A Global View of Political Finance Regulations as a Dependent Variable

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Introduction

Concerns about the role of money in politics is a global phenomenon, and all countries on the planet have (as will be shown in this paper) at least some regulations in place to control how money is allowed to flow in and out of politics.

While the academic attention to political finance issues has increased significantly over the last decade, there are still a number of gaps to be filled. As I have argued elsewhere, this includes the global view of political finance regulation, as through such an approach "…we can learn more about differences and similarities between different regions and types of regimes".[1]

There are many areas to explore in relation to political finance, as the range of papers to be presented at the 2012 IPSA World Congress illustrates. One natural angle in analyzing regulations of political finance is to see where they come from. In other words, what factors explain why some countries introduce certain types of regulations and others do not? Nassmacher has noted that this "…perspective asks how specific programmes are hammered out… A lot of case studies have pursued this avenue, trying to elaborate changes in legislation."[2]

While in no way denying the great value of case studies for analysing political finance regulations as dependent variables, this paper seeks to adopt a complementary view by addressing the same issue at a global level. Using the recently completed database by the International Institute for Democracy and Electoral Assistance (International IDEA) about political finance regulations in 180 countries, this paper will take some first steps in exploring possible links between different factors and political finance regulations at a macro level. This paper draws on an earlier introduction to the database produced for International IDEA, but goes further by adding other independent variables and further forms of analysis.[3]

By including countries from all parts of the world, this paper seeks to address the shortcoming identified by Nassmacher that "[o]nly a few countries dominate academic discourse".[4] In particular, this study seeks to address the current bias in research in favour of established democracies. The IDEA database shows that political finance regulations are no less common in emerging democracies than in established ones.

Please note that including such a large number of countries naturally means that the analysis must remain at a comparatively general level, and that any conclusions need to be followed up with more in-depth research on regional and national levels.[5] Both established democracies and outright dictatorships are included in the International IDEA political finance database, and we must accept that the same

[1] Ohman (2011) p 2.
[2] Nassmacher (2009) p 22.
[3] Ohman (2012).
[4] Nassmacher (2009) p 27.
[5] In addition, in trying to define the different questions addressed in the International IDEA database, it was needed to use general definitions and criteria that sometimes miss the finer details discussed for example (regarding public funding) in Pinto-Duschinsky (2011) p1f.

regulation may be introduced for different reasons and have different impacts in such varying contexts.

The International IDEA Political Finance Database

In March 2012 the International IDEA Political Finance Database was published, after a development process of over one year including a large group of researchers and specialists.[6] The database builds on the notion of a similar database developed in 2003 but significantly expands on the former by adding areas covered and increasing the countries included from around 100 to 180. The database includes 43 questions and around 7,000 data points. Topics include both party and candidate finance, gender issues and the (ab)use of state resources.

The overall themes in the database are regulations on income (bans, limits and public funding); regulations on spending (bans and limits); and regulations on disclosure, enforcement and sanctions. The database also includes details about for example the level of contribution limits, the eligibility criteria for direct public funding and the types of sanctions applicable for political finance violations. Of particular importance for researchers is that the database also provides quotes from the sources used in the coding (in particular legislation and various types of official reports).

The database only excludes countries that de jure ban political parties (or only allow the government party to exist); that do not allow parties to register candidates in elections; or that has not held any national elections during the last 30 years (this last group includes for example Somalia). This left 180 UN member states, and for all of these at least some data was found. Almost 90 per cent of the total possible answers are provided, and fewer than 5 of the 43 questions remain unanswered in a total of 142 countries (or 80 per cent of the countries).[7]

A brief review of the results of the International IDEA database

A few words should be said about key findings from the International IDEA political finance database regarding the use of regulations worldwide and in different regions.

On average, the countries in the database use half the regulations included. Among the countries that employ the largest number of the regulations, Eastern Europe is heavily represented, including Bulgaria, Croatia, Latvia, Poland and Romania. Other countries that use many of the regulations are Bhutan, Canada, Ecuador, Israel, Portugal and South Korea, but interestingly none of the first generation democracies in Europe. For the 30 questions included in the regional analysis, African countries on average use 41% of the regulations as compared to 54% in the Americas, 56% in Asia and a high of 60% in Europe, while the countries of Oceania on average use

[6] For the purposes of transparency, it should be noted that the author of this paper was one of two people in charge of developing the International IDEA database. The other was Ms Elin Falguera, to whom I wish to extend my gratitude for the great cooperation in this endeavour. The database is available at www.idea.int/political-finance, and data can be exported in Excel or CSV formats.

[7] Note that the database is constantly updated as additional data becomes available.

21% of the regulations.[8] Naturally, this is a very crude measurement of the quantity of political finance regulations in different parts of the world; it says only little about how “developed” these regulatory systems are and nothing about how these regulations are applied in practice or how effective the control is.

All countries have at least some regulations on political finance, though for a handful the only rule found was a ban on vote buying or limited versions of public funding.

Some interesting findings is that while most countries ban foreign donations to political parties (68% of the 161 countries for which data is available), only 22% ban corporate donations (n= 164 countries). A majority of countries do not use donation limits to political parties or candidates (55% or 74 countries), while 68% use direct public funding of political parties (n=171 countries).[9]

Spending limits is one of the few areas where candidate finance is more regulated than political party finance, with 44% of all countries using candidate spending limits but only 29% imposing such limits for political parties.

Perhaps most worrying, 40 countries (25%) do not identify any institution as having a formal mandate to oversee the political finance regulations in place. This is likely to have a very detrimental effect on the possibilities for effective enforcement.[10]

The independent variables in this study

As mentioned in the introduction, the aim of this paper is to study political finance regulations as a dependent variable at a macro level by comparing the existence of various political finance regulations with key variables discussed as potentially impacting the way that money in politics is regulated.

Three independent variables will be explored in this paper; the electoral system (PR versus majority/plurality and mixed systems), the level of freedom (as a proxy variable for level of political development or democracy) and the perception of corruption (as a proxy variable for level of corruption).

The first variable to be explored is the type of electoral system used in each country. It is well known that the way that votes are translated into seats can have a significant impact on the political dynamics in a country. Key issues such as accountability, plurality and indeed governability can all be seriously influenced by the type of electoral system used. It can also have an impact on how electoral campaigns work, and in particular in the relationship between political parties and

[8] This analysis excludes certain follow-up questions. Regarding the low level of regulations in the Oceanian countries, in Ohman (2012) it is noted that this “…is likely to be connected to the fact that 9 of the 14 countries are microstates with less than 500,000 inhabitants, and two more have populations of less than one million. It is quite likely that the informal nature of politics in places such as Nauru (population 9,000) and Tuvalu (population 11,000) means that political finance regulations are not introduced.”

[9] There is a significant regional variation here with public funding used in only 27% of countries in Oceania but in 86% of countries in Europe.

[10] For further information about the information in the database, see Ohman (2012) or the database itself.

their individual candidates. In some closed-list PR systems voters may not even know who the candidates on each list are, while in some majority/plurality systems the personality of the candidates matters much more than the parties that they (may) represent. Nassmacher and others have illustrated different ways that the electoral system influences the way that money functions in politics.[11]

It is reasonable to expect the focus of political finance regulations to follow the logic established by the electoral system. The hypothesis is therefore that countries using a PR electoral system will use various regulations regarding party finance (ongoing and in relation to election campaigns), but fewer rules concerning the activities of individual candidates. Systems using more candidate-focused electoral systems on the other hand are expected to use regulatory systems that mainly focus on candidate finance, or alternatively that use the same rules for candidates and political parties. This hypothesis can be tested for a number of political finance regulations since the International IDEA database distinguishes between political party and candidate regulations regarding donation bans and limits, the provision of free media access, spending limits and disclosure requirements.[12]

Regarding the second independent variable, there are claims that political finance are part of a “second generation” of political reforms, which countries can or will only introduce once they have addressed more pressing topics including the electoral administration and the general nature of the political competition of elites.[13] The idea is that as countries become more politically “developed” they can turn to the issue of regulating money in politics. This seems to have been a pattern for the first-wave democracies, which often held elections with full suffrage for many decades before (as their democracy matured) introducing noticeable regulations concerning the role of money in the political system.[14] However, does this relationship hold globally?

If this argument is correct, we would expect to find a correlation between the existence of different types of political finance regulations and the level of democracy or ‘political development’ in each country. The Freedom House ranking of freedom is not an exact measurement of this phenomenon, but it should function as a reasonable proxy variable. The hypothesis is then that the higher the level of freedom, the more frequent will be various regulations of political finance.

Lastly, several theories can be considered regarding the connection between corruption and the existence of political finance regulations. Regulations of political finance can have many goals, including increasing the transparency of the political process, levelling the electoral playing field or increasing the choices available to the

[11] Nassmacher (2009) p 131, 339.
[12] To be precise, the database shows if there is a variation between rules concerning political parties and candidates regarding bans on foreign, anonymous, corporate and trade union donations, and regarding donations from corporations with government contracts or partial government ownership. It also separates donation and spending limits, whether provisions are made for free or subsidized media access, and whether political parties and candidates are required to provide financial reports (regarding the former the database also separates ongoing and campaign-related reporting requirements).
[13] See for example The Carter Center (2007) p 1.
[14] The record may well be held by Iceland, which introduced its first financial disclosure rules 91 years after holding its first full-suffrage elections. Ohman (2011) p 12.

electorate. In one form or another however, counteracting political corruption is most often one of the goals that such regulations are trying to achieve. This fact does nonetheless not provide a straightforward hypothesis. More regulations regarding money in politics may exist in countries where issues of corruption are taken seriously. In very corrupt societies, politicians would be reluctant to pass regulations controlling their own access to money. Such thinking would indicate the hypothesis that political finance regulations are part of a wider set-up of political finance regulations, and so more common in countries with lower levels of corruption.

Alternatively, political finance regulations could function as indicators that a country is facing particularly severe problems regarding money in its political system and is trying to correct these with legislation. A high level of political finance regulations could perhaps be a temporary phenomenon employed in times of particularly high levels of corruption, while a low level of corruption could lead to political finance regulations being seen as unnecessary limitations of political activities. The alternative hypothesis is therefore that a higher level of corruption is connected to a higher level of political finance regulation.

Studying political finance regulations as a dependent variable

Any study that explores causality must take into account the direction of identified relationships. In other words, may the existence of different types of political finance regulations impact the variables used as independent in the study? While causality is always complicated, in the cases under examination here, it is difficult to see how this would be the case.

The electoral system is a more general political issue than the regulation of political finance, and is unlikely to be significantly influenced by the latter. To this should be added that in most countries, the choice of electoral system was decided decades before the current political finance regulations were determined.

While it is possible that the existence of certain types of political finance regulations can lead to increased political development, the wide concept of political freedom adopted by Freedom House is unlikely to be significantly affected by political finance regulations. It is certainly more conceivable that an increased level of political maturity can lead to more detailed regulations of money in politics.

Regarding the level of (or more precisely perception of) corruption, the situation is a little more complicated. It is again possible that the use of certain political finance regulations may increase or (perhaps more likely) decrease the level of corruption in a country. However, since the Transparency International Corruption Perceptions Index (CPI) takes a much broader view of corruption than only regarding political finance, correlations are unlikely to be explained by political finance regulations affecting the overall (perceived) level of corruption.[15]

[15] The methodology used by TI means that there should be no direct overlap between their index and the variables in the International IDEA database. The possible exception is the question from the Economist Intelligence Unit about ”clear procedures and accountability governing the allocation and use of public funds” that is included in the CPI. This means that any correlation relating to the two questions in the IDEA database regarding use of state resources should be

It goes without saying that an investigation of this kind cannot *prove* a causal relationship in either direction, even if a strong correlation is found. There may be underlying factors explaining the co-variance between what is presented here as independent variables and the existence of political finance regulations. This issue will be discussed in the cases where correlations are found, and possible underlying factors will be identified. As mentioned in the introduction, this study aims at pointing to potential causal relationships, while fully admitting that these would have to be studied further using more in-depth approaches.

Electoral system and regulation of political finance

Initial view

The first variable to explore in this study is the impact of the electoral system on the use of different regulations. For the sake of clarity, the analysis uses the three families of electoral systems utilised by the International IDEA database on electoral systems, namely plurality/majority, PR and mixed.[16] Six countries classified as "other" are ignored for the purposes of this study, and a total of 171 countries are included in this part of the analysis, of which 69 are classified as plurality/majority, 75 as PR and 27 as mixed.[17]

The results are rather remarkable. For 26 out of the 30 questions included in this analysis, regulations are more common in countries using PR electoral systems than in those using a plurality/majority system.

As discussed above, it seems very unlikely that the existence of different political finance regulations would impact on the electoral system used in a country. Three explanations therefore exist regarding the identified correlation between political finance regulations and electoral system. The first is that the relationship is random. This possibility cannot be excluded, but given that PR countries use political finance regulations more often that majority/plurality countries regarding 86% of the regulations analysed, and that the correlation is often strong, this seems rather unlikely.[18]

The second is that the electoral system has an impact on the existence or not of various political finance regulations. This is in line with the hypothesis presented above, and some cases seem to support this notion. For example, the provision of free or subsidised media access is much more common to political parties than to candidates in countries using PR electoral systems (78% versus 48%), while for countries with a majority/plurality electoral system the difference is small (53% versus 49%). The same goes for disclosure requirements, where it is more common

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interpreted with care. See Nassmacher (2009) p 141f for a discussion about using the CPI in analysis of political finance.

[16] See http://www.idea.int/esd/world.cfm

[17] For the 30 questions included in this analysis, the average number of countries with missing data was 7 for countries with PR electoral systems, 12 for plurality/majority countries, and 1 for countries with a mixed electoral system, giving a response rate of between 83% (plurality/majority) and 96% (mixed).

[18] This is strengthened by the significant number of both types of regulations (30) and countries (171) concerned.

in majority/plurality systems to require reports from candidates than from political parties (56% for candidates versus 53% for regular party reports and 33% for political party campaign reports). For countries using PR electoral systems, the relationship is reversed, with 90% of countries demanding that parties submit regular financial reports (and 65% demand that they do so in relation to election campaigns), while only 59% require that electoral candidates do the same.

However, this distinction does not hold for all variables. While bans on foreign and anonymous donations (and donations from corporations with government contracts or partial government ownership) are more common for political parties than for candidates in PR countries, bans on corporate and trade union donations are more common in relation to candidates than to political parties in the same countries. Also, while contribution limits are more common in relation to political parties than to candidates, the difference is not large and the situation is the reverse in relation to spending limits.

Regarding countries with majority/plurality electoral systems, there is generally little difference between rules for parties and candidates, with a variation normally within a few percentage points. The rules on spending limits conform to the hypothesis, in that they are used for candidates in 42% of countries with majority/plurality systems, but for political parties only in 16% of the same countries. In some cases however, regulations regarding parties also dominate for these countries, such as regarding bans on foreign and anonymous donations.

What is particularly striking is that countries with PR electoral systems *generally* regulate candidate finance in more detail than do those with majority/plurality electoral systems. This goes against the hypothesis and the idea that the *relative* focus of the electoral system on political parties versus candidates should impact on the focus of political finance regulations. Bans on donations to candidates from foreign, corporate, trade union and anonymous sources (and donations from corporations with government contracts or partial government ownership) are *all* more common in PR countries than in plurality/majority countries. In addition, donation limits to candidates are almost twice as common in countries using PR electoral systems as it is in countries with majority/plurality systems.[19]

It seems therefore that the type of electoral system that a country uses has an impact not only on the focus of its political finance regulation regarding political parties versus candidates, but also on the extent of regulation as a whole. This finding is not supported by the hypothesis presented above, and the *third possible explanation* need to be considered; that is that there is an underlying factor that explains both the choice of electoral system and of political finance regulations. Exactly what this factor would be is difficult to interpret without further analysis. It is often argued that PR systems are more focused on consensus and cooperation, whereas majority/plurality systems place more emphasis on governability and direct

[19] Countries using mixed electoral systems tend generally to be more similar to PR countries in their use of different political finance regulations, or to be in-between the PR and majority/plurality countries. There are some exceptions; mixed electoral systems seems particularly likely to ban foreign donations to political parties, and to ban state resources being given to or used in favour of particular contestants.

accountability. However, there is much discussion whether this is a cause or effect of the type of electoral system, and in either case it is difficult to see a direct link between either political culture and the use of different political finance regulations.

Both older and newer democracies use either PR or majority/plurality electoral systems, and both types are used in large as well as in small countries. It is possible that colonial background may have an impact in this regard. It is known that many countries with a background of being controlled by in particular the British, French, Spanish or Portuguese tend to have inherited certain aspects of the approach to politics and governance in these countries. This could include both electoral systems and political finance regulations, though in the latter case the effect would need to be indirect since all these former colonial countries only regulated political finance in detail decades after the end of colonialism.

A contagion effect could also explain the correlation, in that countries close to each other learn from each other's experiences both regarding electoral system and political finance regulatory system. Countries in a certain region could for example come to share both electoral system and approach to donation bans. However, if this was the case we should expect to see frequent use of political finance regulations in the Americas, as an unusually large share of the American countries use PR electoral systems. This is not the case, as the Americas generally lies at or below the global average regarding the use of different regulations.[20] The countries of the Former Soviet Union and Eastern Europe on the other hand, which generally use many of the political finance regulations included in the analysis, use a variation of different electoral systems.

The results for each of the 30 questions in the International IDEA political finance database that are included in this analysis are shown in Table 1, broken down by types of electoral system.

Table 1. Breakdown of results by electoral system in each country

No	*Question*	*Plural*	*PR*	*Mixed*
Bans on donations				
1	Is there a ban on donations from foreign interests to political parties?	54%	74%	81%
2	Is there a ban on donations from foreign interests to candidates?	37%	61%	60%
3	Is there a ban on corporate donations to political parties?	15%	25%	23%
4	Is there a ban on corporate donations to candidates?	13%	29%	20%
5	Is there a ban on donations from corporations with government contracts or partial government ownership to political parties?	21%	59%	62%
6	Is there a ban on donations from corporations with government contracts or partial government ownership to candidates?	18%	51%	48%

[20] This is also an argument against the colonial background theory presented above.

No	*Question*	*Plural*	*PR*	*Mixed*
7	Is there a ban on donations from trade unions to political parties?	18%	32%	15%
8	Is there a ban on donations from trade unions to candidates?	13%	33%	19%
9	Is there a ban on anonymous donations to political parties?	56%	72%	83%
10	Is there a ban on anonymous donations to candidates?	42%	64%	67%
11	Is there a ban on state resources being given to or received by political parties or candidates (excluding regulated public funding)?	80%	84%	100%
12	Is there a ban on any other form of donation?	32%	59%	64%
Limits on donations				
13	Is there a limit on the amount a donor can contribute to a political party over a time period (not election specific)?	19%	38%	30%
15	Is there a limit on the amount a donor can contribute to a political party in relation to an election?[21]	16%	40%	41%
17	Is there a limit on the amount a donor can contribute to a candidate?	19%	34%	37%
Public funding				
19	Are there provisions for direct public funding to political parties?[22]	46%	86%	69%
23	Are there provisions for free or subsidized access to media for political parties?	53%	78%	78%
25	Are there provisions for free or subsidized access to media for candidates?	49%	48%	58%
26	Are there provisions for any other form of indirect public funding?	56%	80%	69%
27	Is the provision of direct public funding to political parties related to gender equality among candidates?	18%	11%	6%
28	Are there provisions for other financial advantages to encourage gender equality in political parties?	0%	13%	8%
Bans on expenditure				
29	Is there a ban on vote buying?	95%	93%	92%
30	Are there bans on state resources being used in favour or against a political party or candidate?	93%	90%	100%
Limits on donations				
31	Are there limits on the amount a political party can spend?	16%	37%	41%

[21] Note that for this question the figure for 'yes' includes the countries that have been coded as 'Regular limit applies'. This applies to all tables in this study.

[22] For this question, the percentages refer to the share of countries in each region that have been coded as 'yes, regularly provided funding' and/or 'yes, in relation to campaigns'. This applies to all tables in this study.

No	Question	Plural	PR	Mixed
33	Are there limits on the amount a candidate can spend?	42%	42%	63%
Financial disclosure				
35	Do political parties have to report regularly on their finances?	53%	90%	78%
36	Do political parties have to report on their finances in relation to election campaigns?	33%	65%	67%
37	Do candidates have to report on their campaigns finances?	56%	59%	77%
38	Is information in reports from political parties and/or candidates to be made public?	52%	85%	73%
39	Must reports from political parties and/or candidates reveal the identity of donors?	76%	79%	81%

Bivariate analysis

For the last two variables in this study we will use Point-Biserial correlation (mathematically equivalent to the Pearson's Product Moment Correlation) to study the correlation between the existence of political finance regulations and the independent variable. Since in this case both the independent and the dependent variables are binary/dichotomous, this approach is not suitable.

Therefore, a chi-square test was used to explore if the existence of certain political finance regulations is related to the electoral system in each country. To facilitate the comparison, PR systems are here compared with majority/plurality and mixed systems together (with one degree of freedom).[23]

As can be expected from Table 1 above, there are many variables for which no significant correlation is found. This include some for which we would expect there to be a difference based on electoral system, include the provision of free or subsidized access to media for candidates.[24] Countries using a PR electoral system are no less likely to provide such access to candidates than are countries with a plurality/majority electoral system.

There are admittedly some types of regulations where we do find an expected correlation; for example the null hypothesis of no correlation has to be rejected at a significance level of 0.001 regarding the use of direct public funding and financial reporting requirements for political parties.[25] Countries with PR electoral systems are in other words much more likely to provide direct public funding to political parties and to require that they submit financial reports than are countries with other electoral systems.

There are however some types of regulations where we would not necessarily expect a correlation where it is found to be very strong. Regarding whether information in submitted financial reports must be made public, the null hypothesis of

[23] In all the cases presented below, the correlations are positive.
[24] At 0.05 significance level the critical region is 3.841 and the observed value only 0.22.
[25] Critical region 10.83, observed value 20.51 in the first case and 18.42 in the second.

no correlation has to be rejected even at a significance level of 0.001.[26] Other forms of donation bans (not specific to political parties or candidates) are also more common in PR systems.[27]

In a number of cases, regulations regarding candidates are significantly more prevalent in PR systems than elsewhere. Regarding bans on foreign and corporate donations to candidates, the null hypothesis of no correlation must be rejected at a significance level of 0.05, and regarding donations from corporations with government contracts or partial government ownership or from trade unions to candidates at a significance level of 0.01.[28] This means that countries using PR electoral systems are more likely to use these rules in relation to candidates than are countries using majority/plurality systems.

Overall, this analysis confirms the finding from the previous section that there is a clear relationship between electoral system and the existence of political finance regulations. Setting the significance level benchmark at 0.05, the null hypothesis of no correlation has to be rejected for 16 out of the 30 regulations included in this study.

These findings indicate that the correlation between electoral system and the existence of political finance regulations is in a number of cases significant, though not necessarily in the way that was hypothesised. Further research into this issue is required at various levels. One area that should be addressed is what impact that different variations of PR systems may have on political finance regulations, in particular as they relate to the role of candidates in the electoral process.

Level of freedom and the regulation of political finance

Initial view

The second independent variable concerns the political development of a country. For this we use the Freedom House designations of countries as "free", "partly free" and "not free".[29] A total of 87 countries in the database are in the first category, 58 in the second and 34 in the third category. The 13 countries excluded from the IDEA database all fall within the "not free" category.

There seems to be some sort of relationship between level of freedom and the existence of political finance regulations. For 25 of the 30 regulations in this analysis, they are more common in "free" than in "not free" countries. It seems however that the level of freedom has a distinctly weaker and more unclear relationship to the existence of political finance regulations than do the electoral system. The variation depending on the independent variable is overall not large; "free" countries use the included regulations on average in 53% of the cases against 42% for 'not free' and 52% for 'partly free'. Twelve of the 30 regulations follow the expected pattern of the

[26] Critical region 10.83, observed value 13.98.
[27] In this case the null hypothesis of no correlation has to be rejected at a significance level of 0.05. Critical region 4.83, observed value 5.04.
[28] For the first two regulations critical region 3.841, observed value 4.83 and 4.68 respectively. For the second two regulations critical region 6.635, observed value 10.10 and 7.59 respectively.
[29] Data is from the Freedom in the World Survey 2012. See http://www.freedomhouse.org/report/freedom-world/freedom-world-2012

regulation being the most common in “free” countries, less in “partly free” and least in “not free” countries. For two regulations the relationship is reversed (bans on foreign donations to political parties and provision of free or subsidised access to media for candidates are more common the less free the country is).

More problematically, there seem to be few logical patterns in the deviations related to level of freedom. In relation to donation bans and limits and public funding, the differences are overall small, often within a few percentage points. “Not free” countries are more likely to ban foreign donations, which may be logical. In contrast they are less likely to ban donations from government contractors to political parties and to candidates.

As I have showed elsewhere, there seems to be no connection between the level of freedom in a given country and the probability that it will use direct public funding of political parties.[30] However, “partly free” and in particular “not free” countries are significantly more likely to provide free or subsidised access to media to candidates than do “free” countries, although no such difference seems to exist in relation to political parties.

“Not free” countries are less likely to put limits on donations and expenditure (though the differences are not large, especially regarding donation limits). It is possible that the regime in some undemocratic countries may actually prefer limits on private funding, especially if the regime is in the habit of abusing state resources.

It is a possible that a relationship exists between the level of freedom and regulations relating to financial disclosure. Political parties and candidates in “free” countries are required to submit financial reports much more often in relation to elections, although the same difference does not exist for regular (annual) political party reports. In addition, it is twice as common that “free” as compared to “not free” countries have rules for such financial reports to be made public. Exactly what the nature of a relationship between level of freedom and financial transparency could be requires further study.

One important question is why directly non-democratic countries, which we would not expect to generally introduce rules aimed at enhancing political transparency, decide to regulate political finance. Some notable cases are in the former Soviet Union, including Tajikistan, Uzbekistan and the Russian Federation. All of these use direct and indirect public funding of political parties, disclosure requirements demanding the identification of donors and the publication of data and donation limits (although the limits used in Russia and Uzbekistan are very high). Similarly, Afghanistan has a complex regulatory system, though more focused on candidates as political parties play a very limited role in the country’s politics, while Egypt also used a complex system before the recent political changes there.[31]

In some cases it is likely that aid dependency and a willingness to accept rules that make the country at least seemingly more democratic in the eyes of the donor community plays a role. This can be a factor in places such as Afghanistan and

[30] Ohman (2011), p 4.
[31] The new system in Egypt is still being developed.

Ethiopia that are highly dependent on outside assistance. However, this can hardly explain the large number of regulations in the Russian Federation.

Another explanation can be that undemocratic regimes introduce political finance regulations not to enhance transparency or to increase political pluralism, but as a tool for increased control over the political space. There have for example been accusations that information from formal financial reports has been used in targeting supporters of the opposition in Ukraine, and Zimbabwe until a few years ago used its public funding system to legalise the transfer of funds from the state to the party, by setting the eligibility criteria such that only the then ruling ZANU-PF qualified.[32]

Perhaps most importantly to acknowledge when studying political finance regulations is that while these rules can have a partial impact on the "rules of the game", they generally tend to be ignored rather than respected.[33] This means that in trying to understand why different regimes decide to introduce certain regulations, we should take into account that they may simply assume that these rules will be overlooked. Secondary considerations such as wishing to please donors or to be perceived as reformist may be sufficient to introduce political finance regulations if the regime feels confident that these regulations will have no impact on the nature of political competition in the country.

The results for each of the questions in this analysis are shown in Table 2, broken down by the designations "free", "partly free" and "not free".[34]

Table 2. Breakdown of results by level of freedom in each country

No	*Question*	*Free*	*Partly Free*	*Not Free*
Bans on donations				
1	Is there a ban on donations from foreign interests to political parties?	61%	71%	81%
2	Is there a ban on donations from foreign interests to candidates?	52%	51%	50%
3	Is there a ban on corporate donations to political parties?	22%	23%	20%
4	Is there a ban on corporate donations to candidates?	26%	22%	13%
5	Is there a ban on donations from corporations with government contracts or partial government ownership to political parties?	57%	42%	27%
6	Is there a ban on donations from corporations with government contracts or partial government ownership to candidates?	44%	37%	27%
7	Is there a ban on donations from trade unions to political parties?	32%	22%	16%

32 Ohman (2011) p 4 and 11.
33 See for example the discussion in Pinto-Duschinsky (2011) p 28f.
34 Tables 2 and 3 in this paper are taken from Ohman (2012).

No	*Question*	*Free*	*Partly Free*	*Not Free*
8	Is there a ban on donations from trade unions to candidates?	32%	22%	10%
9	Is there a ban on anonymous donations to political parties?	63%	72%	64%
10	Is there a ban on anonymous donations to candidates?	61%	61%	39%
11	Is there a ban on state resources being given to or received by political parties or candidates (excluding regulated public funding)?	85%	89%	79%
12	Is there a ban on any other form of donation?	53%	50%	40%
Limits on donations				
13	Is there a limit on the amount a donor can contribute to a political party over a time period (not election specific)?	36%	26%	25%
15	Is there a limit on the amount a donor can contribute to a political party in relation to an election?	21%	34%	19%
17	Is there a limit on the amount a donor can contribute to a candidate?	33%	25%	26%
Public funding				
19	Are there provisions for direct public funding to political parties?	73%	59%	68%
23	Are there provisions for free or subsidized access to media for political parties?	69%	71%	65%
25	Are there provisions for free or subsidized access to media for candidates?	38%	58%	67%
26	Are there provisions for any other form of indirect public funding?	79%	62%	52%
27	Is the provision of direct public funding to political parties related to gender equality among candidates?	13%	18%	4%
28	Are there provisions for other financial advantages to encourage gender equality in political parties?	9%	8%	0%
Bans on expenditure				
29	Is there a ban on vote buying?	95%	96%	88%
30	Are there bans on state resources being used in favour or against a political party or candidate?	85%	100%	92%
Limits on donations				
31	Are there limits on the amount a political party can spend?	37%	34%	3%
33	Are there limits on the amount a candidate can spend?	48%	50%	26%
Financial disclosure				
35	Do political parties have to report regularly on their finances?	74%	75%	74%

No	*Question*	*Free*	*Partly Free*	*Not Free*
36	Do political parties have to report on their finances in relation to election campaigns?	57%	61%	23%
37	Do candidates have to report on their campaigns finances?	66%	64%	37%
38	Is information in reports from political parties and/or candidates to be made public?	85%	69%	40%
39	Must reports from political parties and/or candidates reveal the identity of donors?	81%	75%	82%

Bivariate correlation

For the bivariate correlation analysis we use the combined Freedom House scores for “Political Freedom” and “Civil Liberties” (ranging from one to seven) and a Point-Biserial correlation.

In no case does the existence of a political finance regulation studied here seem to significantly correlate with the level of freedom. The closest candidates are questions 5, 25, 26 and 38 in the IDEA database, but only by accepting a correlation coefficient at a very low level of 0.22.[35] Only for question 38 (if the information in submitted financial reports must be made public), does the correlation coefficient exceed 0.3.

There seems in other words to be no clear or significant correlation between the level of freedom in a country and the use of the political finance regulations included in this analysis.

Perception of corruption and regulation of political finance

Initial view

There is no index of the level of corruption in different countries, which may not be surprising given the illegal character of such behaviour. However, the Transparency International (TI) Corruption Perceptions Index (CPI), which measures ‘the perceived levels of public-sector corruption’, can be used as a proxy variable to measure the level of corruption.[36]

The CPI uses a scale from one (the country is perceived as ‘highly corrupt’) to ten (perceived as ‘very clean’). To facilitate comparison, we have here divided the scale into three groups; 1–3 (‘high level’ of perceived corruption), 3.1–6 (‘medium level’ of perceived corruption) and 6.1–10 (‘low level’ of perceived corruption). Not all the countries in the political finance database are coded in the TI index. The total

[35] The correlation coefficient for these questions is respectively -0.246, 0.223, -0.232 and 0.330, meaning that a higher level of freedom is (weakly) related to an increased probability of the regulation being in place for questions 25 and 38, while the reverse is the case for questions 5 and 38. The questions corresponding to these numbers can be identified from Table 2.

[36] Data is from the 2011 Corruption Perceptions Index, available at http://cpi.transparency.org/cpi2011/results/

number of countries included in this analysis is therefore 161 countries (the missing countries are mainly small island states).

As with the previous two independent variables, there seems to be a relationship with the existence of political finance regulations, but it is vague. For 21 out of the 30 regulations included in this study, they are used more in countries with low perceived levels of corruption than in those with high levels. In 11 cases, the regulations are most common in countries with low levels of perceived corruption, less so in medium level countries and least common in high level countries. In four cases the relationship is reversed, meaning that the regulation is increasingly likely the more corrupt the country is perceived to be (this concerns bans on foreign donations to parties and candidates, free or subsidised media access for candidates and bans on state resources being used for campaign purposes).

Overall, the regulations are the most common in countries with medium levels of perceived corruption. This goes against both the hypotheses presented above. However, the differences are small (on average 55% of the regulations are used in medium level countries versus 53% in low level countries and 47% in high level countries).

Regarding most regulations, the variations in prevalence depending on perceived corruption is difficult to interpret. For example, countries with high levels of corruption are more likely to ban foreign donations but significantly less likely to ban donations from trade unions. Such countries are also less likely to limit donations and to provide direct public funding to political parties, but instead they are more likely to relate public funding to gender equality. For some reason, countries with low levels of perceived corruption are much less likely to provide free media access to candidates (but not to political parties). None of this indicates a clear relationship between corruption and political finance regulations.

As with the study of levels of freedom discussed above, it seems that there may just be a connection regarding financial disclosure. Apart from reporting requirements for political parties in relation to elections, countries with a high level of perceived corruption are consistently less likely to require financial reports or to require that such reports disclose the identity of donors and are made public. While the nature and direction of causality must be studied further, it seems that there is a correlation between lower levels of (at least perceived) corruption and stricter disclosure rules.

The results for each of the questions in this analysis are shown in Table 3, broken down by the designations “low level”, “medium level” and “high level” of perceived corruption.

Table 3. Breakdown of results by level of perceived corruption in each country

No	Question	Low level	Medium level	High level
Bans on donations				
1	Is there a ban on donations from foreign interests to political parties?	54%	67%	73%
2	Is there a ban on donations from foreign interests to candidates?	42%	52%	54%
3	Is there a ban on corporate donations to political parties?	23%	24%	20%
4	Is there a ban on corporate donations to candidates?	24%	27%	18%
5	Is there a ban on donations from corporations with government contracts or partial government ownership to political parties?	52%	60%	36%
6	Is there a ban on donations from corporations with government contracts or partial government ownership to candidates?	36%	47%	33%
7	Is there a ban on donations from Trade Unions to political parties?	33%	35%	18%
8	Is there a ban on donations from Trade Unions to candidates?	33%	33%	16%
9	Is there a ban on anonymous donations to political parties?	75%	69%	65%
10	Is there a ban on anonymous donations to candidates?	65%	57%	53%
11	Is there a ban on state resources being given to or received by political parties or candidates (excluding regulated public funding)?	85%	80%	90%
12	Is there a ban on any other form of donation?	52%	50%	48%
Limits on donations				
13	Is there a limit on the amount a donor can contribute to a political party over a time period (not election specific)?	41%	33%	26%
15	Is there a limit on the amount a donor can contribute to a political party in relation to an election?	37%	33%	27%
17	Is there a limit on the amount a donor can contribute to a candidate?	33%	32%	26%
Public funding				
19	Are there provisions for direct public funding to political parties?	85%	74%	59%
23	Are there provisions for free or subsidized access to media for political parties?	62%	82%	63%
25	Are there provisions for free or subsidized access to media for candidates?	19%	50%	60%

No	Question	Low level	Medium level	High level
26	Are there provisions for any other form of indirect public funding?	88%	67%	63%
27	Is the provision of direct public funding to political parties related to gender equality among candidates?	4%	20%	11%
28	Are there provisions for other financial advantages to encourage gender equality in political parties?	8%	14%	2%
Bans on expenditure				
29	Is there a ban on vote buying?	100%	93%	93%
30	Are there bans on state resources being used in favour or against a political party or candidate?	80%	92%	95%
Limits on donations				
31	Are there limits on the amount a political party can spend?	22%	42%	24%
33	Are there limits on the amount a candidate can spend?	41%	56%	38%
Financial disclosure				
35	Do political parties have to report regularly on their finances?	92%	69%	72%
36	Do political parties have to report on their finances in relation to election campaigns?	50%	57%	50%
37	Do candidates have to report on their campaigns finances?	68%	67%	54%
38	Is information in reports from political parties and/or candidates to be made public?	88%	80%	61%
39	Must reports from political parties and/or candidates reveal the identity of donors?	88%	83%	72%

Bivariate correlation

The same approach is used for this independent variable as for the previous one, and the actual CPI values for each country are employed rather than the categories introduced above (values from one to ten). The correlations are noticeably weaker in this case; in fact, only one variable reaches even the very low correlation coefficient of 0.22, and that is question 25 (the provision of free or subsidised media to candidates), but at -0.285 that is far from being statistically significant.

Again therefore, it seems that the perceived level of corruption is not significantly correlated to the existence of political finance regulations. There is also no support in this analysis of a connection between disclosure rules and corruption, which was suggested above. It is of course possible that the Corruption Perceptions Index does not capture the relationship we are after, or that there is a non-linear correlation (as was discussed above).

Conclusions

This paper takes a macro approach to political finance regulations. It is argued that as a complement to crucial regional and national level studies, global analysis can provide important information about key trends and variations between different parts of the world and between countries in different situations. The study makes use of the recently published International IDEA political finance database, which covers 180 countries around the globe.

The aim of this study has been to observe the presence of various political finance regulations as dependent variables at a macro level, with electoral system, political development (level of freedom) and level of corruption (perception of corruption) as independent variables.

The main finding was a significant correlation between the electoral system and the existence of political finance regulations. It was hypothesised that countries using electoral systems based on Proportional Representation would be more likely to regulate the finances of political parties in contrast to candidates. This was partly borne out by the data, but what was surprising was that these countries use more complex regulatory systems overall regarding money in politics, and are more likely to use almost all the types of regulations included. For example, it was found that out of the countries using PR electoral systems 86% use direct public funding of political parties, whereas for those using plurality/majority or mixed electoral system only 53% do so, and that PR countries are much more likely to require that information in submitted financial reports are made publically available. Indeed, countries with PR electoral systems often regulate *candidate* finance to a larger extent than do the countries that use majority/plurality electoral systems (countries that we would expect to be more candidate-focused).

Potential reasons for this relationship were discussed, but it is clear that more research is needed to understand the link between the electoral system and the regulation of political finance at a global, regional and national level. A collection of country studies using cases that do and do not conform to this apparent relationship would be highly revealing.

Regarding the level of freedom and perceived level of corruption, these seem to be only vaguely connected to the existence of different political finance regulations. No statistically significant relationships were found at all.

There are many issues that need further exploration regarding the background to why certain political finance regulations are introduced. One that was discussed above is why regulations of this kind seem to be so frequent also in countries with limited or no claim to democratic governance. It was argued that political finance reform can be part of symbolic gestures by undemocratic regimes aiming at improving their image in the eyes of the electorate or the donor community.

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