigns explicitly critical of ‘big money’ in politics and against the notion of ‘Washington’ as a cosy, elite club. George Clooney even entered the fray at, ironically, a campaign fundraiser for Hillary Clinton arguing that the amount of money in US politics was ‘obscene’ and it was ‘ridiculous that we should have this kind of money in politics’ (Flores, 2016). Academics have further argued that the way in which this money is perceived to

subvert the democratic process amounts to a form of ‘mediated corruption’ (Thompson, 1993).

This notion of mediated corruption, and ‘politikverachtung’ strikes at the heart of why the thesis has concluded with this whistle-stop tour of perceived episodes of financial wrongdoing in party politics. It suggests that these episodes are not restricted to those states which do not have robust systems of state subsidy. The research here has shown that in two countries with vastly different levels of state subsidy the type of corruption prevalent is the same: perceived donor-based corruption. If this holds true across advanced industrial democracies then the consequences of this are wide-ranging.

We know from previous research that those countries that suffer from an influence market syndrome of corruption, those advanced industrial democracies, need to pay particular heed to the ways in which their party funding regimes either instil or otherwise confidence in the regime itself. We also know that perceived episodes of corruption that are seen to subvert the institutions of democracy cause damage to these democratic institutions and the notion of democracy itself.

The findings here are not just important for Great Britain and Denmark but for all those countries hoping to design institutions that are more legitimate in the eyes of the citizenry. More worryingly for these countries is that the utilisation of the logic of appropriateness suggests that whether this corruption actually occurs or not is beside the point. The perceived corruption – and the very real breach in the logic of appropriateness – is enough to both open up space for debate and reform, but also cause instances of mediated corruption or a general ‘politikverachtung’ amongst citizens of these consolidated democracies. Finding a way to fund political parties in a way that confers this legitimacy is a fundamental concern in the continued consideration of how democracy itself ought to work.

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