

Prof. Dr. Karl-Heinz Nassmacher

The Funding of Party Competition

Political Finance in 25 Democracies



Nomos

Table of contents

List of tables and graphs	15
List of abbreviations	17
CHAPTER ONE – Money in Democratic Politics (Introduction)	19
A) Scholarly analysis of political finance	20
1. Areas of interest: issues in political finance	20
2. Desiderata of political finance research	26
B) Approaches to political finance	30
1. Definition of the subject: political finance	30
2. Demarcation of the subject of this study: party funding	34
C) Research questions and overview	37
1. Party spending	38
2. Sources of revenue	40
3. Impacts of funding	43
CHAPTER TWO – Factual Pattern of (Party) Expenditure	47
A) Cost centres (units of party organisation)	48
1. National, regional and local tiers (levels of party organisation)	50
2. Groups of party activists	54
3. Party penumbra (ancillary bodies and affiliated organisations)	56
a) Intra-party organisations	56
b) Party institutes	57
4. Parliamentary party groups (caucuses)	58
B) Types of cost (elements of expenditure)	60
1. Paid labour	61
a) Wages and salaries	61
b) Professional fees	64
2. Offices (rent of premises etc.)	64
3. Communication	66
4. Publicity	68
5. Other goods and services	71
a) Polling/ research, interest and fundraising	71

b) Peculiar types of cost	72
c) Residual costs	72
C) Cost objects (purposes of spending)	73
1. Election campaigns (campaign spending)	74
2. Organisation maintenance	79
3. Policy development (research and training)	84
CHAPTER THREE – Costs of 18 Party Democracies	87
A) Establishment of data for spending totals	89
1. Costs of the biggest democracies: USA, Japan, Germany, Mexico	90
2. Costs of major democracies: Italy, Britain, France, Spain, Poland	96
3. Costs of medium sized democracies: Canada, Australia, the Netherlands, Sweden	101
4. Costs of small democracies: Austria, Switzerland, Israel, Denmark, Ireland	105
B) Adjustment for election cycle, country size and economic performance	109
C) Comparison of spending levels	115
CHAPTER FOUR – Causes of Spending Levels	121
A) Features of the democratic polity	121
1. Stages of political and economic development	121
a) Economic development	122
b) Democratic tradition	123
2. Size of the electorate (economies of scale)	124
3. Routines of conflict resolution	128
a) Plural societies and federal systems	128
b) Competitive vs. consociational decision-making	129
c) Anglo-Saxon vs. other traditions of polities	131
B) Framework of party politics	132
1. Capital-intensive campaigning vs. labour-intensive party apparatus	133
2. Modes of party competition	135
a) Ideological warfare	136
b) One-party dominance	137
c) Intra-party competition (individual candidates, factions and primaries)	138

C)	Consequences of public policy	141
1.	Unlimited sources of funding	142
a)	Unrestrained political graft (corruption)	142
b)	Generous public subsidies	144
2.	State intervention in the economy	146
a)	Share of government expenditure	147
b)	State regulation of the economy	148
D)	Interaction of causal factors	149

CHAPTER FIVE – Cost Explosion: Fact or Fantasy? 155

A)	Background variables for the spending spree	155
1.	External influences (electorate and inflation)	156
a)	Growth of electorate	157
b)	Impact of inflation	158
2.	More comprehensive data	162
3.	Intensified competition	164
a)	Parliamentary election cycle	164
b)	Other competitive factors	165
B)	Causes of increased party spending	167
1.	Paid TV advertising	167
2.	New technology	172
3.	Professional politics	177
C)	Cost push or demand pull?	183

CHAPTER SIX – Grass-Roots Revenue 193

A)	Cornerstone of democracy or demand from never-land?	194
B)	Roads to voluntary contributions (Soliciting money in small amounts)	199
1.	Membership dues	199
a)	Number of party members (including member-to-voter ratio and trends)	200
b)	Average contribution per party member	206
c)	Revenue from membership dues (by party families and by countries)	208
2.	Small donations	215
3.	Fundraising events (social activities)	222

C)	Public incentives (for small political contributions)	224
	1. Energising fundraisers (matching funds)	224
	2. Stimulating contributors (tax add-on, tax deduction, and tax credit)	225
D)	Intra-party transfers	230
	1. Association quotas	231
	2. Equalisation transfers	233
	3. Revenue sharing	234
CHAPTER SEVEN – Plutocratic Funding (Interested Money and Graft)		239
A)	Moral hazard of democracy?	240
B)	Contributions from interested money	244
	1. Institutional fundraising	245
	a) Collective membership (affiliation fees)	246
	b) Conveyer organisations	249
	c) Political action committees (PACs)	251
	2. Donations by wealthy individuals (contributions from personal wealth)	254
	a) Fat cat contributions (without or with strings attached)	255
	b) Buying honours and offices	257
	c) Paying for campaigns from personal wealth	258
	3. Corporate contributions (money from the business community)	260
	4. Public disincentives to discourage interested contributions	269
	a) Bans	269
	b) Contribution limits	270
	c) Disclosure of donors' identity	271
	5. Income from foreign funds	272
C)	Returns on investment: dividends and interest (parties as entrepreneurs)	274
D)	Party income from political graft	276
	1. Abuse of public resources	277
	2. Graft from business sources	279
	3. Assessment of party/ political officeholders (graft from public office)	284
CHAPTER EIGHT – Public Subsidies		289
A)	Stop-gap, life-saver or white knight?	290
	1. Developing a case for public funding	290
	2. Problems of public funding	292
	3. Means to increase the legitimacy of public subsidies	294

B) Types of subsidies	296
1. Subsidies-in-kind	297
a) Access to media	297
b) Other support options	299
2. Reimbursement of costs incurred	300
3. Earmarked funds	300
4. General grants	302
C) Recipients of cash subsidies	303
1. Candidates (for parliament or the presidency)	303
2. Party organisations	304
3. Party caucuses (parliamentary groups)	306
4. Organisations of the party penumbra	308
D) Allocation of national party subsidies	310
1. Access to public funding	311
a) Minimum of votes polled	311
b) Minimum of seats held	311
c) Other options (fixed amount, successful fundraising)	312
2. Distribution of subsidies	314
a) Allocation of matching funds	314
b) Distribution by party size (number of seats held or votes polled)	315
c) Distribution of base amounts	316
E) Significance of public funding	317
1. Contribution to party revenue (Income situation of parties)	317
2. Level of the taxpayers' contribution	322
F) Politics of public subsidies	324
1. Influence of party competition on funding rules	324
2. Public funding as a result of government structure	326
a) Level of public funding in consensus democracies	327
b) Level of public subsidies in majoritarian democracies	331
c) Countries, which do not fit (either the categories or the hypothesis)	331
3. Public funding in (comparative) perspective: parties and other organisations	332
CHAPTER NINE – Impacts on Party Systems	335
A) Spend and win? – Money as a means of success	335
1. (Campaign) Spending by individual candidates	336
2. Skewed competition between individual parties	341

B)	Ossification of the party system?	346
1.	Access for new parties: Openness of the party system?	347
2.	Room for changing weight of individual parties: Freezing of the party system?	352
3.	Changing roles of political parties: Arrested distribution of power?	356
C)	Summary of findings for party competition	360
CHAPTER TEN – Impacts on Party Organisation		363
A)	Linkage between parties and their grass-roots	364
1.	Changes of grass-roots linkage via membership dues and small donations	366
2.	Approaching members and supporters by direct mailings	370
3.	Measurement of and incentives for grass-roots linkage	372
B)	Distribution of power within party organisations	374
1.	Parties and their candidates	375
2.	Different levels of the party organisation (headquarters, branches and chapters)	378
3.	Party organisation and party penumbra	387
C)	Summary of findings for party organisation	389
CHAPTER ELEVEN – Money as a Political Resource (Conclusion)		393
A)	Summary of major findings	393
1.	Spending/ expenses	393
2.	Revenue/ income	393
3.	Impacts of political funding	397
B)	Consequences for the debate on party type(s)	398
1.	Catch-all parties	398
2.	Cartel parties	402
	Bibliography	407
	Index	451