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The Cost of Partitocracy: Party Funding in East Central Europe

PhD Program in Political Systems and Institutional Change

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By

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All the bad is solely my responsibility.

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The Multi-Level Process of Party Funding Reforms. Paper presented at the Joint CISS/KEYNOTE Conference, Prague, June 2012.

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“Westernisation, Rationalisation, Amalgamation: Party Politics in Intercivilisational Encounters.” *Mediterranean Journal of Social Sciences*, Volume 3(9) April 2012.

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"Czechoslovakia 1989 and the Rational Choice Theory: A General Model of Regime Change." *Czech Journal of Political Science*, Vol 18(3), Fall 2009.

Review: Tiemann, Guido: Wahlsysteme, Parteiensysteme und politische Repräsentation in Osteuropa. *European Electoral Studies*, Vol 4(1), Spring 2009.

The Protest of the Bohemian Nobles Against the Burning of John Huss, by the Sentence of the Council of Constance, 2nd September 1415: Czech Heraldry in the Middle Ages. Paper presented at the Annual Conference of the East Midlands Heraldry Society, Leicester, November 2008.

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Abstract

The work's goal is to contribute to the discussion on cartelisation in the party systems of East Central Europe. Its contribution to the research field is to be found in a thorough analysis of the budgets of political parties in the Czech Republic, Poland and Slovakia, to a smaller degree also of the budgets of political parties in Austria, Germany and Slovenia. In total thirty arguments found in the existing scholarly literature are discussed, with a focus on their relation to budgets and election strategies of political parties. These arguments are analysed with the help of basic tools of quantitative statistical analysis and the qualitative method of comparison of selected features of the analysed cases. The work's analytical part is based on two new original datasets. The first one, where data on budgets of political parties are collected, uses publicly available sources found in both the off-line as well as the on-line world of today. The second one uses original data collected by the means of an electronic questionnaire sent to representatives of political parties in the six researched countries. The work defines two new concepts that serve as the theoretical basis of the analysis: the rule drive and the strategy drive. The rule drive is the part of a party's budget that is predominantly formed by legal regulations on political parties, their funding and activities. On the income side, the rule drive is mostly visible in the share of party budget comprised by state subsidies. On the expenditure side, the rule drive is most apparent in the legal limits of expenses parties may allocate to election campaigning. In addition, the rule drive encompasses also the various limits on donations permissible to be accepted by political parties, limits on parties' business activities, or the legal fees that parties are obliged to pay to enter certain types of elections. The strategy drive is the causal agent that is predominantly formed by parties' free decisions on how they wish to conduct their day-to-day activities and their election campaigning. On the income side, the strategy drive is represented by the amount of membership fees collected, donations accepted or loans taken out. On the expenditure side, the strategy drive is the formula by which political parties allocate their financial assets to the various activities each political party carries out: office operations, administrative work for their elected representatives and officials, education of party members and promotion towards the public in general, election campaigning. Both concepts are of interest for the analysis and all their segments are used to assess the various structural features of party budgets. Original data collected for the work show that parties in their lifetime go through an evolution of their budgets, from one relying mostly on private donations and spending the majority of assets on elections to one relying on membership fees, state subsidies in the case of an electoral success, and spending a larger part of assets on activities not related to election campaigning. The specific shape of budget evolution depends largely on the size of their budget – parties with smaller budgets feature also a different budget structure than parties with budgets larger. This rule applies across the spectrum, from the largest parties in the dataset to the smallest one. The quantitative data on budget sizes are in the work translated into meaningful, categories based on budget sizes. , The categories are labeled weight classes, mimicking the weight classes found in the boxing world, from bantamweight parties, with annual budgets up to €10 thousand, to super heavyweight parties, with annual budgets over €10 million. All parties in the researched countries are thus be classified. Based on these categories, it is shown that the largest, super heavy parties in East Central Europe receive the bulk of all public funding. The model of subsidies

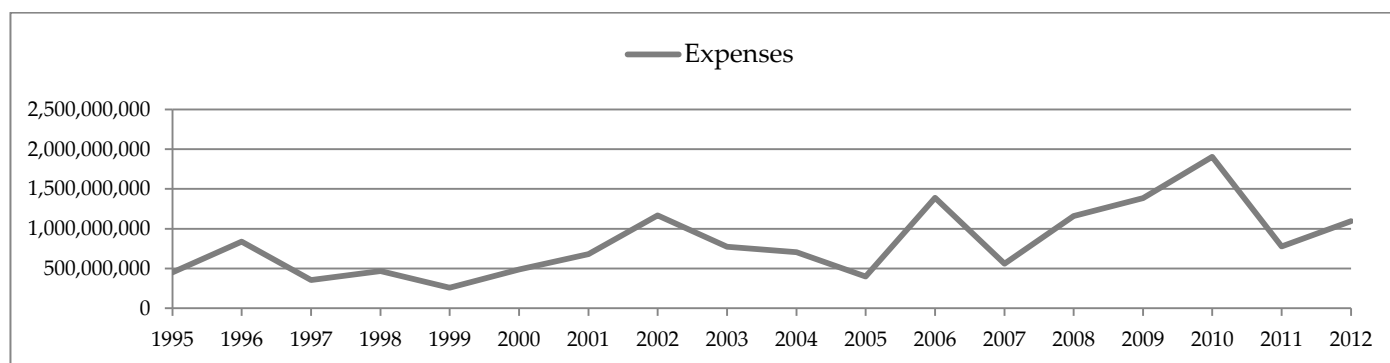
distribution differs in the researched countries and the numbers show that it is difficult to assess whether one system is more cartelised than the other on the basis of distributed state subsidies. Easier and less arguable is to assess the relative transparency of the models of party regulations and regulations of party funding in each of the researched country. Austria, Poland, Slovakia and Slovenia and Poland are in the recent time undergoing a turn towards more transparency, with new laws already in place or currently being adopted. The Czech Republic is noticeably lagging behind. The last phenomenon discussed in the work is that certain features of budgets, including its size and structure, correlate with certain party strategies. Parties of certain budget size and structure have different campaigning strategies, different policies and different opinions than parties of different budget size and structure. The collected data shows links between several variables, such as parties with large subsidies share in their budgets see as legitimate larger subsidies share than parties without subsidies, or heavyweight and middleweight parties spend a significantly larger share of their election expenses on the Internet than super heavyweight parties. Finally is discussed the behaviour of a specific set of parties that are in the researched dataset mostly found in the heavyweight and middleweight class. These parties have different campaign strategies, keep their election campaign spending higher than the rest and their budgets do not go through the same evolutionary shift as do the budgets of other parties. They do not increase their fee-paying membership and do not sustain significant day-to-day activities not directly related to election campaigning. These parties are since 2007 at the latest most successful in challenging the 'cartel' established by larger parties in national parliaments. The set of these parties overlaps in a large part with the set of 'populist' parties as discussed in other, ideology and party programme-oriented literature. Or, if restated, the populist parties are in their majority distinguished not only by their programmatic profile, but also by the structure of their budgets and related party strategy features. Ultimately, the work provides a lot of empirical evidence for the discussion of the concept of 'cartel' in the region of East Central Europe. It supports with hard data some of the old folk theorems and creates a firm data and conceptual basis for further research of party funding in East Central Europe.

Chapter 1: Introduction

As with probably every dissertation, this work started as a project of imprecise targets, unclear goals and vague notions. Only in the course of time, the research subject acquired distinct boundaries, its main line of inquiry was plotted with ink pen among other lines drawn with pencil and its exact research concepts were pinpointed and defined against those, that are close relatives but, at the end, fall outside the scope of the present work.

The project started with a deceptively easy question: how money influences party politics in the post-communist countries of East-Central Europe? Coming from the former Czechoslovakia, I had a chance to observe closely the important role big money plays in the politics of a newly democratised country. Not only that the acquisition of money seemed to be for many Czechoslovak politicians an important goal in their political careers, money also appeared to be one of the factors decisive for the results of elections. Over time, political campaigning in Czechoslovakia and later in the Czech Republic was becoming more and more expensive: from relatively small financial contributions made by private donors to candidates in the 1990 and 1992 elections, who relied mostly on volunteer work and face-to-face improvised contact campaigns, politics moved in the late 1990s to party-directed events with millions channeled from both the public as well the private sector into streams of large scale media advertising and celebrity-led grandiose stage shows. With that, the costs of political campaigns were also rising.

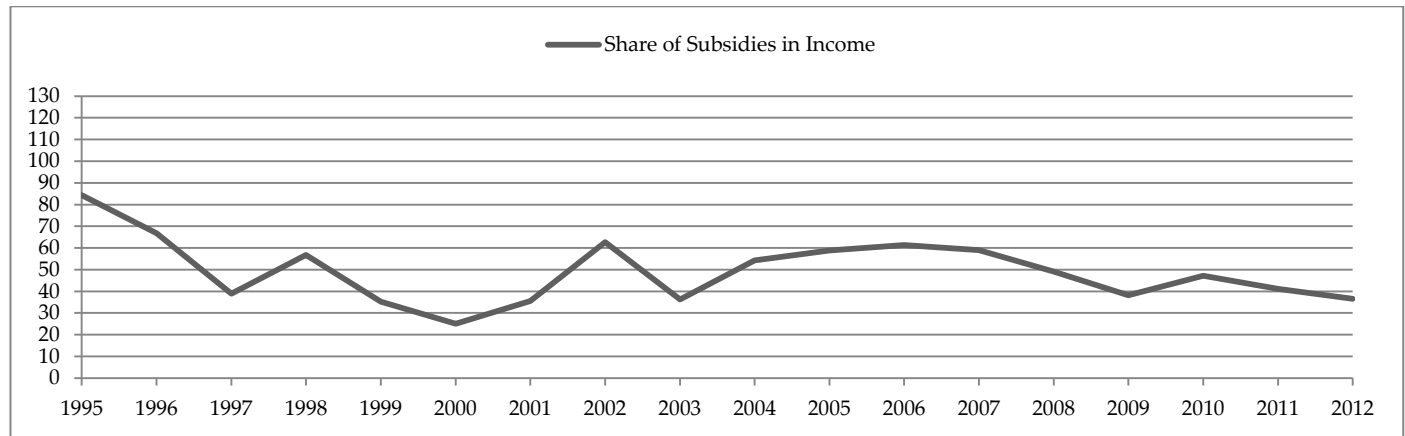
Figure 1.1: Overall costs of election campaigns in the Czech Republic 1996-2012 (in CZK)¹



Czechoslovak politicians realised the need for funding of their election campaigns early after the fall of the communist regime and already in the spring of 1990, they passed a law allowing for the reimbursement of political parties that passed a 2 per cent threshold in the upcoming June elections to the Federal Assembly. Between 1995 and 2004, the sum that political parties were granted by the state as a subsidy for the working of the parties' offices and the offices of their elected representatives was continually being increased by both rightist and leftist governments. In the case of political parties represented in the Chamber of Deputies of the Czech Parliament, state subsidies regularly constituted more than 50 per cent of their total yearly incomes.

¹ If not otherwise stated, all Figures and Tables are original.

Figure 1.2: Share of state subsidies in the budgets of Czech parliamentary parties 1996-2012 (in per cents)



A similar development was taking place in Slovakia, the other successor state to the Czechoslovak federation. The Slovak system of party funding featured regulations parallel to those in the Czech system and Slovak parties too have derived large part of their income from the state. Moreover, as not an insignificant number of authors argue (see, e.g., Sičáková-Beblová and Zemanovičová 2002; Belko 2005; Císař and Petr 2007; Biezen and Kopecký 2007; Cabada 2013; Havlík and Pinková 2013), common to both countries has also been the tendency to favour by the system of subsidies primarily large parties, especially those represented in the lower chambers of the two respective national parliaments.

The models of political financing adopted in post-communist countries, in the former Czechoslovakia and elsewhere, were also one of the major reasons why the cartel thesis of Katz and Mair (1995) has since the mid-1990s enjoyed a wide-spread popularity among students of party systems in the post-communist Central and Eastern Europe. The works of Ágh (1996; 1998), Klíma (1998), Lewis (1998), Krašovec (2000; 2001), Biezen and Kopecký (2001), Szczerbiak (2001), Biezen (2003), Sikk (2003), Enyedi (2006), Kopecký (2006), Roper (2006), Grzymala-Busse (2007), Haughton and Krašovec (2011) or Hutcheson (2013) used the cartel thesis in their theoretical discussions and slowly built up the notion that the majority, if not all, of European post-communist party systems belong to a group of systems with features indicating high levels of party cartelisation. Perhaps it is the flexibility or the not precisely defined scope of the concept of political cartel (for theoretical criticism, see, e.g., Koole 1996; Young 1998; Kitschelt 2000; Pierre, Svåsand and Widfeldt 2000; Bowler, Carter and Farrell 2003; Scarrow 2006), whatever the reason, the cartel thesis has begun close to dominate the mainstream research on the developments of party politics in the post-communist region. Considering the large numbers of works on cartelisation of party systems in East-Central Europe, it might be even argued that cartel thesis has been *the* framework for understanding a wide range of political phenomena present in the region, from electoral volatility (Best 2007; Sikk 2005) through political elitism (Fink-Hafner 2006) to corruption and other illicit practices (Roper 2002; Biezen 2004; Grzymala-Busse 2007).

However, not all studies confirmed that something as the emergence of political party cartels was happening in post-communist countries. While some works presented ambiguous data open to more interpretations (see, e.g., Sikk 2003; Haughton and Krašovec 2011; Havlík and Pinková 2013), other directly argued against relying on cartelisation as something to be taken for granted and disputed the thesis's excessive application in the region (see, e.g., Rybář (2006); Szczerbiak 2006). After all, if the concept itself was from the start subject to criticism when used in the West, its use in the politically very volatile, turbulently changing environment of the East was theoretically questionable. Katz and Mair's thesis was primarily meant as a tool to understand the developments that were taking place in the party systems of Western Europe; the two scholars were writing about parties in Austria, Belgium, France, Germany and other Western European democracies, touching also upon the then situation in the United States and Canada, but nowhere in their first elaborations of the cartel thesis (1992; 1995) were mentioned post-communist political parties or post-communist party systems. Katz and Mair avoided the topic of possible expansion of the geographical anchoring of their notion beyond Western Europe also in their 2009 restatement of the cartel thesis (Katz and Mair 2009) and in 2012, in a commentary published posthumously after Peter Mair's sudden passing half a year before, they asserted that "[p]arties in new democracies [were] inevitably confronted with a different situation than those about which [Katz and Mair had been] originally writing." (Katz and Mair 2012: 109).

The present work wants to contribute to the discussion whether cartelisation has been happening in post-communist democracies, particularly to the issue whether financial structures in East-Central European party systems reveal signs of party cartelisations. As becomes clearer in the next part that describes in detail the work's selected objectives, the scope of this dissertation is limited and it does not address all or even most of the topics related to political finances that has been up to now researched or suggested for further research by other authors in the field (see, e.g., Pierre 2000; Nassmacher 2001; 2009; Fisher 2002; Casas-Zamora 2005; Scarrow 2007; Smilov and Toplak 2007; Koss 2010). Despite that, I believe that it presents a comprehensible as well as an adequately comprehensive argument about the major importance of money for the developments of post-communist party systems *as well as* for the research methodology used by students of political finances. At the same time, the argument does not, however, necessarily imply also the major importance of cartelisation for post-communist party systems of for the students of thereof and may, in fact, run counter some of the notions of the cartel thesis.

In the following Chapter, I put forward the basic tenets of the two basic concepts I use throughout the work and also sketch the research field of funding of political parties in Europe. I do it in problem-oriented fashion; instead of a classic literature review, where authors function as the centre-point for description of the previous work made in the field, I state in total 30 arguments, in which I focus on the commonalities of the referenced works and by which I sort through a large volume of selected works, sketch theoretical links between them and carry out a basic review of a large volume of literature that delimits the research field's boundaries.

Chapter 2: Major Concepts and Arguments in Literature

Part 2.1: The rule drive and the strategy drive

As Figure 1.2 shows, the share of state subsidies in the budgets of Czech parliamentary parties has been volatile. Three major causes are behind the volatility: first, there is inflation and global and national economic factors. In part, changes in the finances of political parties are due to the state of the economy and even though the focus of the present work lies elsewhere, major economic phenomena need to be taken into account if the calculated financial profiles of selected party systems are to be at least roughly accurate. From the three 'drives', as the causes behind changes in party budgets may be termed, the economic one is here assumed to be most external to political parties. The parties, specifically those that are in government, certainly have something to do with the direction that the economy takes. They adopt some economic policies to satisfy the popular demand and maintain their support among the electorate; however, they choose other policies too to satisfy particularistic interests. Political parties in government have the power, and many authors show how the parties regularly use it (Truman 1981; Piattoni 2001; Grzymala-Busse 2003; 2004; 2007; 2008; O'Dwyer 2006; Kitschelt and Wilkinson 2007), to implement policies that play into the hands of special interests. They may do it in exchange for direct or indirect aid in the parties' election campaign and these politics-business exchanges are in fact very common in both European and non-European democracies. The question is: are the exchanges so momentous that they transform macro-economic factors so radically as to show have an impact on party budgets? Undeniably, the politics-business exchanges have direct impact in the form of private donations and other material aid; they also shape the parties' programmes and the issues chosen for election campaigns. However, their indirect, second-hand impact via the effect they have on the direction of the entire economy would be very hard to assess and is outside the scope of the present, time- and cost-limited dissertation project. Economic factors are in the present work treated as phenomena fully independent on the will of parties.

Second, there is the legal regulatory framework comprised of laws affecting the working and financing of political parties in the Czech Republic. It includes the Law on the Association in Political Parties and Movements (424/1991 Coll.), Law on Election to the Parliament (247/1995 Coll.), Law on Elections to Regional Councils (130/2000 Coll.), Law on Election to the European Parliament (62/2003 Coll.), several amending laws (e.g., Laws 322/1996 Coll., 340/2000 Coll., 273/2005 Coll.) and ministerial decrees (e.g., Decree No. 273/2005). The regulatory framework in its effect changes the structure of parties' budgets by stipulating how much money parties are paid by the state to cover their expenses incurred in connection with the election to the Chamber of Deputies (Section 85, Law 247/1995 Coll.) and the European Parliament (Section 65, Law 62/2003 Coll.), how much are paid as a permanent contribution for receiving at least 3 per cent of the vote in elections for the Chamber of Deputies and how much are paid for mandates held in the Chamber of Deputies, in the Senate, regional councils and the Prague municipal councils (Section 20, Law 424/1991 Coll.). The largest bulk of state subsidies are paid out after each election to the Chamber of Deputies, which gives Figure 1.2 its visibly cyclical feature. The second cause behind the volatility in the structure of parties' budgets may therefore be termed 'the rule drive': it is confirmed in the law and, if

considered together with election results, predictable. The meaning of the word 'rule-driven' in this one point excludes both the strategy concerns parties may and do have when facing election results as well as the strategy parliamentary parties adopt when enacting the rules in the first place. It is an 'objective' cause, not related to the will of parties but solely to the law. Such an understanding of the second cause emphasises the difference with the third one.

The third cause is internal to the working of the party system itself: it reflects the parties' own decisions on their budgets, their financial and other plans and goals and may be termed 'the strategy drive'. It is a voluntary, purposeful cause behind changes in party budgets. A budgetary feature that leads many an author to reason that large parties in a given country are "approaching the cartel party model" (Krašovec and Haughton 2011: 207) is a dominant, usually above 50 per cent share of state subsidies in their annual income. Among others, Ingrid van Biezen (2000b) argues that numbers like this show the tendency of large parliamentary parties to collude on regulatory policies privileging these law-enacting parties, effectively closing the system to new challengers, who end up in a large material disadvantage from the very start of their campaign for the popular vote. Indeed, the adoption of certain laws by a privileged group of parties in power has a profound effect on parties' budgets and, in the next causal step, on their plans and strategies. Law-making, an ability possessed by only a relatively small number of parties in a given party system, is not, however, by far the only tool that parties may and do use in their strategies: parties' annual budgets reflect more than just the current state of the law, they also tell something about the parties' decisions on how they plan to court the voters, secure public offices and push through their programme and desired policies. Choosing a campaign strategy and mounting a campaign is indeed a complex party activity establishing two-directional links with the public, with the state as well as with the different structures inside the party itself, the link with the party's treasury being not of the smallest importance.

Another feature that Figure 1.2 shows is the recent decreasing trend in the share of state subsidies in Czech parliamentary party budgets. It is interesting to look at this trend through the prism of the two causes that are behind the perceived year-to-year volatility: first, there is the rule drive by which adopted laws should dictate the nature of long-term developments. In 2001, the model of state subsidisation of political parties in the Czech Republic was significantly reformed with the purpose, as simple model calculations tell (see, e.g., Havlík a Pinková 2013; Šimral 2013), to increase the material advantage of the two largest parliamentary parties. Until 2007, the reformed rules indeed kept the chests of Czech parliamentary parties filled mostly from the state. Since 2008, however, the share of state subsidies has been decreasing, a phenomenon which is not explainable by the rule drive as there were none significant changes to the laws regulating the financing of political parties.

The trend must therefore necessarily be attributed to the third cause, the strategy drive. As Figure 1.1 shows, the aggregate costs of election campaigns in the Czech Republic has been increasing ever since the first free election and even the most subsidised, largest parliamentary parties are not able to complete all their campaign goals fuelled solely by the state. Presumably, it might be that an increased competition from other parties forces them to search for other, private sources of income. Moreover, there is no guarantee that

the party will be represented in the parliament also after the next election, so the search for more non-state sources might as well be a precautionary measure. Or there might have been a change in the public perception of subsidisation of political parties, brought about by the ongoing global economic recession, and weakening the link to state resources becomes an important issue put before the voters in the election campaign. Indeed, there are a lot of interconnected matters included both in the term 'the rule drive' and the term 'the strategy drive' and while the terms themselves are in short presented already in this Part, the matters that relate to them and constitute them are further discussed in Parts 2.2 and 2.3, respectively.

Part 2.2: The rule drive

Many laws change the structure of party budgets. Even though I focus in this part mostly on the two successor state of the former Czechoslovakia, what is written about them applies as well to the majority of European democracies and a large share of non-European ones. In most countries, party budgets are affected by regulations dealing with the accounting of non-state institutions. These regulations may have the form of a statute or an act issued by a legal authority other than the parliament, such as a ministerial decree that stipulates the details of the law passed by the parliament. In the Czech Republic and Slovakia, for instance, political parties are obliged to provide reports of their accounts written according to the respective Czech and Slovak Laws on Accounting (563/1991 Coll., as amended, and 431/2002 Coll., as amended). Other regulations that affect party budgets are, for instance, auditing rules that stipulate how often and to what extent the books of political parties are supervised and periodically controlled. Both in the Czech Republic and in Slovakia, there are many parties where the costs of audit count among the highest expenses in their budgets; on the one hand, this problem concerns only the smallest from political parties, on the other hand, it does to a certain extent limit party competition.

Limiting party competition is indeed one of the apparent aspects of virtually every legal rule that somehow regulates the life of political parties. Some libertarian scholars and political parties even argue that the adoption of any legal regulation of political parties inherently constitutes an attack on personal liberty and freedom of expression. This is an issue more suited for a philosophical debate about the democratic principles on which Western political institutions are built but it cannot be denied that a moderate version of this libertarian notion may be found in the background of the cartel thesis: regulations, as one resource of the state, limit political competition (Katz and Mair 2009). However, some regulations do so more than others. For instance, Czech political parties are strictly required to submit their complete annual financial report by 1 April of every following year or face dissolution. In reality, political parties that do not submit complete financial reports by this date are usually suspended until they remedy the situation and they are often shown leniency about non-essential clerical mistakes. However, when the ignorance of the law is long-lasting, suspended parties are dissolved, like it happened to the once parliamentary Coalition for Republic - Republican Party of Czechoslovakia (Decision of the Czech Supreme Administrative Court Pst 4/2013-29). In comparison, Slovak political parties are required to submit their annual financial reports by 30 April of every following year. The punishment they face in case of non-compliance is a fine of €3.319,- (Law 85/2005 Coll., on Political Parties), a relatively small sum that makes the

Slovak approach arguably far more liberal than the Czech one. On the other hand, Slovak political parties submit their reports in both hard-copy and electronic version and the latter are put up on the website of the Slovak National Council. The Czech reports are even in the year 2014 kept only in hard copies in the Parliamentary Library, which makes their research excessively time-consuming and makes the control of Czech political finances by the public rather difficult.

For research into political finances and political parties, including research on the cartel thesis, two aspects of the rule drive are particularly important: first, with a good knowledge of the existing legal framework, some features of parties' budgets ought to be to a certain degree predictable. Based on financial and electoral laws, one ought to be able to predict what parties will be paid state subsidies and their amounts, learning in the process a lot about the budget structure of large, especially parliamentary, parties. On the other hand, laws on auditing stipulate the costs that a party will pay for its compliance with reporting rules, which is particularly important for the budget structure of small parties.

At this point, the first argument, based in the previous scholarly work and related to the rule drive may be stated: *the more party funding is regulated by law, the larger proportion of money found in the entire party system is predictable*. On the assumed predictability as well as on an argument put forward by advocates of strict reporting rules for political parties draws the second argument: *the more party funding is regulated by law, the less corruption is in party politics* (O'Leary 1962; Paltiel 1976: 109; Panebianco 1988: 58; Casas-Zamora 2002: 293). And third, if not the level of corruption is objectively decreased, at least *stricter regulations increase the (subjective) public trust in party politics* (Fay 1982; Johns 2001; Biezen 2008).

The second aspect of the rule drive is already been hinted at in the previous paragraph: rules affect parties in different ways, depending on the parties' characteristics. One may expect parties to be impacted differently by rules depending on a large set of variables: the parties' electoral strength, their membership, sponsors, material possessions or activities. This is an issue found at the very centre of the cartel thesis: Katz and Mair essentially argue that these differences in impact are at least known to but more probably counted upon by the law-making parties in power. These parties 'tweak' the laws so as to aggravate the financial standings of others and to help themselves to financial resources coming from the state budget. In other words, not only electoral laws work as a deterrent to party cartel challengers, which is a topic of many an analysis (see, e.g., Quintal 1970; Taagepera and Shugart 1989; Lijphart and Aitkin 1994; Remington and Smith 1996; Cox 1997; Farrell 1997; Birch 2003; Colomer 2004; Renwick, Hanretty and Hine 2005); it is a larger set of legal rules that might together form a more or less penetrable 'firewall' against parties from the outside of the cartel.

The issue whether parties in power indeed purposefully change rules so as to gain advantage over their rivals is dealt with within the concept of the strategy drive. When the characteristics of different parties are touched upon within the scope of the rule drive, they are taken as objective facts and the question of parties' will is left out for discussion in another, strategy-related part of the present work. From the methodological point of view, the rule drive is mostly a correlational analysis of researched variables and if

causal mechanisms are at looked for, it is done so without the interference of the motivations of voluntary agents, be it political parties, politicians or any other possible actors. In other words, the rule drive concept comprises includes the various mutual correlations linked to party finances in previous literature (for a comprehensive review, see, .e.g., Nassmacher 2009: Chapter IX) that have their basis in some form of a legal instrument, i.e., law or other statutes.

In a large share of the literature, it is the state subsidies that usually constitute one side of these correlation formulae as the question of whether and to what extent public funding ought to be available to political parties is regularly debated in both new and old European democracies. The precise amount and eligibility of public funding for political parties is fixed by law and therefore not subject to changes made by parties in their strategy. Based on the existing scholarship, several arguments about state subsidies and their impact on parties and party systems may be further elaborated: first, that *a higher threshold of access to public funding closes party competition and petrifies the party system* (Niedermayer 1992: 145; Neill Report 1998; Pierre, Svåsand and Widfeldt 2000; Casas-Zamora 2002; Hooghe, Maddens and Noppe 2006; Niedermayer et al 2006) Second, following an argument of the cartel thesis, it is stated that *wider availability of public funding discourages parties from establishing grass-root links to the society via large party membership* (Pinto-Duschinsky 1981: 138; Katz and Mair 1995; Neill Report 1998: 30; Casas-Zamora 2002: 66; 2005). Third, linked to this is a point emphasised by opponents of state subsidies who fear that *high amounts of public funding delegitimise the democratic process in the eyes of the public and contribute to the public distrust of politics* (Jones 1988; Arnim 2001: 106). Fourth, *state subsidies strengthen the position of the subsidies' direct beneficiaries inside the party and change the party internal power structure* (Deutsch 1966; Pinto-Duschinsky 1991; Biezen 2000a). However, advocates of state subsidisation for political parties put forward also some more complex arguments, with multiple variables involved. First, *state subsidies ought to strengthen the unity of political parties and reduce the threat of party disintegration* (Reed 2002; Birnir 2010; Zbieranek 2010; Luther 2011). Second, *the availability of public funding decreases the level of corruption in party politics* (Grzymala-Busse 2003; Mietzner 2007). Third, while the petrification of a party system is something preferably to be avoided, *public funding ought to prolong the average lifetime of parties* and by that help to stabilise the system. Stable party systems positively correlate with high-levels of democratic development (Mainwaring and Torcal 2006; Mainwaring and Zoco 2007). And fourth, *public funding may help to get involved in party politics groups who are in traditional societies materially disadvantaged, such as women, workers or non- ethnic and religious minorities* (Walecki et al 2009).

All these variables are here conceptualised as objective, i.e., not subject to the decision-making of parties. Moreover, state subsidies are not by far the only variable that is in literature included in correlation formulae. The literature is interested in private donations as a significant share of large corporate donations in parties' budgets commonly indicates propensity of the receiving political parties to favour liberal, right-wing economic policies that privilege employers over employees (Römmele 1995: 1995: 172; Miller 2005: 99). Economically socialist and communist parties, on the other hand, receive much of their revenues from small donors and regular membership fees (Fromont 1992: 157; Bardi and Morlino 1994: 248; Sickinger 1999: 306; Cordes 2001: 102). The relationship between different ideological party profiles and sources of revenue,

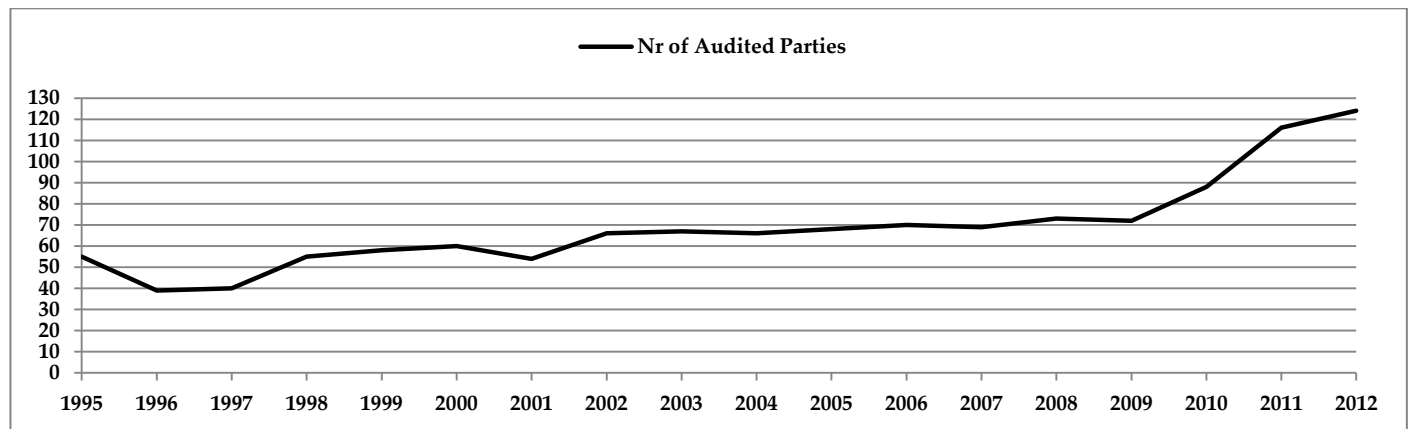
however, belongs rather to the discussion on the strategy drive, where it is further dealt with. Then again, the umbrella of the rule drive certainly includes the issue of legally imposed limits on private donations, their sources, disclosure rules or potential caps. Interestingly enough, large or non-transparent donations from private sources are often thought to carry the negative charge as state subsidies: they increase the public distrust in politics (Walecki 2001: 399). It may therefore be argued *that limits on large and corporate donations increase the public trust in party politics*. Or, it may even be that *these limits on large and corporate donations decrease corruption in party politics*. Finally, *stricter reporting and disclosure rules on private donations ought to increase the public trust in party politics*.

Not only revenues but also expenditures have lately been targeted by law-makers in European countries and elsewhere and these too therefore belong under the rule drive. In 2012, 21 out of 44 European countries researched by IDEA were regulating to some extent the spending of political parties during their election campaigning (IDEA 2012). While the first spending limits were introduced in US elections already in the 1911 amendment to the Federal Corrupt Practices Act, they have much shorter history in Europe, which does not yet allow presenting any firm conclusions about their real world impact. Still, despite the sketchy existing knowledge about their effects on the political and social system, there are several arguments that need to be tested in further empirical studies: first, *limits on campaign expenditures ought to curb the total amount of money that is channeled into party politics* (Blasi 1994; Ortiz 1997: 105; Ware 1998: 240). Second, on the other hand, *limiting expenditures may lead to an increase in the level of corruption in the party system*, as parties look for new, illicit ways through which individuals and groups can bring their influence to bear on campaigns and politicians (Pinto-Duschinsky 1981: 249; Alexander 2001: 198). To that phenomenon is linked the third argument that *campaign spending increases between-election spending of political parties*, as the parties try to disguise the first as the latter (Cross 2004: 170). Fourth, paradoxically, *capping expenditures in election campaigning ought to increase the public trust in party politics* (Coleman 2003; Gross and Goidel 2003: 101). Fifth, *spending limits benefit in elections governing parties, as they have more space in the media ex-officio and because they misuse government channels for partisan purposes* (Pinto-Duschinsky 2004; Pastine and Pastine 2012). And sixth, since caps on campaign expenditures restrict the amount of information spread among the voters both about the candidates as well as the election itself, *spending limits lower voter turnout* (Palda 1985: 535; Matsusaka 1995; Baek 2009).

Part 2.3: The strategy drive

Both in the Czech Republic and in Slovakia, aggregate revenues and expenditures of political parties have been gradually rising since the first free elections (Figures 1.1 and 1.3). As is noted in Parts 2.1 and 2.2, a share of the rise may be put down to first, economic trends and second, changes in legal regulations, specifically to increasing state subsidies. A larger share of the rise, however, was due to other factors: first, the number of political parties that belong to the Czech party system has been growing (Figure 2.1).

Figure 2.1: Number of parties in the Czech party register



If measured in the number of legally active political parties, the level of Czech participation has indeed increased since the 1990s. Still, there are two caveats that need to be added to this observation: first, parties are not by far equal in the quantity and quality of their activities, which affects not only the various issues related to participation of the people in the political process but also the financial profile of the party system. Some wealthy parties with a substantial and active membership and a relatively large following of core voters may for instance cease to exist for the reason of a merger with another party. After that, these parties replaced in year-to-year statistics by the new merged party plus a group of split-off parties led by opponents to the original merger; all these parties will then be of different electoral and financial values. Party replacement is an important issue when dealing with time-series financial in volatile party systems and is dealt with further in the present work.

The second caveat concerns parties that do not submit their annual financial reports. This may be considered a feature of the rule drive, as it concerns a question of the law, but it is included in the concept of the strategy drive simply for the reason that it is a phenomenon for now researchable only from the point of party strategy. One-off parties that first, register before an election, second, fail to attract the amount of vote its leaders consider to be important and third, subsequently cease to exist, do not submit any financial data to anyone. Therefore, from the point of view of statistics on party funding, they do not exist. This is a considerable problem for both interested scholars as well as for democratic accountability of the whole party system but, until remedied by legal regulations, the problem is unsolvable. Once there is a rule that legally obliges every party that has run in an election to submit at the end of the year a report on its work and its financing, research will be made a lot easier and these 'mischievous parties' may be explored also under the concept of the rule drive

The second factor behind the continual rise of revenues and expenditures in the Czech and Slovak party systems is the core of the strategy drive concept itself: voluntary decisions of principal agents in party systems. The people that have entered election contests may have been able and willing to put gradually, over the course of the last two decades, larger and larger financial stakes in the game; or they have not, that is one of the questions that the present work wants to answer. It may be even argued that *voluntary decisions*

about the goals, strategies and tools of election campaigning have a large impact on first, the structure of financial assets accumulated in party systems and second, on the total amount of these assets. The wealth and budget structure of political parties are not merely the objects of outside forces created by the economy and law but they are to a large extent shaped by the will of the party activists, both card-carrying members as well as collaborators.

The cartel thesis itself contains one intriguing notion that parties in positions of law-makers, which in most cases are parties in parliament, collude and create laws that give them advantages, including financial advantage, over challenger parties (Katz and Mair 1995: 17-21). In other words, as opposed to previous models of party organizations, the new model of the cartel party widens the scope of resources used in party strategies from solely private to both private and public resources. Even though Katz and Mair never implicitly state so, the emergence of the new model, if the existence of the model is assumed, ought to be understood as a result of gradual qualitative transformation and long-term development rather than an instant, surprising result. Political parties in Europe were originally creatures of spontaneity and later of custom and were not regulated by law until after the Second World War. Roots of the cartel party phenomenon may be noted already in the late 1940s, when Germany, Italy and Austria adopted laws specifically aimed at political parties. Over the years, parties become legally regulated in more and more European countries; first, the laws usually described the purpose of political parties, the rules of their formation and entry into elections. Lately, the rules would become more detailed and target other areas of party activity, including their financial operations (Table 2.1 and Figure 2.2).

Table 2.1: Party Regulations Passed in 28 current EU Member States), 1945-2013

	Total Countries	Countries	Cases	Articles
1940-49	3	3	3	28
1950-59	4	1	1	1
1960-69	7	5	5	56
1970-79	11	6	7	78
1980-89	12	6	7	48
1990-99	24	16	36	359
2000-09	26	19	26	578
2010-13	27	13	<u>14</u>	<u>359</u>
			99	1507

Figure 2.2: Average number of articles in a law regulating political parties in 28 EU Member States



Source: Simral (2013)

The transformation of parties into cartel parties may therefore be at least in part expressed in quantitative indicators: in aggregates of party membership (Mair and Biezen 2001), sums of public funding (Szczerbiak 2001; Biezen 2008), and the number of laws regulating political parties. It ought to be emphasised that these laws are also drafted and adopted by political parties.

The adoption of certain laws by a coalition of parties in parliament may be an effective tool that parties use in their strategies but certainly is not the most common. First, only a relatively small group of parties possesses this tool. For instance, in the Czech Republic, political parties in the Chamber of Deputies make up for only 5 to 10 per cent of all parties registered. Some 90 to 95 per cent of political parties have to get by in their activities without the power to change any of the rules of the game in the process and they have to devise their plans accordingly.

Second, even the parties that temporarily possess the law-making power will want to use it with caution. For political parties in a democracy, the most important currency is votes. Even though this statement may be conditioned when considering other variables, such as the type of election, the positions to be won or the electoral formula, parties would always prefer to get more votes in an election than less. That is a Downsian (1957) assumption but, at the same time, it does not oppose Kaare Strøm's (1990a; 1990b; Müller and Strøm 1999) distinction between vote-seeking, office-seeking and policy-seeking parties. Parties abandon the median voter position because the policies or the offices they seek require that, not because their goal is to attract less votes. The decrease in electoral support is a necessary cost, not the objective. Parties calculate that the sacrifice in terms of votes will be in the big picture outweighed by a policy or office pay-off.

Legislators passing regulations on political parties must calculate the effect their activity has on their voters. The activity may enrage the voters, who will punish the legislators in the next elections; and, if the regulations were aimed to benefit parties in the legislating coalition, once they drop out of the coalition, the parties may find themselves in a disadvantageous position. As has already been noted in Part 2.1, this

situations is also a focal point of the cartel thesis: Katz and Mair (1995; 2009) argue that parties hedge against their potential future losses. They set up a funding model that is beneficial to all parties in parliament, both those in government as well as those in opposition. Sometimes, they even widen the 'safety net' of material advantages to parties with electoral support close to the parliamentary threshold. That way, if they experience a temporary lapse in their electoral strength, they will be still able to draw on public funding and sustain financially at least a part of their normal activities. The question whether there actually objectively exists such a safety net of public funding is tackled under the 'rule drive' concept. The motives behind and methods towards a construction of this net, on the other hand, are part of the strategy drive.

In short, to modify funding regulations is a strategy available only to a selected few who need to use it cautiously. The vast majority of party strategies that shape the structure of assets accumulated in a party system and their total amount are not concerned with changing the law. They are concerned with acquiring the maximum of resources available under the current law and employing these resources effectively so as to reach the maximum of their goals. As Part 2.1. states, the strategy drive is a voluntary, purposeful cause behind changes in party budgets. In other words, the causal mechanism here discussed is 'strategy', a complex phenomenon that has been elaborated in many ways by many authors in political science and elsewhere. It is an essentially contested concept (Gallie 1956) and there has never been a major consensus among social scientists what the term 'strategy' denotes; indeed, latest works on the concept consider its vagueness one of its hallmarks and intrinsic advantages (de Wit and Meyer 1994; Eden and Ackermann 1998; Freedman 2013).

In political science, strategy has been used to describe phenomena occurring in e.g., policy-making (Mitroff and Emshoff 1979), political marketing (Baines and Worcester 2006; Lees-Marshment 2009), studies of elites (Raschke and Tils 2007; 2010), political philosophy (Fosdick 1942), political media studies (Aalberg, Strömbäck and Vreese 2011) or international relations (Signorino 2002). Scholars of party politics has the term 'strategy' applied to various issues that can be, in a crude simplification, divided into groups: first, there is the strategy of voters who choose in an election between political parties not only according to their policy preferences but also according to their beliefs about the probable result of the election. Strategic (or tactical or sophisticated) voting occurs when "[s]ome voter whose favourite candidate has a poor chance of winning, notices that she has a preference between the top two candidates; she then rationally decides to vote for the most preferred of these top two competitors rather than for her overall favourite, because the latter vote has a much smaller chance of actually affecting the outcome than the former" (Cox 1997: 71). It has been the focus of many studies (e.g., Farquharson 1969; Enelow and Hinich 1990; Nurmi 1998; Grofman, Blais and Bowler 2009) since Duverger's (1951) seminal volume and the strategic behaviour of the electorate will most certainly remain a focal point of political research for the future.

The other group of studies using the concept of strategy in party politics is concerned with the strategy of parties themselves. The group may again be sub-divided into those that treat parties as unitary actors (e.g., Sitter 2002; Meguid 2005) and those that focus on party leaders, elites, or lower levels the party

hierarchy (e.g., Tsebelis 1990; Chhibber and Torcal 1997). While the first then pursue exclusively the subject of inter-party interactions, the latter broaden their research also on intra-party relations (e.g, Kitschelt 1988; Katz 2001). The present work primarily treats political parties as unitary actors and handles the concept of strategy accordingly; only from time to time, in order to better explain and clarify some issues, it overlaps into the field of leadership strategy.

Strategy, in the ancient Greek meaning of ‘strategos’, is a general set of manoeuvres carried out to overcome an enemy (Eden and Ackermann 1998: 3). It is concerned with maintaining a balance between ends, ways, and means; with identifying objectives; and with the resources and methods available for meeting such objectives (Lykke 1989: 3). This general notion may serve as the basis for the definition of strategy used in the present work: *strategy is a planned set of actions with selected resources and technology that agents of party systems use in order to achieve their intended goals*. These actions may be classified according to the intended recipient of the action into four major groups: action aimed at a) partisan agents, b) non-partisan political agents, c) special agents of note outside the politics (the bureaucracy, the media, and the business) and d) the electorate. The resources and technology are selected depending on the intended agent of the action; the same applies if the action is aimed at more than one of the agent groups. Strategic actions have a bidirectional relationship with party budgets. They affect them and are affected by them. To clarify, it is possible to sketch a hypothetical situation based on, as the present work shows later, a real-life experience: a party looks to enlarge its electoral strength in the younger, educated, liberal demographic group. It channels a share of its funds into stronger virtual presence on the Internet, particularly on social networks and in selected webzines. These expenditures may then be recovered not only in votes but also in money; the targeted demographics may react positively to a request included in the promotion for small donations to a magazine published by the party.

The magazine donations were an example of direct, immediate reaction to a party’s strategic action. However, this action may further resonate and lead to originally unintended and undesired results. For instance, the move targeting younger and liberal demographic group may disappoint an older, conservative group from the original core of party voters. If these voters feel betrayed, they will not only vote for another party in the next election, they may also withdraw their financial support. A change in the selection of marketing tools may often have a deep impact on the tone of the programme message send out by a party, even without an actual policy change. A Christian Democratic party, to give the hypothetical scenario a flare of realism, that wants to feel hip and sexy for younger voters may end up losing a large share of their older electorate and with that a significant part of their revenues coming from small and medium donors.

In short, the structure and amount of assets found in the party system ought to be dependent of many things and the existing literature provides several hints as to what might be expected to affect party budgets. In the literature, it is argued that *the structure and amount of assets in party budgets varies according to ideological party families*. There are expected causes behind this relationship: the campaigning style (see, e.g, O’Neill 1997; Gibson and Römmele 2001; Gibson, Ward and Lusoli 2002) and the characteristics of voters of each particular party family (e.g., Oppenhuis 1995; Swank and Eisinga 1999; Karreth, Polk and Allen 2013).

The first cause is related to the expenses paid for the different campaigning tools used for different voter demographic groups. The second cause is related to revenues and its varying amounts and forms when provided by different voter demographic groups. In essence, this arguments restates the old folk theorem that conservatives are connected to big business while social democrats to workers.

The third argument discussed in this Part states that *the structure and amount of assets in a party's budget varies according to the party's pre-election coalition position*. Here, the present work moves into from the shallow end of the pool paved by previous research into deeper, unexplored water. There are studies suggesting that pre-election coalitions may be formed not only with the vision of gaining more votes and, potentially, seats and offices in an election (Ferrara and Herron 2004; Golder 2006; Blais and Loewen 2009; Resnick 2011). One of the goals of pre-election coalitions may also be to reach the threshold guaranteeing public subsidies; moreover, pooling resources for a coalitional election campaign may save parties' considerable effort and money on the side of expenses. If the pre-election coalition as well as post-election bargaining proves cost-efficient, the cooperation may evolve into a full-fledged merger, in which even more valuable resources will be saved (Bélanger and Godbout 2010; Bandyopadhyay, Chatterjee and Sjöström 2011).

Fourth, *the structure and amount of expenditures in a party's budget varies according to the party's past electoral performance*. While there would be hardly anyone arguing that party incomes are affected by past electoral performance, the question whether expenditures too are affected by the same variable deserves further thought. It makes sense that the total amount of expenses ought to rise and fall as the incomes rise and fall. Parties are not as such profit-making institutions (if all cynicism is being left out) and regularly pay out even more money than they make. However, is the structure of expenditures affected too by how a party fared in previous elections? It might: in the above sketched scenario of Christian Democrats trying to attract a younger electorate, it is conceivable that the shift to new marketing methods was occasioned by a previous plunge in preferences.

Fifth, not only the past matters in human decision-making but also the future. It therefore ought to not come as a surprise, if *the structure and amount of expenditures in a party's budget varies according to the party's expectations about their future electoral performance*. Informations from pre-election polls are devoured by parties and they modify their strategies based on this information (Farrell and Wortmann 1987; Herrnson 1989; Sparrow and Turner 2001); if they see a chance for success in the upcoming election, they may pour some more capital into their campaigning efforts. They are also in a better negotiating position when asking potential donors for more resources. Last but not least, they feel more confident and are more creditworthy when applying for bank loans.

Sixth, *the structure and amount of assets in party budgets varies according to electoral formula and type of elections*. This is a compound argument that probes two important issues: differences in electoral formulas used over Europe and second-order elections. Electoral formulae around the world are one of the most researched topics in political science (see, .e.g., Rae 1967; Bogdanor and Butler 1983; Lijphart and Aitkin

1995; Norris 2004; Golder, Matt 2005; Diamond and Plattner 2006; Gallagher and Mitchell 2007; Baldini and Pappalardo 2009; Farrell and Shugart 2012). They have been shown to have influence on the number of parties surviving in a party system (Duverger 1951; Riker 1976; Taagepera and Shugart 1993; Ordeshook and Shvetsova 1994; Benoit 2001), on inter-party strategies (Duverger 1951; Cox 1997; Golder, Sona Nadenichek 2005), on voter turnout (Blais and Carty 1990), on the chance to create a majority government (Blais 1987), on the level of personalisation of the relationship between a voter and a candidate (Carey and Shugart 1995), on the representation of minorities (Rule and Zimmerman 1994), on the level of corruption (Persson, Tabellini and Trebbi 2003) and a great many other things. The present work discusses election formulas in relation with other legal instruments in Chapter 5.

Generally speaking, studies show that parties indeed campaign differently under different formulas, even if the formulas are used in a single country (Roberts 1988); they also approach differently campaigns for seats in different representative organs: European, national, state, regional or local (Eijk 1996; Heath, McLean, Taylor and Curtice 1999; Jeffery and Hough 2003; Manow 2004). The complex logic of the so-called 'second-order' elections often prove too challenging for party leaders and campaign-makers and parties that fare reasonably well on the national level crash and burn in European or sub-national elections. Conversely, underdogs frequently thrive in these elections. The causal mechanism behind this interesting phenomenon is quite definitely made up of multiple variables and it is reasonable to expect some of its effects to show in party budgets.

The seventh argument ventures that *the structure and amount of assets in party budgets varies according to the length of its election campaigns*. Indirectly, it is a question on capital intensity of election campaigns. Parties commonly spend more when there are elections ahead and a quick look at annual data of, for instance, Czech political parties prove it (Havlík a Pinková 2013). However, annual data compile expenditures spent on one or more elections that may occur in a single year and cannot answer the question which election campaigns are capital-intensive and which extensive. As far as I am aware, this area of study is virtually untouched in European literature and few studies have been carried out even in the more information-rich American environment (Hogan 1999). A new dataset compiled during research on the present work may answer, however, in the future help to explore the question in European context.

Eight, *the structure and amount of assets in party budgets varies according to the composition of the campaign planning team*. Again, this is an argument discussable only if new data are brought in as the existing public datasets do not offer any hints as to the composition of campaign teams in political parties in Europe. The usual research strategy how to uncover the details of teams delivering election campaigns across Europe and elsewhere is the pursuit of qualitative case studies; scholars have indeed already made many inroads into this particular field (e.g., Sayers 1998; Lees-Marshment 2001; Lilleker and Negrine 2002; Carty, Eagles and Sayers 2003; Denver, Hands, Fisher, MacAllister 2003). The present work wants to enrich this study field by providing fresh insights from the newly compiled dataset.

The new dataset covers also the ninth argument of the strategy drive part: *the structure of incomes in a party's budget varies according to the party's policy position on the existing regulations on political parties*. This is the third argument based on data collected exclusively for the present work and it is another indirect question on cartelisation in a party system; specifically, it is a question after motivation of prospective cartel members. Restated, it is a question whether the parties that reached the minimal threshold needed to be subsidised by the state and therefore may have a good motivation to join a cartel, think differently about the regulations than parties that are not subsidised. Moreover, the argument ought to be empirically backed up by a correlation between big business-backed conservative parties of the right and anti-regulation policy stance on the one hand, and small donors-backed socialist parties and pro-regulation stance on the other. Last but not least, it may also show whether parties publicly proclaiming their negative attitude towards large private donors, a common manifesto piece of some new challenger parties (e.g., Mudde 2007; Bornschier 2010) actually do not depend on such donors for their income.

The fourth argument related to the new dataset the tenth in this Part in total states that *the structure of incomes in party budgets varies according to the voluntary efforts for transparency*. It tackles a question similar to the previous one: do political parties have something to hide in their financial operations? Is there a correlation between a specific distribution of donors and reluctance to disclosure? Another old folk theorem says that political parties indeed habitually hide big business donations. The public fears that large corporations might pay into politicians' pockets as well as to parties' war chests significant sums for which they would seek influence in the state administration. Some scholarly literature argues that such concerns are substantiated and even though actual evidence about illicit practices is scarce (e.g., Scarrow 2004; Briffault 2011), limiting the space for potential corruption ought to be always preferred.

Chapter 3: Minor Concepts and Research Objectives

Part 3.1: Concepts from Previous Literature

Thirty arguments about party funding, its regulations and election campaigns found in the existing literature is a formidable number, especially when real-world indicators related to the concepts may be numerous and their selection as well as the selection of a certain data pool may significantly, even crucially influence the ultimate research conclusions. However, it is not the goal of the present work to discuss all of them thoroughly on the following pages, even if most of them are at least touched upon. They serve mostly as an issue-based literature review, where previous works are clustered around the central questions, or arguments they put forward. That being said, it is indeed possible to research at least to a certain extent most of the involved concepts in the present text, if these concepts are properly inspected and potential relationships between them are with caution considered. There is no need to further conceptualise the majority of the terms used in the arguments, since that has been done several times over in the previous literature dealing with these terms and on that previous knowledge draws the present chapter.

The two crucial new concepts of this text, of the rule drive and the strategy drive, respectively, have already been elaborated and may be here merely summarily defined: the first denotes movements in party budgets that are obligatory due to the letter of the law. The latter denotes movements in party budgets caused by parties' own volition. The first reflects the current legal structure of a party system; the latter reflects the financial impact of actions of party agents. In the present work, I argue that these two distinct types of movements in parties' budgets may provide a significant amount of information about the development of European party systems. Specifically, this work focuses on the information that is provided about the possible existence and functioning of party cartels in Central European countries.

Since they are based on two distinct movements, the two sets of arguments are distinct too: arguments related to the rule drive assume relationships between variables that are largely independent of party strategies and concern the party system aggregate. Arguments based on the strategy drive, on the other hand, discuss mostly relationships between the different configurations of party budgets and policies or campaign designs of political parties. Still, these set definitions are qualified to a certain extent as the exact terms included in the arguments often refer to concepts that have been dealt in the existing scholarly literature with 'fuzziness' as to their operational definitions. Thus, while to conceptualise the terms anew would be purposeless, there is still the need to ascertain their exact real-world indicators.

The first term to operationalise is *party regulations*. The use of the plural 'regulations' reflects the notion already elaborated in Part 2.2: party regulations are not a single piece of law but a set of several legal instruments that, assumingly, ought to work synergistically to make the rules of party competition fair for everyone. It is necessary to survey the various forms party regulations may have in the real world and think about the real differences between these forms. It is crucial to ascertain a) differences between party regulations strict and a liberal, which are here considered to be the opposite sides of one spectrum, and b) how may be measured the overall extent of regulations on political parties in a given legal system. There is

currently in existence no widely used ranking system according to which party regulations in different countries might be lined up from most strict and least liberal to most liberal and least strict. Nor there is a database that directly measures the extent. The only international organisation specifically designated to examine party regulations in European countries is the Group of States Against Corruption, or GRECO for short, a subsidiary organisation of the Council of Europe. This anti-corruption body monitors the transparency of party funding in signatory countries (all Council of Europe Member States plus Belarus and the United States) since January 2007 and its Evaluation Reports provide great insights into the working of party systems in Europe. GRECO's methodology does not allow for a direct quantification of differences between evaluated units but the Reports might serve as a basis at least for an ordinal scale showing relative differences without the measure of degree of difference. Other sources, complementary to GRECO Reports, are the Political Finance Database of the International Institute for Democracy and Electoral Assistance (IDEA) and the Party Law in Modern Europe Database that is being compiled by a research team at the Leiden University. Ordinal ranking is therefore, generally speaking, the method used in the present text to assess both the relative degree of strictness of party regulations in individual countries as well as the extent of regulations.

The second term is *corruption in party politics*. Unlike party regulations, corruption has been a central concept in various disciplines of social sciences and there are already several ranking systems and measurement available for application in the present work. One of the most popular is the Corruption Perceptions Index (CPI), published annually by Transparency International, which has over the years developed into a standard measure of corruption across the world. Despite regular criticism (see, e.g., Sampford 2006; Andersson and Heywood 2008; Eigen 2010; Ko and Samajdar 2010), the CPI has served at least as a proxy variable also for scholars working on party politics (e.g., Veugelers and Magnan 2005; Lewis 2006; Ekman 2009; Krause and Méndez 2009; Charron 2011) and the present work follows the suit. However, it uses secondary proxies, too. After all, the CPI is not the only system used in literature to measure corruption. These are other popular rankings, such as the Business Environment and Enterprise Performance Survey (BEEPS), a wide-range cross-country survey implemented jointly by the European Bank for Reconstruction and Development and the World Bank (see, e.g., Kenny 2009), the World Bank's own Country Policy and Institutional Assessment (CPIA) (e.g., Sandholtz and Gray 2003; Ledeneva 2009), the International Country Risk Guide (ICRG) (e.g., Knack and Keefer 1995; Fisman and Gatti 2002), compiled on a monthly basis by the private political-business forecaster PRS Group, the World Economic Forum's Executive Opinion Survey and annual Global Competitiveness Report (e.g., de Walle 2006; Knack 2007), or the Incidence of Bribes, a part of the UN's International Crime Victim Survey (e.g., Holmes 2009).

With the exception of the Incidence of Bribes, these rankings focus on company entities and not on individuals. They may be particularly useful for the argument which states that more regulation of party funding leads to lower corruption levels in party politics. That argument clashes with the findings of Paul G. Wilhelm (2002) who asserts that lower corruption levels as measured by the CPI are actually associated with lesser "overabundance of regulation". Such a perceived clash underscores the issue that 'corruption in

party politics' may in its content to some extent differ from corruption in other areas, such as in business or state administration. Since there is however no available ranking system to measure corruption in party politics directly applicable for the present work, in Chapters 5 and 7, the CPI index is used

Third, there is the term *public trust*. Public trust is another concept that has been enjoying a long life and a high level of attention in political science literature. From the Gallup World Poll to the International Social Survey, there are dozens of public opinion surveys that measure public trust in various institutions and branches of government across the world. In Europe, when not building original datasets (see, .e.g, Wyman et al 1995), scholars find data on the level of public trust in political parties in several widely used sources: the Comparative Study of Electoral Systems (e.g., Grönlund and Setälä 2011; Anderson and Just 2012), Eurobarometer (e.g., Dalton and Weldon 2006), European Social Survey (ESS) (e.g., Jones et al 2008; Hooghe 2011; Marien 2011), Transparency International's Global Corruption Barometer (e.g., Slomczynski and Shabad 2011), or the University of Strathclyde's New Europe/Baltics/Russia Barometer (e.g., Rose 1995; Clark 2001; Sil and Chen 2004). Again, there certainly exists a disagreement over methodologies used in these surveys and about the conceptualisation of public trust itself (e.g., Citrin 1974; Braithwaite and Levi 1998; Newton 2001; Stolle and Hooghe 2003; Keele 2007; Hooghe 2011). At the same time, there is no reason why the same technique as is used for corruption scores may not be used for public trust as well. Data from several sources are therefore in the present work put together and used in Chapter 7.

The fourth term to operationalise, *party system closure*, is rather less common in social sciences literature as it is used exclusively by scholars of political parties. It was introduced into the mainstream research by Peter Mair (1997; 2002) but the concept heavily draws also on earlier works about Western European party system, particularly on the research of Otto Kirchheimer's (1965). Despite the narrow field of its use, party system closure has already been the object of several operationalisations. Most authors follow Mair and focus on the patterns of alternation of political parties in government, or more generally agree that it is a concept closely related to that of party system stability. However, while most authors consider party system closure to be a dichotomous variable, or a composite variable made up of dichotomous components (e.g., Toole 2000; Linz and Montero 2001; Müller and Fallend 2004; O'Dwyer 2006), some recent studies follow the example of Pedersen's Index of electoral volatility (1979) or Lewis's Index of Party Stabilization (2006) and treat party system closure, or one of its components as a continuous variable (Casal Bértoa and Enyedi 2014). The present work follows the latter example and conceptualises party system closure as a continuous composite variable. The three components of party closure are the same as were used by Mair (1997) and Casal Bértoa and Enyedi (2014). . The data from the latter are in the present work used in Chapter 7.

Fifth, there is *party membership*. Again, the declining numbers of party membership in Western European countries have been at the centre of the cartel thesis from the very beginning (Katz and Mair 1995; 2009; see also, Dalton 1984; Dalton and Wattenberg 2002; Biezen, Mair and Poguntke 2012): a major indicator of presence of the cartel party model is a low party membership. Since this is a concept with a clear operational definition, the only issue to tackle is collecting necessary data. Even today, there exists no

up-to-date Europe-wide database of membership figures of political parties and therefore, for the countries research in the present work, the data are collected from previous works found in the scholarly literature listed in Chapter 7.

The sixth term, *party internal power structure*, is more complicated. The concept of ‘power structure’ inside political parties refers to the way in which power is distributed among internal party actors. Duverger (1951) distinguishes between centralised and decentralised structure: in the first, all decisions and taken at the top, either autocratically or democratically, and then implemented locally. In the latter, local representatives of a party, usually members of parliament, have a wide autonomy in decision-making on issues of varying importance. Other authors use the difference between centralised and decentralised structure to delineate also relationships among different, extra-parliamentary branches of a party (see, e.g., Laver and Shepsle 1990; Strøm 1990a; Heidar and Koole 2000). Helboe Perdersen (2010) operationalises internal party structure under the term power distribution as a composite of four fields of power drawn from party by-laws: candidate selection, sanctioning of MPs, policy decision-making and informing the party on voting in parliament prior to the vote (2010: 744-5). The selection of these variables essentially corresponds with the model of three faces of a party organisation (Katz and Mair 1993; Katz and Mair 2002; Detterbeck 2005), even though one more variable ought to be added in view of the topic researched by the present work: the organisation and supervision of election campaigns. If the argument states that *state subsidies strengthen the position of the subsidies’ direct beneficiaries inside the party and change the party internal power structure*, the more either the party headquarters, party members of the parliament, or party regional branches are subsidised by the state, the more influence over the selected five power fields one face ought to exercise to the detriment of the remaining two faces. The present work tackles this issue only tentatively in Chapter 7 and uses concept operationalisation found in the existing research.

Seventh, there is *party unity* and *party disintegration*. Even though these two terms are used in a single argument, in the scholarly literature, they commonly refer to two different phenomena. While the first term, party unity, is mostly used to describe high levels of party parliamentary discipline or cohesion (e.g., Ozbudun 1970; Weyland 1996; Mainwaring 1999; Olson 2003; Carey 2007), the latter, party disintegration, is widely understood to be the last stage of party factionalism (e.g., Truman 1984; Scherlis 2008; Boucek 2009). In the present work, I follow this conceptual distinction; at the same time, however, I argue that both terms may be discussed together if understood as sharing a common causal mechanism. Scholars note that party unity, i.e., parliamentary cohesion, may be brought about via two distinct paths (Hazan 2003: 3-4): first, by shared preferences of individual actors, and second, as a result of positive or negative incentives that make MPs vote together; in other words, they are disciplined by whipping. If policy preferences diverge and party whips are not efficient enough in disciplining their members, party factionalism will occur. And if it prevails, it will ultimately lead a party break up and disintegration of the party ranks in the parliament and possibly in the central office and on the ground as well. These two phenomena may, albeit simplifiedly, be tackled as two stages of a single causal chain and discussed in common, even if two datasets for each of

those two are used. The data need to be again looked for in country-specific sources, which are listed in Chapter 7.

The eighth term in need of operationalisation is *average lifetime of parties*. That term may have many a specific meaning: how long a party exists, how much time has it spent in the parliament, how long does it function under one name, or under several. When it may be said that a party is completely new and when is it only a continuation of a previous political formation? Party replacement, i.e., the emergence of new parties, has been a major cause of instability particularly in new democracies of the post-communist Europe (see, e.g., Birch 2003); however, this phenomenon is particularly difficult to analyse, since there is so many personnel and programmatic legacies moving from old to new parties (e.g., Bartolini and Mair 1990: 311-2). In volatile party systems, leaders and whole groups and factions often continue in politics by switching party affiliations. New parties are therefore often not truly new formations but rather re-incarnations of old ones. Casal Bértoa and Spirova (2013) suggest that the survival of political parties in Eastern European post-communist countries is largely contingent on securing a sufficient share of state subsidies. That picture might however significantly change if the question of what constitutes a party survival is answered in different ways. The present work looks at parties' lifetime through the framework of its new collected data, which are discussed in Chapters 6 and 7.

The ninth term, *groups who are in traditional societies materially disadvantaged*, is related to characteristics of the electorate and, indirectly, to party families. Social scientists have established that a certain demographic profile of an individual is strongly correlated with impaired possibilities of vertical social mobility: the factors mostly aggravating one's position being the female gender, a non-white race and, frequently, the status of a relative new-comer into the country (see, e.g., Moncrief 1991; Raijman and Semyonov 1997; De Jong 2001). Both political and economic possibilities of representatives of these traditionally underprivileged groups are unfairly limited due institutionalised or non-institutionalised prejudice (e.g., Lawrence 1978; Krysan 2000; Sniderman et al 2000) and from the start of democratization in the early 1990s, scholars and practitioners have feared that underprivileged groups would face a particularly tough opposition in post-communist political systems (e.g., Stein 2000; Matland and Montgomery 2003; Galligan, Clavero and Calloni 2007; Stan and Turcescu 2007). Arguably, state subsidies might be expected to help the underprivileged in politics by providing them with needed material resources. They will no create a level playing field but they give the challenger a head-start. To track disadvantaged groups, analysis in the present work ought to look at both the party level as well as at the voters themselves: first, some groups may form exclusive gender- or ethnicity-based parties (e.g., Ishiyana 2003; Vermeersch 2003), while other may simply rally under multi-issue parties. Therefore, both a qualitative textual analysis of programme manifestoes of relevant political parties as well as a simple quantitative analysis parties is carried out in Chapter 7 to determine, whether public subsidies in individual polities helped to boost the presence of underprivileged groups in politics.

Following up on the previous paragraph, the tenth term to discuss in short is *party families*. Some kind of relationship between a particular party family on the one hand, and a particular structure of

financial assets on the other is expected. The particular type depends on what common typology party families is used; or an entirely new typology might be also introduced. Given the focus of the present work, this is not however the case here. Traditional typologies of party families (e.g., Rokkan 1970; Janda 1980; Seiler 1980; von Beyme 1982) are primarily based on Western Europe party types and do not travel particularly well to the post-communist Europe, where different historical trajectories and mechanisms lead to the crystallisation of social cleavages and, subsequently, party systems in the 1990s (e.g., Kitschelt 1995; Whitefield 2002). Some scholars therefore attempted to build new typologies (e.g., von Beyme 1994; Mesežnikov 1995; Waller 1996) with mixed results: first, most of these typologies still draw heavily on Lipset and Rokkan's (1967) work and are methodologically limited by this old model. Second, societies and politics in post-communist countries have been developing more rapidly than in Western European post-war democracies. Indeed, several authors (e.g., Berglund and Delenbrant 1991; Lane and Ersson 1996; Mair and Mudde 1998) early predicted that Eastern and Western European political parties would resemble each other sooner or later and, as the present work shows too, recent developments prove them right. The argument whether original Rokkanian typologies of party families are of value for research into post-communist politics may not be decided here and two typologies are therefore applied, when discussing the data in Chapters 5 to 7: first, representing the old, Klingeman, Hofferbert and Budge's (2000) 15-class typology and second, as the new non-Rokkanian model based on general notions of winners and losers of democratic transitions, Kitschelt's (1995) 2-axis division between secular libertarians, economic populists, market liberals and religious traditionalists.

Eleventh, there is the *misuse of public media for partisan purposes*. The argument from previous literature states that spending limits in election campaigns benefit government parties as they, first, are more in the public view from the virtue of their office, and second, they may even misuse state-owned media for their partisan propaganda. This is a complex causal construction that poses three related questions: first, are government parties more in the public view? Second, do they misuse state-owned media for partisan purposes? And third, do spending limits effectively restrict media presence of political parties in election campaigns? The present work discusses these questions in Chapters 5 to 7, but does not offer firm conclusions, since data brought into the analysis are largely anecdotic and comparable in relative terms only for small-N sets. There exists no ready dataset with information on the presence of individual political parties in national media in Europe; and it is probably still a few years away until computerisation and Big Data trends catch up in this field. Scholars engaging in research on media and political parties still more often than not use qualitative methods and case studies (e.g., Gunther and Mughan 2000; Gross 2002). Moreover, the evidence that parties in the post-communist Europe indeed largely misuse public media is unclear or ambiguous. Parties have to some extent control over the media but they are rather just a link in a long chain of inter-connected segments of business, politics and civil society (e.g., Gross 2003; Bajomi-Lázár 2013). As a proxy indicator for the misuse of public media might serve Reporters Without Borders' Press Freedom Index or Freedom House's Freedom of the Press Index; these two ratings do not measure specifically the intrusion of political parties into the media world but rather the intrusion of the government

and, indirectly, governing parties. The hypothesised relationship is therefore that spending limits strengthen the position of governing parties in elections the more the less freedom there is in the media.

Twelfth, there is *pre-election coalition position*. Parties assumingly structure their budgets so as to most effectively use the position they find themselves vis-à-vis their coalition parties. Common examples are parties co-financing candidates in some districts or dividing media space. Coalitions are regularly formed to cross the thresholds needed for parties to enter representative organs or thresholds of state subsidies. A simple analysis of parties' pre-election coalition agreements before every election is carried out in Chapter 7 and the information juxtaposed with data on assets structure.

Thirteenth, assets structure is also analysed with relation to *past electoral performances*. Readily available datasets of election results only for every European country but the two issues that need to be tackled here, in accord with previously discussed terms, are party replacement and pre-election coalitions. Individual party-tracing data are already gathered and edited for the operationalisation of the eighth term, *average lifetime of political parties*, and they may be applied for this term too. Birch's (2003) methodological guidelines deal with both party re-formations as well as election coalitions. Election results of individual political parties in coalitions in European countries are in most of the cases calculable from available datasets, which are listed in Chapter 7.

The fourteenth term to operationalise is *expectations about future electoral performance*. The obvious indicator is pre-election polls. Even though some political parties poll their preferences privately and do not make these data accessible to everyone, most parties rely on polls distributed to the public. In Chapter 7, the present work uses time-series data from several polling companies to model what individual political parties might have expected before elections.

The fifteenth and last term to operationalise in this Part is *type of elections*. That refers to the representative organ the election in question is scheduled for and in Chapters 5, 6 and 7, the present work distinguishes between European, national, regional and local elections.

Part 3.2: New concepts

In the previous Part, fifteenth terms found in the arguments of the existing literature have been in more detail described and their indicators discussed. These terms may be considered secondary as they mostly draw upon previous research or are directly lifted from existing scholarly literature. In the present Part, five more terms are considered. These terms are of the primary consideration for this thesis; they all lie inside the narrowest set of concepts related to party funding and election campaign finances.

First, there is *the structure of assets accumulated in party budgets*. The budgets of political parties are commonly, in the majority of European countries, submitted to professional independent auditors and they need to conform to national laws on accounting and subordinate legislation. For instance, Czech political parties submit for auditing their annual balance, statement of revenues and costs, lists of private and corporate donors and copies of deeds of donations over 50.000,- CZK. For the control by the Supervisory

Committee of the Chamber of Deputies, they also submit the final auditor's report and attach a 'Summary of Total Incomes and Expenditures', in a form prescribed by the Ministry of Finance (Section 17, Law 424/1991 Coll.; Law 322/1996 Coll.; Decree 273/2005 Coll., as amended by Decree 40/2010 Coll.) (Figure 4.1)

Figure 3.1: An Example of a) balance sheets of a Czech political party and b) the 'Summary of Total Incomes and Expenditures' form prescribed by the Czech Ministry of Finance

A K T I V A			
	Číslo řádku	Stav k prvnímu dni účetního období	Stav k poslednímu dni účetního období
A. Dlouhodobý majetek celkem	1	429 722	419 764
A. I. Dlouhodobý nehmotný majetek celkem	2	1 856	2 015
A. I. 2. Software	4	1 611	1 611
A. I. 3. Ocenitelná práva	5	245	404
A. II. Dlouhodobý hmotný majetek celkem	10	607 442	605 884
A. II. 1. Pozemky	11	132 028	132 000
A. II. 2. Umléková díla, předměty a sbírky	12	1 434	1 434
A. II. 3. Stavby	13	393 360	395 606
A. II. 4. Samostatné movité věci a soubory movitých věcí	14	27 318	21 796
A. II. 7. Drobný dlouhodobý hmotný majetek	17	1 713	1 713
A. II. 9. Nedokončený dlouhodobý hmotný majetek	19	51 589	53 435
A. IV. Oprávky k dlouhodobému majetku celkem	20	-179 576	-188 135
A. IV. 2. Oprávky k softwaru	31	-1 417	-1 417
A. IV. 3. Oprávky k ocenitelným právům	32	-245	-248
A. IV. 6. Oprávky ke stavbám	35	-151 742	-165 205
A. IV. 7. Oprávky k samost. movitým věcem a souborům movitých věcí	36	-24 459	-19 552
A. IV. 10. Oprávky k drobnému dlouhodobému hmotnému majetku	39	-1 713	-1 713
B. Krátkodobý majetek celkem	41	48 561	46 175
B. I. Zásoby celkem	42	178	96
B. I. 1. Materiál na skladě	43	178	96
B. II. Pohledávky celkem	52	10 929	9 815
B. II. 1. Odvětvové	53	1 399	1 358
B. II. 4. Poskytnuté provozní zálohy	56	4 559	4 457
B. II. 5. Ostatní pohledávky	57		20
B. II. 6. Pohledávky za zaměstnanci	58	69	
B. II. 8. Daň z příjmů	60	50	50
B. II. 17. Jed. pohledávky	69	9 299	8 942
B. II. 18. Dohadné účty aktivní	70	432	376
B. II. 19. Opravná položka k pohledávkám	71	-4 879	-5 388
B. III. Krátkodobý finanční majetek celkem	72	36 470	35 090
B. III. 1. Pokladna	73	898	827
B. III. 2. Cenový	74	28	
B. III. 3. Účty v bankách	75	35 544	34 263
B. IV. Jiná aktiva celkem	81	984	1 174
B. IV. 1. Nakladý příštích období	82	792	1 029
B. IV. 2. Příjmy příštích období	83	192	145
AKTIVA CELKEM	85	478 283	465 939

a) Přehled o celkových příjmech politické strany / politického hnutí v členění podle § 17 odst. 4 zákona č. 424/1991 Sb., ve znění pozdějších předpisů

Poř. čís.	Název ukazatele	v Kč
a	b	c
1	Příjmy celkem	498 505 561
	z toho:	
2	Příspěvek ze státního rozpočtu České republiky na úhradu volebních nákladů	101 682 900
3	Příspěvek ze státního rozpočtu České republiky na činnost strany a hnutí (příspěvek na činnost)	144 826 667
4	Členské příspěvky	19 832 590
5	Příjmy z pronájmu a prodeje movitého a nemovitého majetku	19 875 345
6	Úroky z vkladů	23 433
7	Příjmy vznikající z účasti na podnikání jiných právnických osob podle § 17 odst. 3 zák. č. 424/1991 Sb., ve znění pozdějších předpisů	0
8	Příjmy z pořádání tombol, kulturních, společenských, sportovních, rekreačních, vzdělávacích a politických akcí	294 180
9	Dary a dědictví	4 064 641
10	Půjčky a úvěry	207 905 805

The Czech example shows that structure of assets in party budgets may be conceptualised in different terms, depending on the issue at hand. The standard accounting items do not provide much information to a researcher interested in the issue what are the sources and uses of finances flowing through treasuries of political parties. In this case, more relevant and useful, even though unaudited and therefore less reliable, is the Summary form. The information that the present work looks for in party budget reports ought to be instrumental in formulating some answers to the thirty arguments discussed in the present and that would be not be achieved by a description of the budget assets structure in the language of accounting. Structure of assets in budgets of political parties is therefore on the following pages understood as the primary quantitative and secondary qualitative description of shares of sources of revenue and uses of expenditure, respectively, which are of interested to the present work due to their close relation to the research question asked and arguments stated.

The data collected for this research project are edited so as to show the following characteristics of budget assets: in incomes, the share of state subsidies, the share of large and small donors, the share of corporate donors, the share of loans and credits, other specific features; in expenditures, the share of operational costs, the share of campaigning costs, the costs of specific campaigning tools, other specific features. All financial data are converted into Euro (€), apart from cases where conversion would not be suitable for issues of methodology or clarity. As has already been noted in Part 2.1, the present analysis

controls for economic factors, typically for inflation, and when the data are edited for that purpose, it is highlighted in the text.

The second important term is *a voluntary decision about the goals, strategies and tools of election campaigns*. This is quite self-explanatory. Political parties and their representatives are assumed to make plans how the parties are to proceed with their work. These plans undoubtedly include budgeting and other financial planning. They include operational costs. Moreover, parties plan what will be the focal issues in their next election campaign and their target group in the electorate. They choose which tools they will use for campaigning. They make projections about their future electoral strength and about the amount of donations they might expect from their sponsors. They calculate how many seats in what representative organs they will have. Last but not least, they take into account possible pre- and post-election coalition formulas that will impact their financial and other assets. All these decisions, about day-to-day work operation in party offices, about work in representative organs as well as about election campaigns are covered by the term voluntary decisions.

The third term is *length of election campaigns*. This length is represented in days, weeks or months that a party spends officially mounting a campaign before an election. It includes exclusively the time parties spent campaigning for a specific election in the streets, in the media and in the virtual space; it does not include the planning period and standard 'permanent' day-to-day campaigning of a party that is not focused on a specific election.

Fourth, there is the *composition of the campaign planning team*. Election campaigns of political parties are usually planned and directed by teams comprised of people with specific responsibilities: there is the head campaign manager, who oversees all activities and is ultimately responsible for the result, head of finances or treasurer, head of marketing, volunteer coordinator, communications officer, etc. The present work focuses, first, on how many people are directly involved in the planning and directing of campaigns in individual political parties, second, on the specific job types inside the team, and third, on how large a share constitute hired non-partisan campaigning professionals. In the set of people composing a campaign planning team, this work distinguishes between unpaid volunteers, party officials with wider responsibilities than campaign planning and specialised campaign managers. Finally, lower-level party officials, if they are working on campaigns and party candidates may also belong to the set.

The fifth term and last term is *party's policy position on the existing regulations on political parties*. This term is in the present text operationalised as a composite variable made up of two dichotomous variables: first, regulations on political parties may be according to a party position either liberal, or strict. Second, parties may either want to change these regulations, or not.

Chapter 4: Methodology

Part 4.1: Research approaches in the existing literature

The previous discussion of basic concepts and primary and secondary terms included in scholarly arguments shows outlines of the current state of research in the field of party funding. The field is not as large as, for instance, the study of electoral systems. In this respect, it corresponds to the real-world situation: while formal rules of voting have been around at least since the classical period of Ancient Greece and spread around the world during the pre-Second World War democracy's 'First Wave' (Huntington 1991), party funding regulations are a relatively new phenomena in existence as of now for no more than seven decades. On the other hand, while voting systems have in the recent period changed relatively only little in the majority of world democracies (Carter and Farrell 2010), political finances has been targeted in reform policies by many European as well as non-European governments.

The rapid Europe-wide increase in the number of regulations of political parties and their funding, that is described above in Part 2.3, Table 2.1, has been accompanied by a similarly rapid development in the research into the respective scholarly field. On the level of individual cases, social scientists were writing about the funding of political parties already in the inter-war period (e.g., Pollock 1926; Overacker 1932) but the phenomenon was on the whole so unexplored that even the great sociologist Max Weber complained that, despite its real-world importance, the research field suffers from lack of scholarly attention (Weber 1925: 169). After the Second World War, the situation began to improve in the 1960s with the works of Heard (1960), Heidenheimer (1963) and, most importantly, Paltiel (1966; 1967). Originally focusing on his home country Canada (Paltiel 1970; 1974; 1975; 1976), Khayyam Z. Paltiel soon began to expand his research beyond the borders of his nation and wrote small-N comparative works (1979; 1980; 1981), on which other students of political finances could build (e.g., Levush 1997; Nassmacher 2001). These early case studies and comparative works opened the research agenda of the field and highlighted lasting general trends: first, costs of campaigning in democratic elections were steadily rising (e.g., Pollock 1926; Overacker 1932; Heard 1960) but, second, their amounts depended to a large extent on the electoral system and the system of government enacted (Penniman 1984). Third, the lack of laws regulating political finances opened the floor to shady politics and back-yard deals of politicians with special interests (e.g., Heidenheimer 1963; Alexander 1989; Little and Posada-Carbó 1996; Williams 2000; Scarrow 2007).

The research in the field further expanded with the democracy's 'Third Wave' (Huntington 1991). Post-communist countries serve in many ways as laboratories for political institutions (Lewis 2000: xi) and laws regulating political parties were enacted in all post-communist EU Member States. These laws however did not preclude the spread of corruption in politics in the region: regularly, the newly passed regulations were from the start written in a way to facilitate the predation of political parties on state resources (e.g., O'Dwyer 2006; Grzymala-Busse 2007). Other trends that had previously been observed in older democracies were also detected in the post-communist region: rising costs of election campaigns are already described in Chapter 1 of the present work, anecdotic evidence that contours of political systems

affect the working of party regulations and funding models may be traced in first multi-case studies or comparative works on post-communist party politics (e.g., Smilov and Toplak 2007; Roper and Ikstens 2008).

While the post-communist Europe to a large extent follows the Western Europe in terms of real-world political finance trends, there is one trend in terms of the respective scholarly field in which the East surpasses the West: it is the evident lack of reliable data. This unfortunate hallmark of the field, already markedly affecting the possibilities of research in old democracies (Nassmacher 2009: 20), is even more appreciable in countries with brief democratic experience, such as in the recently democratised post-communist countries. Given the “shady” nature of the subject and the tendency of major political players in the post-communist region to habitually side-step the boundaries of democratic competition, data on public and even more on private funding are difficult to collect. This has quite logically profound consequences on the quality of democracy in Central and Eastern countries: even if elections in these countries are free and fair, without public control over financial channels that fund election campaigns, political competition as a whole ultimately lacks fairness and the voter’s choice is not quite free.

The issue of corruption is one of three issues largely dominating the scholarly discourse on party funding. The other one, the impact of regulations on the competition of political parties, is already discussed in Chapter 1 but an important point needs to be added here to that discussion. As Nassmacher (2009: 27) also notes, there is only a handful of truly comparative works on political finances. The great variance of legal regulations in European countries makes inter-national comparisons very difficult. “Comparative” volumes in the field of political financing are very often just a collection of case-studies or small-N studies focusing on regional country groups (e.g., Heidenheimer 1970; Alexander 1989; Smilov and Toplak 2007). Instead, comparisons have been made mostly from the point of view of party systems – Katz and Mair (1992; 1996; 2009) are a case in point. The various forms party funding may take up in different countries are usually considered one of many indicators of a previously hypothesised phenomenon related to changing party systems or models of party organisations. Or, from the point of view of general social scientific methodology, it is usually thought of as an independent, explanatory variable. Movements in party funding help to explain electoral losses and gains (e.g., Cordes and Nassmacher 2001), the loosening of party discipline (Carty 2004), the closing of a party system to challengers (Casas-Zamora 2005), or the de-/centralisation of parties (Koole 1996). Far less prevalent in the field of party studies has until recently been the research agenda that puts party funding on the first position in a hypothesised chain of causality and making it a dependent variable (see., e.g. Scarrow 2004; 2010; Clift and Fisher 2004; Hopkin 2004; Weekers, Maddens and Noppe 2009); and that despite the example set by another sub-discipline of political science that discusses finances in politics: political marketing.

Political marketing focuses on the third issue that dominates the scholarly discussion on party funding, which is the issue of campaigning. Students of this field (e.g., Herrnson 1980; Maarek 1993; Newman 1999; O’Shaughnessy and Henneberg 2002; Lilleker and Lees-Marshment 2005; Baines and Worcester 2006; Davies and Newman 2006; Lees-Marshment 2009) write about finances as one of the

resources a successful political campaign necessarily requires. Through a well-executed campaign, money is converted into votes; in such a one-directional model, finances are mostly thought of as the independent variable and one of the first components of the causal chain. That does not however apply to the entire duration of political campaigns and more complex models include sub-processes, in which money gain are, quite contrarily, the primary goal. Typically, candidates strive to attract material contributions from large and small donors via contact events and grass-roots campaigning. Comprehensive strategies that are discussed by scholars and executed by political marketers and campaign professionals see finances as both an independent as well as a dependent variable, as both means and ends.

The present work follows the example of this two-directional approach towards party funding and in different parts looks at it as either a dependent or an independent variable. The assumption behind such an approach is that a comprehensive inquiry into the state of political parties and party systems in the post-communist Europe and an inquiry into the issue of cartelisation require it. Treating party funding as a dependent variable becomes necessary when the strategy drive concept is considered: as is already noted above in Part 2.3 and as many authors argue too (e.g., O'Dwyer 2006; Grzymala-Busse 2007), parties in parliament sometimes are, or at least appear to be, colluding on passing regulations favourable to them. Furthermore, the present work does not assess merely the legal aspect of political finances but also the real world situation. The precise forms of budgets of political parties are the results of work of individual agents, who plan election campaigns and day-to-day party operations and with these goals in mind structure funds accordingly. Money may not therefore be treated simply as a resource enabling movements and changes in parties and party systems, it is necessary also to see it as the planned goal of a deliberate effort.

Part 4.2: Research design

Tackling party funding as both a dependent and an independent variable requires a complex research design, which allows following a causal chain in both directions. The design and the research project as a whole is nevertheless already limited by its overarching goal to contribute to the discussion whether cartelisation has been happening in post-communist democracies, and whether the financial structures of political parties in East Central European may reveal something new about the region's party systems. Narrowing down the subject of inquiry is a necessary step in every research undertaking but it needs to be done in a way which does not significantly impedes methodological possibilities of that undertaking. In this case, the stated goal demands that the research design is centred around the concept of political cartel, around post-communist democracies in East Central Europe and around financial structures found in the party systems of this region.

Katz and Mair's cartel thesis is discussed already in Chapters 1, 2 and 3 and there it is already also stated that the notion itself is still developing and has so far lacked precise, short definition. The two original authors themselves come closest to it, when they talk about the cartel party as a "type that is postulated to emerge in democratic polities that are characterized by the interpenetration of party and state and by a tendency towards inter-party collusion." (Katz and Mair 2009: 755) Based on this statement, it is clear that a research design that plans to operate with the notion of cartel needs to include interpretations of

party types and of party strategies. Parties, their interactions and their strategies are three units in the set of focal points of the present work.

In terms of geography, the research design is limited to post-communist democracies in East Central Europe. East Central Europe is conventionally understood by scholars as the region between German-speaking countries on the West and Russia on the East (e.g., Halecki 1950; 1952; Palmer 1970; Szücs 1985; Magocsi 1993; Kłoczowski 2005). In its geographically largest interpretation, for instance the one used by the East Central European Center of the Columbia University in New York (Columbia University 2014), East Central Europe includes the Baltics, Central Europe as well as the Balkans and comprises today 21 countries (Albania, Austria, Belarus, Bosnia and Herzegovina, Bulgaria, Czech Republic, Estonia, Greece, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Montenegro, Moldova, Poland, Romania, Serbia, Slovakia, Slovenia, Ukraine). The smallest model (e.g., Winiecki 1994), on the other hand, usually equals East Central Europe to Member States of the Visegrad Group, i.e., Czech Republic, Hungary, Poland and Slovakia. There are many reasons behind grouping these countries into a conceptual region: some are purely geographical, follow the rivers Danube, Dnieper and Prut and the mountain ranges Alps and Carpathians (e.g., Götz 1904); others are linguistic and delimit the region as a group of Western and Southern Slavic and Finno-Ugric languages (e.g., Cornis-Pope and Neubauer 2004); yet others follow common cultural and historical legacies (e.g., Lhéritier 1928; Kossmann 1950; Turnock 2001). The last is used also as the basis of the present work: the selection of cases researched on the following pages is based primarily on the common Habsburg Empire legacy of five countries in the region: Austria, Czech Republic, Poland, Slovakia and Slovenia.

At its downfall, the Habsburg Empire encompassed a large area from the Dalmatian coast of the Adriatic Sea to Galicia behind the Western Carpathian Mountains. Discounting short war-time changes, the core of the Empire, the Austrian and Czech territories and Upper Hungary, or Slovakia, remained stable from 1526 to 1918. During the 17th and the 18th century, the Empire's outer regions, Hungary and Dalmatia with Galicia, respectively, were incorporated. A Habsburg politico-cultural historical legacy is therefore today most noticeable in four of the countries selected for inquiry in the present work, i.e., Austria, Czech Republic, Slovakia, and Slovenia, plus in Hungary. This quintet of presently sovereign countries were subsumed into the Empire at the latest after the Vienna Congress in 1815 and their first era of national mass politics was anchored in the centralised administrative system of the Habsburg Empire. Poland, on the other hand, was incorporated into the Habsburg domain only partially in 1772, when the Polish-Ukrainian region of Galicia fell under Austrian administration. The three centres of the region, the Ukrainian cities of Przemyśl and Lviv as well as the Polish Kraków remained in the Empire until its dissolution in 1918.

A selection based on such the common historical legacy follows authors who emphasise the importance of long-term political influences on present politics. Schöpflin (1990), Cotta (1994), Márkus (1994; 1996), Rivera (1996), Tworzecki (1996; 2002), Ishiyama (1997), Mair (1997), Kitschelt (1999), Lewis (2000), Lindström (2001), Sitter (2001), Kostelecký (2002), Zieliński (2002), Roper and Fesnic (2003), Dimitrova-Grajzl (2007), or Meyer-Sahling (2009) provide abstract model constructs as well as empirical evidence that the present politics of the core countries of the former Habsburg Empire share striking

similarities that might have to a large degree originated in the era of their common absolutist state. The first clashes of modern mass politics took place between Austrian, Czech, Hungarian, Polish, Slovakian, Slovenian and other politicians in the common representative organ, the Imperial Council or *Reichsrat*. This period lasted for almost half a century and during these first five decades, striking similarities between political systems and party systems on respective national levels were established. Sovereign national states that emerged from the Habsburg Empire after the First World War, carried further these features of similarity (see, e.g. Simral 2012). Before the majority of post-Habsburg successor states turned authoritarian, their constitutional and party-system make-ups bore close resemblance to the pre-1914 Imperial politics. When democracy in East Central again resurfaced after some six decades of fascist, pro-nazi and communist dictatorships, the common Habsburg cultural, historical and political legacy resurfaced as well.

The selection of Austria, Czech Republic, Poland, Slovakia and Slovenia is based on this long-term legacy argument. While the focus of the present work is on post-communist countries, the inclusion of Austria in the set enriches the present work with the possibility to compare post-communist experience with a control case that has enjoyed democracy since after the Second World War. Most students of post-communism focus exclusively on post-communist countries and do not transgress boundaries that existed between the socialist Eastern world and the 'free' Western world before 1990; the same applies to students of Western European politics and party systems. Only slowly these two groups merge and endeavour to juxtapose countries from the former Eastern bloc with those of the former West. The present work wants to add to this trend by having a mixed set of cases.

Whereas Austria is included in the set, Hungary is not. It is a significant omission made primarily due to practical issues: I do not speak Hungarian and may not have therefore such an insight into the country's politics as in the case of the four included countries. Moreover, Hungary might prove to be too much a different unit for a comparison with the rest of the set as its unique mixed electoral system has most probably a stronger institutional effect on the shape of the national party system than in the four selected countries (e.g., Moser and Scheiner 2004; Benoit 2006). In the recent years, Hungary has also experienced a series of controversial political turn-arounds that surpassed even the already high standard level of incredibility that may be seen in the day-to-day politics of the post-communist East Central Europe. The plan of this work is to follow as much as possible the classic Most Similar Systems Design (e.g., Skocpol 1984: 379; Sartori 1991: 250; Bartolini 1993: 134) and Mills' Method of Difference (Mill 1843: 455); a fundamentally different electoral formula as well as a tendency to reverse the progress towards a high-quality type of democracy might defeat this plan.

In the text, I also make allusions to other European countries, when I believe it enhances the information about the researched countries. The seminal comparative volumes of Karl-Heinz Nassmacher and Khayyam Paltiel has shown that even comparisons across large spatial and temporal distances may help to understand specificities in widely different individual cases. In the final part of the present work, which deals with campaign strategies of political parties, I make the prominent addition of data gathered in Germany. As described in Part 5.5, I decided to include these data based on their apparent similarity to the

Austrian case and relative dissimilarity to other researched countries. The long common history of Austria and Germany has always been reflected in commonalities of their political institutions, including the basic mechanisms and structures of their party systems. The post-war period was in both countries characterised by the rivalry between the Christian Democratic and the Social Democratic Party and the tendency to a Blondelian two-and-a-half party system; based on the common features of the constitutional and the political systems, empirical evidence from one country ought to therefore boost the explanatory power of evidence in the other.

The above references to the Habsburg period on the one hand, and the most recent political developments on the other, usher into the text the issue of time dimension. On the following pages, I aim to present an up-to-date picture of the situation in party systems of East Central Europe and focus primarily on the recent years. The basic descriptive analysis of all five cases covers their present ongoing periods of democratic rule. For the Czech Republic, Poland, Slovakia and Slovenia, this means the post-1989 era; for Austria, the entire post-Second World War period. Understandably, only the most important changes in constitutional and party regulations, that have had some bearing on the current shapes of respective party systems, are mentioned in the descriptive analysis. Description of quantitative data on finances in the party systems is limited by data availability in individual countries; this data is discussed more extensively in the next Part. As regards party strategies, the analysis focuses on the most recent developments that took place in the last three election terms.

The three segments of the research itself are therefore, first, the development of laws and regulations, second, financial history, and third, developments in party strategies. A specific methodology is selected for each on segment in this triad. First, descriptive qualitative analysis is mostly used for highlighting important changes in the legal framework of individual countries that shaped the working and funding of respective party systems. A basic historical narrative that focuses on politics and changes in party systems introduces the reader into the environment and reminds the interested scholar about all important junctures that political parties, politicians and people in the researched countries experienced. Already a basic narrative may tell who the parties behind the legal and other changes were and such information may serve as an anchor for a later analysis of political strategies. Second, quantitative data on political finance gathered in party archives and from national regulatory bodies are analysed. In this research segment, several hypotheses are statistically tested. Financial histories of political parties lay in the very centre of the present work, which also purports to build a comprehensive dataset serving as a reliable source for future research projects. Third, quantitative data are juxtaposed with data on political strategies obtained from political parties and their representatives. This data were gathered by means of a targeted email survey and during personal interviews. It is an original dataset, presented in full for the first time in this dissertation, and when combined with data on finances, it has the potential to enrich the field of political party studies with important findings about strategies currently shaping political systems in post-communist countries and elsewhere.

Part 4.3: Data

The next chapter, Chapter 5, relies on a qualitative analysis of primary sources related to the development of legal regulations in European countries, primarily in Austria, Czech Republic, Germany, Poland, Slovakia and Slovenia. The two main sources of information on party regulations in Europe used in the Chapter are the International IDEA website (www.idea.int) and the Party Law in Modern in Modern Europe research project conducted by a group of scholars headquartered at the Leiden University (www.partylaw.leidenuniv.nl); these two data collections were already used in my previous work (Simral 2014) and amended by further data mining of primary sources on the governmental or legal websites of individual European countries. The current status of the party law in each country was also assessed with the help of the GRECO Third Evaluation Round Evaluation and Compliance Reports (www.coe.int).

Primary data for Austria are taken from the website of the Austrian Parliament (www.parlament.gv.at) and the Austrian Court of Audit (*Rechnungshof*; www.rechnungshof.gv.at). For the Czech Republic, the Collection of Laws (all laws passed since in Czechoslovakia and the Czech Republic since 1950) may be found at the official database of the Ministry of Interior at <http://aplikace.mvcr.cz/sbirka-zakonu/>. Data on German laws were collected at the official website of the Federal Ministry of Justice, <http://www.gesetze-im-internet.de/index.html>. Polish legal developments may be followed at <http://dziennikustaw.gov.pl/>. Official data for Slovakia are found at <http://www.justice.gov.sk/Stranky/Zakony/Zbierka-zakonov.aspx>. Finally, Slovenian legal data were taken from the Official Gazette (www.uradni-list.si).

Chapter 6 is based primarily on information gathered from official financial reports of political parties in the Czech Republic, Poland and Slovakia. Data for Czech parties were gathered from hard copy reports archived and accessible on request in the Parliamentary Library at the Chamber of Deputies of the Czech Parliament in Prague. Hard copy scans of reports of Polish political parties may be found online at the National Electoral Committee website (Państwowa Komisja Wyborcza, pkw.gov.pl), similarly to the reports of Slovak parties, of which hard copy scans are accessible online at the website of the National Council of the Slovak Republic (Národná rada Slovenskej republiky, www.nrsr.sk). The scope of the data on Slovak parties also limits the scope of the entire dataset – financial reports older than 2003 are not publicly accessible on the website of the Slovak National Council. Even though some scholars were able to construe their own datasets for earlier periods (see, e.g., Mesežnikov 1995), I rely in the present work only on officially sanctioned data and to manually gather older data would require further substantial fieldwork not manageable under the time restraints of the present research project. In total, the dataset constructed for Chapter 6 covers all parties that submitted their annual financial reports between the years 2003 and 2013 in the Czech Republic (207 parties), Poland (155 parties) and Slovakia (153 parties). The total adds up to 2343 individual observations (i.e., 2343 included financial reports).

Secondarily, Part 6.5, discussing to a limited extent the cases of Austria, Germany and Slovenia, uses data covered from their respective national sources, i.e., Wiener Zeitung, the official gazette of the Austrian government, the website of the German Bundestag, and the Agency of the Republic of Slovenia for Public

Legal Records and Related Services. For reasons related to practical obstacles in data gathering described in Chapter 5, this small datasets of three countries covers seven largest Austrian political parties between 2006 and 2012, six largest German parties between 2007 and 2012 and twenty Slovenian political parties in 2012 and 2013.

Chapter 7 uses original data collected specifically for the present work. The data are the product of an email questionnaire sent to 470 political parties from Austria, Czech Republic, Germany, Poland, Slovakia and Slovenia in December 2013. The questions included in the questionnaire asked about the surveyed parties' opinion on the current state of party regulation in their respective countries (4 questions), party policy towards potential reform of party regulations (4 questions), and parties' conduct of election campaigns (6 questions). The questionnaire was followed by two email reminders in February and April 2014 with the goal to increase as much as possible the response rate. In the end, the questionnaire was fully or partially completed by 117 parties.

Chapter 5: Rules

Part 5.1: General developments of party regulations in Europe

As is already noted in Chapter 2, European countries have been since the Second World War increasingly limiting the space of party competition through legal instruments. While the inter-war period may be characterised as a time, when partisan politics was regulated almost exclusively through informal means and customs, formal rules for the behaviour of political parties were being adopted only after 1945. It was perhaps the first experience with failures of democracies in some of the most developed countries of Europe, such as Germany, Austria and Italy of the 1930s, that lead the post-war leaders to include regulations of political parties in the basic legal frameworks of the new political systems. In 1947, an article on the activities of parties appeared in the new Italian constitution. In 1949, the Basic Law of the Federal Republic of Germany included Article 21 focusing in detail on how parties are created, how they account for their assets and activities and how can be outlawed (see, .e.g, Schefold 2002: 134; Müller and Siberer 2006: 438).

While formal regulation of political parties was scarce in the pre-1945 world, the importance of regulation of political campaigns was understood already in the 19th century. The United Kingdom's Corrupt and Illegal Practices Prevention Act of 1883 laid down specific rules and limits on how much can be spent on political campaigns and by whom (Glen 1884; see also Pinto-Duschinsky 2002). However, despite these first efforts to curb corruption in the democratic process and the emphasis put on political finances by some prominent scholars (Weber 1925; Pollock 1926; Overacker 1932), also the area of party funding remained largely unregulated until the second half of the 20th century. It might be the issue's political nature, when a certain balance between the right for private business of party members on the one hand, and the need for public control on the other, must be achieved, that delayed the introduction of financial regulations of political parties in Europe until quite recently. Only in the last 25 years, European politicians have begun to discuss the need for more rules on party finances and money in political campaigns in general.

As I show elsewhere (Simral 2014), the three factors that has been so far in the history of EU Member States most conducive to passing a new law regulating political parties are first, a regime change, second, a visitation by a GRECO evaluation team, and third, a stable cabinet lasting at least six months. Party regulations, more or less detailed, are in the post-1945 world one of those laws almost automatically adopted when a dictatorship falls and a country is (re-)democratised. That happened in the 1940s in Austria, Germany and Italy, in the 1980s in Greece, Portugal and Spain, and in the 1990s in former communist countries. The adoption of party regulations serves more than one purpose: while there is always in the regulations included some mechanism that ought to in the future help in preventing another potential democratic breakdown, such as a legal process for outlawing an extremist political party, there are also mechanisms that ought to help in establishing and maintaining a stable party system, such as the introduction of public funding of political parties. A table borrowed from Magnus Ohman (2011) (Table 5.1)

shows that the second half of the 20th century was not only a time when parties around the world were increasingly more and more formally regulated, but also a time when parties were increasingly more funded from public sources. This correlation is to a certain degree self-explanatory: without an appropriate legal basis, parties in developed democracies would not, hopefully, resort to channel state money into their own treasuries. Looking at the relationship from the opposite direction, however, there is no clear-cut explanation why once political parties are formally regulated by the state, they should at the same time be given by the state any financial resources. The concurrent adoption of regulations and public funding seem to indicate that the sufferance of the first was at least partially motivated by the need for the latter.

Table 5.1: Year of introduction of direct state funding of political parties in selected countries in Western Europe, North America and the Commonwealth (adapted from Ohman 2011)

Germany (West)	Sweden	USA	Australia, Greece
1959	1965	1971	1984
Norway	Finland	Ireland	France
1960	1967	1973	1988
Austria	Denmark	Canada, Italy	South Africa
1963	1969	1974	1993
Netherlands	Belgium	Spain, Portugal	United Kingdom
1964	1970	1977	2000

This explanation of the willingness of parties to be regulated leads back to Katz and Mair’s cartel thesis: the adoption of legal regulative frameworks was on the part of parties nothing but an economically rational act based on self-interest. The calculated cost of this act, i.e., to be in the future constrained in the party competition by a set of formal rules, was lower than the prospective benefit of having a stable and reliable source of income from the state budget. While, as Katz and Mair also point out, there were undoubtedly other pay-offs connected with the new rules, and while it would be fatally wrong to assume that correlation implies causation, money were most probably a great motivator for the parties to act as they did.

This statement is supported by evidence, if one considers the form of rules passed in the first waves of regulations. The lack of detail in early laws on political parties, already shown in Figure 2.2, did not help transparency in party competition and did not allow for substantial public control of political finances. This unfortunate situation, that lead to a regular occurrence of scandals connected with party funding in Western, and later also in Eastern Europe (see, .e.g, Smilov and Toplak 2007; Kopecký 2008; Koss 2010), was to be improved by establishing a system of international organisations supervising financial operations in party systems in Europe. The second factor most conducive to passing a new party regulation in European history, already mentioned above, are visits by GRECO evaluation teams. Substituting in its impact the earlier phenomenon of a democratic regime change, GRECO, or the Group of States Against Corruption, a

subsidiary organisation of the Council of Europe, serves in the 21st century as an influential agent of change (not only) in the legal background of party systems in Europe. GRECO, which was founded in 1999 to curb corruption at national levels in its member states, has since 2008 extended its activities to also report on transparency of funding of political parties in individual countries. Despite having no direct powers over the adoption of new party regulations in the states that are party to the GRECO Agreement, evaluation reports issued by the organisation appear to have an impact on the behaviour of parties in Europe. Even though its effect ought not to be overestimated, international pressure has led in many countries at least to the opening of a discussion over the future of party funding and to the recognition of the need for further reforms both in the new as well as old established democracies (GRECO Twelfth General Activity Report 2011: 6). The importance of international organisations in the process of adopting new party regulations presents a significant change, when compared to the situation of the mid- and late 20th century. In the 1960s Germany or Sweden, in the 1970s United Kingdom, or in the 1980s France, legislating agents faced direct challenges mounted exclusively by domestic actors, like the courts, independent committees or new, non-traditional parties.

Domestic actors, nevertheless, still play the key role in the process of adopting new legislation, including legislation about political parties. While then GRECO and other international supervisory organisations may indeed move politicians in the direction of reforming regulations of party funding, the actual impact on transparency and public control over political finances varies from state to state: for instance, while the latest regulations passed in the United Kingdom comply with six of the eight GRECO recommendations for improving transparency of party funding, and in the Netherlands, they comply with 15 out of 19 recommendations, in Belgium and in the Czech Republic, the regulations comply as of 2014 with only one out of 15 and 19 recommendations respectively issued by GRECO for the two countries (see GRECO Third Evaluation Round Compliance Reports on Belgium (2011, 2012, 2014), Czech Republic (2013, 2014), Netherlands (2010, 2013, 2013) and the United Kingdom (2010, 2013). Political parties, both in Western Europe as well as in the post-communist Eastern Europe, seem to gladly accept the benefits of party funding from public resources, but are reluctant to disclose much information about how they use this funding.

As is already noted above, particularly in Part 4.2, the low level of disclosure of data on party funding in many European countries complicates research into the field. The following parts describe in detail the developments of regulations of political parties and party funding in the three researched countries, Czech Republic, Poland and Slovakia; one part is dedicated to a brief description of party regulations in Austria, Germany and Slovenia. The last part of this chapter summarises the information on the six individual cases and places it into a larger picture that includes other European countries.

Part 5.2: Regulations of political parties in the Czech Republic

The origins of today's Czech and Slovak party systems are found in the former common Czechoslovak state that existed for the major part of the 20th century: in the interwar period between 1918 and 1939, and post-Second World War, between 1945 and 1993. A deep and exhaustive explanation of the

current forms of the respective Czech and Slovak party systems would require a journey into the systems' origins in the First Czechoslovak Republic, and even deeper, into the times of the Austro-Hungarian Monarchy. For the purposes of the present work, it suffices to note that a comprehensive framework of legal regulations for political parties did not develop in Czechoslovakia before the year 1990. Political parties in the interwar Czechoslovakia were only indirectly regulated by general rules on associations from the Habsburg era and by election laws. Since there was no threshold required for political parties to enter the parliament, the Czechoslovak party system became numerous and fragmented. The first law directly aimed at political parties was adopted in 1933, which focused mostly on the moments of legal creation and dissolution of political parties with the aim to prevent rising radical right-wing tendencies among the Sudeten German electorate. In the critical year 1938, the Czechoslovak government issued a series of decrees that curtailed the spectrum of political parties in the system and resulted in a short-lived two-and-a-half party system.

The trend to regulate the number as well as the ideological basis of political parties in Czechoslovakia continued also after the forced break from democracy caused by the German occupation between 1939 and 1945. The semi-democratic system of 1945 – 1948 was founded on presidential decrees that curbed multi-party competition: the strongest party of the interwar era, the Agrarian Party, was banned from re-entering the political space and the remaining, predominantly socialist, parties were forced to cooperate in the so-called National Front, which effectively precluded any effective opposition to the government and allowed the Communist Party a gradual take-over of the state. Between 1948 and 1989, the Communists turned the country into a full-fledged member of the Soviet bloc and allowed only the puppet presence of three pro-Communist satellite parties.

In 1990, after five decades of suppression, the Czechoslovak party system needed to be re-started with the help of the state that was to compensate for the general lack of fee-paying party membership. The party funding model established in the 1990s Czechoslovakia was thus one based on large state subsidies. At the same time, it continued the trend to partially limit the extreme pluralism of the inter-war era: while the election threshold in all elections was put at 5 per cent, state subsidies were given to parties that received at 2 per cent of the total vote in the 1990 election to the Federal Assembly. In 1991, the current Law on the Association in Political Parties and Movements was adopted, which established a) a permanent contribution to parties which received at least 3 per cent of the vote in elections for the Chamber of Deputies, b) a mandate contribution to parties with at least one candidate elected to the Chamber of Deputies, with further amendments introducing contribution also for mandates in the Senate (amendment 117/1994 Coll.), regional councils and the Prague municipal council (amendment 340/2000 Coll.) (Section 20, Law 424/1991 Coll, on the Association in Political Parties and Movements). The two other laws crucial for the system of subsidies for Czech political parties, the Law on Election to the Parliament and the Law on Election to the European Parliament, were adopted in 1995 and 2000, respectively; the complete the system with contributions towards expenses incurred in connection with elections to the Chamber of Deputies, for parties which received at least 1.5 per cent of the total vote (Section 85, Law 247/1995 Coll.), and in

connection with elections to the European Parliament, for parties over a 1 per cent threshold (Section 65, Law 62/2003 Coll.).

Even though subsidies were thus in three steps introduced also for parties successful in elections to the Senate, regional councils, the Prague municipal council and the European Parliament, elections to the Chamber of Deputies has always remained crucial not only for parties' relationship to the national government, but also for the level of financial aid received from the state. The current legislation and its previous development shows a tendency to give preferential treatment to larger parties that are at the forefront of the competition for parliamentary seats.

In its original version, the 1995 Law on Election to the Parliament increased the previous 2 per cent threshold (left over from the 1990 law) required to become eligible for the contribution towards election expenses to 3 per cent and increased the original sum from 15 CZK per vote to 100,000 CZK per 0.1 per cent of all votes up to a maximum of 5 million CZK. That amendment was, however, at the initiative of President Havel ruled unconstitutional by the Constitutional Court and the current law was adopted instead. The same ruling and fate awaited a part of Law 340/2000 Coll., amending the 1991 Law on Political Parties, which increased the original mandate contribution for a member of parliament from 500,000 to 1 million CZK. Instead, a new legislation, adopted in 2001, set the sum to 900,000 CZK; after the start of the economic crisis in 2011, it was lowered by 5 per cent to 855,000 CZK.

To add to the evidence, the prominent role that the Czech political system (or, at least a significant part of its political representation) assigns to the Chamber of Deputies is manifested in three other facts: first, contributions received after a success in elections to the Chamber of Deputies are ten times the amount received after a success in elections to the European Parliament. To the Chamber of Deputies, the permanent contribution stands at 200,000 CZK for every 0.1 per cent over the 3 per cent threshold up to 5 per cent of the vote. Plus, there is the contribution towards expenses incurred in connection with elections to the Chamber of Deputies is 100 CZK per vote to parties which received at least 1.5 per cent of the total of all valid votes. In rough numbers, 5 per cent of the total vote equals approx. 8 million CZK. As for elections to the European Parliament, the only contribution is towards expenses and equals 30 CZK per vote to parties over a 1 per cent threshold, which adds up to some 800,000 CZK for 5 per cent of the total vote.

Second, in the original wording of Section 20 of the Law on Political Parties that granted contributions to parties represented in a regional council or the Prague municipal council only if the parties also held seats in the Chamber of Deputies. That wording has always been disregarded in the practice of the Ministry of Finance, which pays contribution also to parties not represented in the Chamber of Deputies; however, it shows the tendency to strengthen the position of several parties, which are successful in the national election, at the expense of others, including those parties that are successful mostly at the regional level. In the case of the contribution for regional mandates, the Ministry of Finance clearly took the initiative and at its own risk awarded subsidies to parties not covered by Law 340/2000 Coll. Strictly speaking, it

acted outside of the provisions of the law until the amendment 556/2004 Coll. was passed four years later, which corrected the existing discrepancy between legal theory and reality.

Third, the Chamber of Deputies functions as the central supervisory body over the activities and finances of all political parties. Specifically, it is the Chamber's Supervisory Committee, a fully political body made up exclusively of Deputies of the Chamber (i.e., MPs), who is the first to inspect Annual Financial Reports submitted to the Chamber by political parties and who decides on the Reports' completeness. The review process in the Supervisory Committee is quite relaxed: parties' books are inspected and checked for financial irregularities by independent private auditors chosen by the parties themselves. The review focuses mostly on monitoring whether the required amount of standardized forms was received, since the Committee does not have the capacities or the legal powers to make a thorough investigation of parties' possessions and activities. The supervisory work carried out by the Chamber is thus more a matter of protocol than a real scrutiny of capital flows. It is mostly concerned with parties who are too careless to even properly submit their Annual Financial Report on time. If the Supervisory Committee finds that a party did not submit a complete report, it officially proposes to the government to lodge a claim against the party at the Supreme Administrative Court, who may suspend and subsequently dissolve the offending party.

The centrality of the Chamber of Deputies in the Czech system of regulation of political parties and party funding is the system's first hallmark; the second then, as the paragraph above already hints at, is its liberal nature that does not allow for a sufficient public control. The only control mechanism has been since 1991 the review process by the Supervisory Committee described in the paragraph above. In 1994, a new regulation was passed, Law 117/1994 Coll., by which political parties were compulsorily to be audited by the Supreme Audit Office of the Czech Republic. That article of the law was, however, ruled unconstitutional by Finding 296/1995 Coll. of the Constitutional Court of the Czech Republic, who wished to ensure privacy for internal dealings of political parties, including the privacy of their financial structures. By Law 322/1996 Coll., Annual Financial Reports of political parties were at least made accessible to public and archived in hard copies at the Office of the Chamber of Deputies, or in reality, in the Parliamentary Library.

The Constitutional Court's desire to protect the privacy of political parties is characteristic of the liberal approach towards regulation of political parties. Parties continue to be in the Czech Republic considered by law above all private enterprises and guarded against penetration by the state; this legal notion might be still a reflection of the previous time of a totalitarian party-state and the Court's effort to avoid the return of such a state. On the other, the defence of parties' privacy has led in the Czech case to a low level of transparency of the party system, including its funding. The liberal model of control has led to several negative phenomena that do not benefit democratic political competition: first, there are frequent instances of political advertisements with no direct financial link to political parties or their representatives. Some parties use private unsanctioned political campaigning that is not regulated by law. These campaigns are carried out outside of the official budgets of political parties and are detectable only by private media

companies, who monitor the entire advertising market. State agencies have no powers or means to control them. By extension, finances used for these 'grey' campaigns are not written down in any books, apart from the books of individual PR and media agencies; for a researcher or the lay public, such campaign funds are virtually undiscoverable.

Second, closely related to the previous problem are the undisclosed discounts obtained on products and tools used for political campaigns. There is evidence of large discounts for political parties and their candidates by some Czech media companies; in effect, such discounts function as an indirect material support for parties and skew significantly the financial data on costs of political campaigns. In some cases, the discounts on large-scale campaigning in the press or audiovisual media amount to 80 or 90 per cent from the usual market price (see, .e.g., Mediář 27 November 2012).

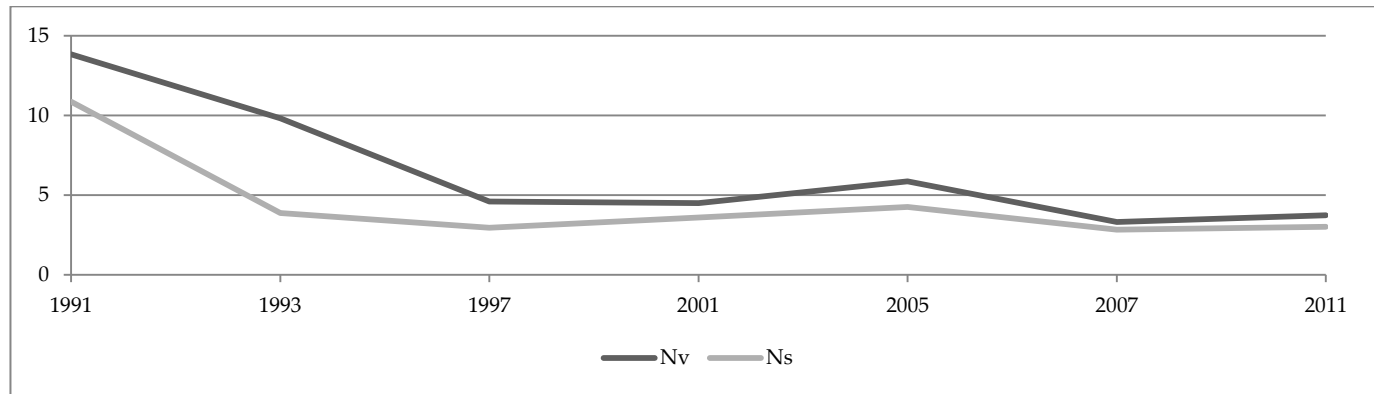
Third, the real identities of party donors are often carefully hidden. The use of dummies and slush funds and their uncovering by journalists led in December 1997 to a government crisis and the subsequent fall of Prime Minister Klaus (see, e.g., Rutland 1998: 83-4). Large donations, originating from one donor, are also divided into several smaller ones, using a network of party colleagues, personal friends or family relations. Since the law also allows for company donors, many private businessmen choose to financially support parties through one of their companies.

To sum up, the Czech legal regulation of the national party system is characterised by two major features: first, the anchoring of the system in the lower house of the Czech parliament, i.e., the Chamber of Deputies, which has a central role in terms of public subsidisation and supervision of parties. Second, the activities and, in particular, financial dealings of the party system are largely from outsiders. The life of parties is relatively weakly regulated and the low level of oversight allows party actors and their supporters to evade legally prescribed channels when mounting political campaigns and carrying out day-to-day party operations. Even though there has been development in the legal framework to a more transparent environment and today's situation is markedly different from that in the 1990s, local as well as international watchdogs agree (see, .e.g., TI Czech Republic, Oživení, Ružový panter) that there is still a real need for reforms if the Czech Republic is to strive for a truly fair and legitimate party competition.

Part 5.3: Regulations of political parties in Poland

The political history of Poland immediately after the 1989 regime change is among the Central European countries one of the most turbulent ones. Poland experienced between 1989 and summer 2014 eight parliamentary, five presidential, six local and two European elections, which is in total a lower number than, for instance the number of elections that took place during the same period in the Czech Republic (where Senate and regional elections are conducted separately from parliamentary and local elections, respectively). However, the early 1990s in Poland were characterised by a large fragmentation of the party system that lasted until the parliamentary election of 1997 (Figure 5.1)

Figure 5.1: Effective Number of Parties in Poland 1991 – 2011



In 1990, first democratic law on political parties was adopted that regulated basic operations, establishment and dissolution of political parties (Act 54/1990). This law was the keystone of the first post-revolution legal framework for party competition in Poland and lasted until 1997, when it was substituted by an entirely new law. Unlike in the neighbouring Czechoslovakia, Poland at first chose not to publicly subsidise its political parties and election campaigns for the 1991 parliamentary elections therefore were funded completely from private sources. Law 54/1990 even explicitly prohibited direct state subsidies to political parties, which was, as Walecki argues, a reflection of the public outrage over the previous use of state funds for the benefit of the Polish United Workers Party and an effort to weaken materially specifically the Worker's Party former satellites and new social-democratic successors (Walecki 2005: 89, 134).

However, Polish politicians soon realised the need for some sort of guaranteed income if the party system was to stabilise and develop. The new Electoral Law adopted for the 1993 parliamentary election (Act 45/1993) introduced contribution for votes to parties and coalitions (in Polish legal language, 'election committees') that secured seats in the Sejm and Senate, the two chambers of the Polish parliament. The entire contribution was set to of 20 per cent of the total sum allocated from the state budget to cover the costs of the election and amounted to a one-off payment of 14,500 Polish złoty (PLN) for each seat in one of the chambers.

The system of state subsidies further progressed in 1997, when both a new Constitution of Poland as well as a new Law on Political Parties (Act 98/1997) was adopted. The new Constitution itself established the requirement of transparency of political parties (Art. 13) and the requirement that "the financing of political parties shall be open to public inspection" (Art. 11, Section (2)). The provisions were introduced in direct reaction to previous disclosure and reporting infringements made by many political parties and coalitions in the 1991 and 1993 elections. Even though all parties (more precisely, 'election committees') were already in 1993 obliged to submit reports on the expenditure incurred during their election campaigns, more than 50 committees did not do so and the Prosecutors' Office started against them proceedings for breach of the Electoral Law. These proceedings were later discontinued, but the situation showed the weak spot of the pre-1997 Polish regulations on political parties, i.e., ineffective sanctions and enforcement.

Between 1997 and 2001, the legal framework was overhauled in order to make party funding regulations more relevant and useful in efforts to make party competition in Poland fair and transparent. The conditions of disclosure were made detailed and quite stringent, requiring two different financial reports to be submitted by each party every year, plus separate reports on each election campaign. The legal reform soon resulted in better reporting discipline of Polish parties: after the 1998 local elections, over 20,000 election committees did not submit their financial reports. After the 2002 local elections, only 2,800 did not (Treneska 2007: 133). Sanctions for breach of the new law range from fines up to 100,000 PLN, through withdrawal of public funding, to criminal proceedings for individuals who significantly violate the integrity of the elections.

Sanctions involving the withdrawal of state subsidies became serious, when the 1997 – 2001 reform also revamped the system of public party funding. In 1997, the one-off contribution for seats was newly accompanied by a second contribution paid only to political parties, not electoral coalition. This new *dotacje celowa*, as opposed to the older *dotacje podmiotowa*, was based on votes received, not seats won, and awarded to all parties (not coalitions and non-partisan candidate lists) that crossed a 3 per cent threshold of the total vote received by parties. As in 1993, the total sum allocated from the state budget to both contributions together amount to 20 per cent of the cost of the election; 60 per cent of it went to *dotacje celowa*, paid out in four yearly instalments, 40 per cent to the single payment of *dotacje podmiotowa*.

In 2001, the system was again modified with the adoption of a new Parliamentary Election Law (Act 46/2001 and 154/2001). The total amount of contribution to each election committee (both parties and coalitions) was set at the actual annual expenditure each particular committee incurred. *Dotacje podmiotowa* paid to each election committee was now the amount of election expenditure incurred by all committees that won at least one seat in the parliament divided by 560 and then multiplied by the number of seats won by the particular committee. Unlike in 1993 and 1997, the contribution was paid out in two yearly instalments and amounted to 111,000 PLN per a seat. For *dotacje celowe* were now eligible electoral coalitions that received at least 6 per cent of the total vote and all parties crossing the 3 per cent threshold, this time calculated from all election committees running, not only from the pool of parties. Non-partisan committees were again eligible only for *dotacje podmiotowe*. *Dotacje celowa* was not like in the past calculated from the cost of the election, but was firmly set at 10 PLN per vote for parties that finished between 3 and 5 per cent of the total vote, 8 PLN for those between 5 and 10, 7 PLN for 10 to 20 per cent, 4 PLN for 20 to 30 per cent, and 1.5 PLN for the parties that received more than 30 per cent of the total vote. Quite interestingly, two months after the election, the government in an agreement with the opposition lowered these rates by substituting each contribution rate by the succeeding one (i.e., the contribution decreased from 10 PLN to 8 PLN, etc) and the 1.5 PLN rate to 0.5 PLN. Even with this partial cut in *dotacje celowa*, the total sum of direct state subsidies to political parties in Poland increased from approximately eight million PLN in 1993, through 14 million PLN in 1993, to 257 million in 2001 (Szczurbiak 2006: 305-6). In 2011, these rates were changed to 5.77 PLN up to 5 per cent, 4.61 PLN up to 10 per cent, 4.04 PLN up to 20 per cent, 2.31 PLN up to 30 per cent and 0.87 PLN over 30 per cent of the total vote.

Since 1991, Polish party regulations also include limits on campaign expenses. At first, the limit was set at 60 times the average monthly salary per a list of candidates in one electoral district for elections to the Sejm; after the 2000/2001 reform, spending limits were set firmly at 12 million PLN for one election committee in presidential elections (in practice an unrealistically low sum, see Walecki 2005: 131), and 1 PLN per a registered voter for one election committee in parliamentary elections. Moreover, expenses on all paid advertising and press publications were limited to 80 per cent of all campaign expenditure incurred. In 2011, a new, detailed formula for spending caps was introduced (Act 112/2011, Art 199), still in force today: the limit is calculated as the total number of registered voters times 0.82 PLN times the number of Sejm deputies elected in all the districts the particular committee runs its candidates, and this entire sum is divided by 460, the number of all deputies elected to the Sejm. For the Senate, the same formula applies, only the monetary allocation is set at 0.18 PLN and the whole sum is divided by 100, the number of Senators. For elections to the European Parliament the total limit is set at 0.60 PLN per a registered voter in one of the 13 electoral districts. The same sum of 0.60 PLN is used for mayoral elections up to 500,000 inhabitants at the given municipality; for population over 500,000, the same is halved to 0.30 PLN. In local and regional elections, the spending limit varies between 1,000 PLN (*gmina*) to 6,000 PLN (*sejmik województwa*) per a local or regional councilor, depending on the type of municipality and the size of population.

During the 1990s, the Polish system of party funding developed from one based exclusively on private sources (where state subsidies were even specifically banned) to one that relies from a major part on financial contributions from the state. The change that the Polish regulations on political parties underwent led to a very important shift: similarly to the Czech Republic, where the Communist Party of Bohemia and Moravia (KSČM), the successor to the pre-1989 Communists, quickly learned to use their still considerable real estate for business activities, also Polish successor parties (Social Democracy of Poland SdRP, Polish Peasants' Party PSL, Democratic Party SD) enjoyed at the start a considerable advantage in terms of material assets. However, post-*Solidarność* parties became gradually very skillful in attracting private donations and together with an important legal rule that prevented parties in Poland from renting out their real estate for business activities (Act 98/1997, Art 24), a playing field even for all in terms of material support was reached at the latest at the turn of the millennia (see, e.g., Casal Bértoa and Walecki 2012: 19-20).

Like the Czech case described above and the Slovak case described below, also the Polish system has been from the start and still very much is oriented towards the Parliament. Even though Presidents of Poland possess relatively strong executive as well as symbolic power, and parties play an important role in the selection of candidates, presidential elections are not subsidised by the state. Unlike in the Czech case, the funding system is based on both parliamentary houses, the Sejm and the Senate. The elections to both houses take place simultaneously and the funding system considers seats in both of them equal. Moreover, oversight of party finances is carried out by the National Electoral Committee (PKW), an independent body, which is not a part of the legislature. This weakens the position of political parties in the party regulation process, if compared to other Central European cases, but it is the favoured solution from the point of view

of transparency and good governance. Together with the detailed restrictions put on private sources of funding, rules about their use and limits on expenditure, simple descriptive analysis indicates that Poland has so far developed a more fairer and transparent system of party finances than in the Czech, or, as shown in paragraphs below, the Slovak case. A real gift from the point of academic analysis is also the website of the PKW, where all Annual Financial Reports of political parties are accessible from 2001 onwards.

The Polish party system has undoubtedly been affected by its legal regulations. Political parties in Poland are not required to pay any registration fee, but the 1997 law on political parties imposes some strict rules related to the establishment and activities of parties. While in 1990, only 15 signatures were required for the registration of a new party, after 1997, it was 1,000 signatures. The number of registered parties immediately decreased from over three hundred to eighty (Kubiak and Wiatr 2000: 183-187; Casal Bértoa and Walecki 2012: 17). As Figure 5.1 shows, the early highly fragmented party system turned during the 1990s into a relatively compact one, based effectively on three or four major parties. The correlated development of the form of the party system and party regulations supports Biezen and Rashkova's (2011: 7, 16) finding that increasing regulation has a negative effect on the number of parties in the system. However, the major parties in Poland were not always the same as they are today and the late 1990s were also characterised by movements at the top level of the party system, when the previously united Solidarity Electoral Action (AWS) became divided into two new major contenders, the Civic Platform (PO) and the Law and Justice (PiS). New party regulations were therefore most certainly only one of the causes of the party system change, accompanied by an inner programmatic and ideological tension inside the electorate and the party system itself. It would be nevertheless wrong to overlook the 3, respectively 5, per cent thresholds required for participation in the state subsidies scheme, which gives significant advantage to well-established large parties. In this respect, public funding in Poland follows the suit of other countries in both post-communist as well as Western European countries, including the Czech Republic, described in the Part above, and Slovakia, described in the following Part.

Part 5.4: Regulations of political parties in Slovakia

Since the Czech Republic and Slovakia left their common state only in 1993, naturally, the development of their respective national party systems as well as their models of regulations of political parties followed similar lines. That being said, the Slovak political system differed for a large part of the 1990s from the Czech one by the dominant position of Prime Minister Mečiar's People's Party – Movement for a Democratic Slovakia (HZDS), which in 1992 and 1994 secured, respectively, 37.3 and 35 per cent of the total vote in parliamentary elections. Mečiar and HZDS represented the conservative, anti-federation and anti-liberalisation part of the electorate and, as their critics argue, achieved the dominant position by riding the wave of post-communist populist politics and turning various branches of the state into party fiefdoms (see, e.g., Gould and Szomolányi 2000; Deegan-Krause 2012).

The situation began to change only in 1998, when Dzurinda's centre-right coalition formed the new government. The law on political parties from 1991 was reformed in order to increase the transparency of party funding and to improve the system of oversight (404/2000 Coll.): anonymous donations were banned,

political parties were now obliged to be audited by an independent auditor and their Annual Financial Reports were made accessible for the public. A completely new law on political parties was adopted in 2005 (85/2005 Coll.) that merged rules previously included in two separate laws, Law 424/1991 Coll., on Political Parties and Law 234/1994 Coll., on Limits of Campaign Expenses. To complete the regulatory framework, Law 333/2004 Coll., on Elections to the National Council of the Slovak Republic was also adopted that regulates certain specific areas of election campaigns and state subventions towards election expenses. These two laws form today the basic legal structure for the financing of the Slovak party system.

The Slovak system of funding originated in Czechoslovakia and bears close resemblance to the Czech system. First subventions were to Slovak political parties awarded by the same law that covered also Czech political parties: in 1990, 'contribution towards election expenses', in fact, contribution for votes, at the amount of 10 Czechoslovak Crowns was given to parties that received at 2 per cent of the total vote in the 1990 election to the Federal Assembly. In 1992, the amount was 15 Czechoslovak Crowns and in 1994, in the already independent Slovakia, the contribution was increased to 60 Slovak Crowns (SKK) and the eligibility threshold to 3 per cent of the vote. Law 190/1992 Coll. originally disallowed the contribution for votes to parties that reached the 3 per cent threshold in two successive elections, but did not reach the parliamentary threshold of 5 per cent in neither of them; this rule was in 2001 the cause of a minor scandal of the right-wing Slovak Democratic and Christian Union party (SDKÚ) and was abandoned in the next amendment of the law. A 3 per cent threshold was set also for the permanent contribution at the amount of one quarter of the party's contribution towards election expenses. The third and last type of state subvention, the contribution for mandates in the National Council, was introduced only in 2000 and originally set at 500,000 SKK per year for one seat (404/2000 Coll.).

After the adoption of the 2004 – 2005 reform of legal regulation of political parties, state subventions became linked to the average wage in Slovakia. Contribution for votes was set at 1 per cent of monthly nominal average wage in the year preceding the election (Law 333/2004 Coll.); the total amount of permanent contribution equals the one of contribution for votes, but is divided into 48 (more or less monthly) payments. Contribution for a seat in the National Council was at 30-times the amount of monthly nominal average wage for first 20 seats per one party, for more seats, at 20-times the amount of average wage (85/2005 Coll.).

The 2005 reform took away one until then constant feature of party regulations by which Slovakia differed from the Czech Republic: caps on campaign expenditures. In 1994, 234/1994 Coll. introduced limits of campaign expenses for elections to the National Council, set at 12 million SKK. However, this law was only rarely enforced and became effectually invalidated by the passing of the 2005 Party Law. Expenses spent in presidential campaigns, regulated by Law 46/1999 Coll. and its amendments (515/2003 Coll., 167/2008 Coll., 445/2008 Coll., 204/2011 Coll.) and currently limited to €132,775 per a candidate, have been monitored more closely, but still not free of minor scandals (see, e.g., TI Slovakia 11 September 2009). Spending caps for political campaigns will be introduced into Slovak regulations again on 1 July 2015 (Law 181/2014 Coll., on Election Campaigns, amending Law 85/2005 Coll., on Political Parties) and set detailed

limits for elections to the National Council and the European Parliament (€3 million per party), presidential elections (€500,000 per candidate), mayoral elections in Bratislava (€250,000 per candidate) and in other communities (from €2,000 to €100,000, depending on the size of the community), and regional elections (€500,000 per party). The law also stipulates the permissible length of campaigns (180 days before the election date) and fines for its breach, ranging up to €300,000 for the most serious offenses.

The changes in the system of financing of political parties in Slovakia between the years 2000 and 2005 had two immediate results: first, the total subsidy to political parties from the state increased significantly. In 2001, the increase was primarily caused by the addition of the contribution for seats in the National Council. In 2004, the change of the contribution for votes from the previous fixed sum of 60 SKK to the flexible rate based on average salary led to an immediate increase from 60 SKK in 2003 to 144 SKK in 2004 (Rybář 2011: 4). Second, the reform of the regulatory framework led also to a much desired increase in the transparency of the system. The introduction of financial sanctions for non-compliance with the rules resulted in a much more disciplined approach towards submission of Annual Financial Reports, which indirectly helped academic research and, specifically, the analysis of parties' incomes and expenditures. Newly were required also lists of all party donors with their full personal or company details, which ended the previous tradition of anonymous donations.

Another new requirement affects specifically election campaign expenses: parties are required to submit separate reports that cover their campaigning expenditures from the day of the announcement of the election until 30 days before the election. Reports are publicly accessible on the website of the Ministry of Finance. No later than 20 days after the election, parties send to the Ministry also their final reports covering total costs of their campaigns. If any of these reports are not complete and the offending party did not remedy the situation upon request of the Ministry of Finance, it may be sanctioned by suspension of the permanent contribution and the contribution for parliamentary mandates, and by a financial fine at the amount of 100,000 SKK (€3,319).

While the development towards more transparency was profound, the 2005 regulation suffers from several important deficiencies that invite criticism from independent commentators (see, e.g., Rybář 2011; Mesežnikov 2014). First, the oversight centre of the financing system was still left, similarly to the Czech Republic, in the National Council. The MPs of the oversight committee focus on the completeness of submitted reports and do not investigate further the veracity of financial sources listed in the reports. Fully transparent is thus only the part of parties' income that comes from the state; private sources are still susceptible to unlawful practices. The approach of the MPs controlling Annual Financial Reports has been reportedly very lax and allowed to pass were also reports listing illegal donations or donations coming clearly from dummy persons (Rybář 2011: 8). Second, large parts of election campaigns are uncontrolled by the audited central party and expenditures for advertisement come directly from individual candidates. In 2010, a new scandal of black financing of election campaigns arose, which involved both the ruling party Direction – Social Democracy (*Smer-sociálna demokracia*) and Prime Minister Fico (see., e.g., SME 19 May

2010; Čas 20 May 2010) as well as the major right-wing challenger SDKÚ and its leader Dzurinda (SME 27 January 2010; Čas 27 January 2010; 3 February 2010).

The scandal showed tangible evidence of the deep-rooted tradition of ‘parallel’ financing of election campaigns and political parties and partially in response to these scandals, the 2014 Law on Election Campaigns was adopted. Apart from re-introducing caps on election spending, it also ushers in a new ‘State Committee for Elections and Oversight of Party Financing’. This body will be comprised of 14 members, 10 of them nominated by parliamentary parties and 4 by institutions outside of the legislature, and will monitor budgets and campaign activities of parties and candidates in election in Slovakia. Only practice will show, whether the Committee will be really effective, but already the proposed establishment is an important step forward in making political competition in Slovakia clear of illicit practices. The two problems related to the level of transparency of the Slovak regulation of financing that have so far closely resembled the Czech case, i.e., oversight left to politicians in parliament and the existence of unofficial campaigns, are gradually being removed and the latest changes show promise for the near future. Moreover, from the point of academic analysis and public control, having all Annual Financial Reports accessible from one website makes an important difference too.

The impact of funding on the shape of the party system is quite similar to the Czech one: the 3 per cent vote threshold, which is even higher than in the Czech Republic, set for contributions for votes and the permanent contribution, strengthens the material standing of large and medium-sized parties. The contribution for mandates even more advantages parties represented in the National Council. Unlike in the Czech case, subsidies are provided exclusively only with connection to national elections and parties that are successful in the European, regional or local elections do not receive any financial help from the state. The system of party funding is centralised towards medium and large parties that succeed, or are close to a success, in election to the National Council. The post-2000 trend towards a lower Effective Number of Parties in Slovakia, both at the electoral level as well as at the parliamentary level (Figure 5.2), correlates with the 2000 – 2005 reform in party regulations that increased the material advantage of large parties. However, whether the Slovak party system is due to the reform more resistant to a de-centralising shift that recently happened in the Czech Republic (Figure 5.3) would be difficult to tell.

Figure 5.2: Effective Number of Parties in Slovakia 1990 – 2012

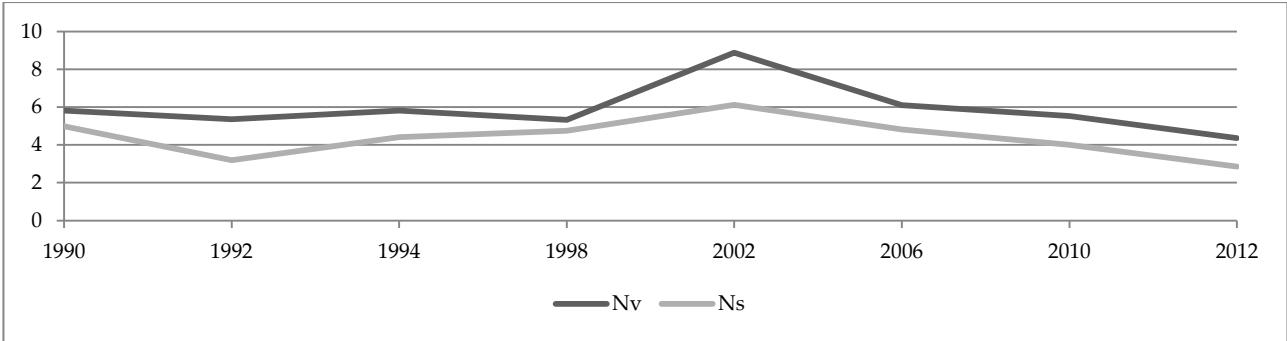
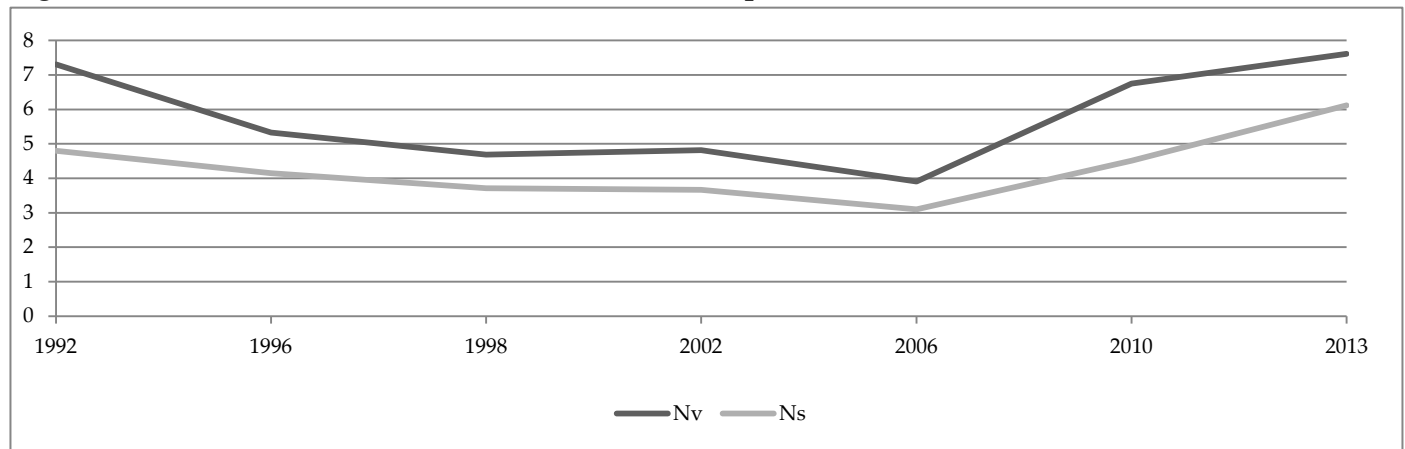


Figure 5.3: Effective Number of Parties in the Czech Republic 1990 – 2013



Part 5.5: Regulations of political parties in Austria, Germany and Slovenia

The development of party regulations of Austria, Germany and Slovenia is in comparison to the previous three cases described more briefly in this Part. For obvious reasons, Austria and Germany have longer tradition of regulating political parties than post-communist countries do. The juxtaposition of these longer cases with the shorter experience of former socialist countries shows how the recent push by international organisations for greater transparency sped up the previously prolonged process of party regulations reform in Western European countries.

From the turbulent years after the Second World War, when constant political pressure from the Soviet Union threatened to turn the entire Central Europe into a new Soviet territory, Austria emerged as fully democratic state with fair multiparty political competition. The Communist Party played a relatively minor role in the system and was practically marginalised in the 1960s. The two traditional pillars of the party system, the Social-Democratic and the People's (Christian Democratic) party, endured the regime changes of 1918, 1938 and 1945 and form the basis of Austrian politics until today. Austria's Constitution mentioned political parties since its adoption in 1920 (Art. 35) and in the post-war era, the number of articles defining the role of political parties and regulating their existence and activities grow to sixteen in total.

The crucial law of the regulation of political parties is the Party Law of 1975 (BGBl. I Nr. 404/1975), which covers various details of party life, including party financing. The law was several times amended, most changes affecting particularly provisions on campaign financing, state subsidies and transparency of parties' financial operations. The last amendment came in 2012 (BGBl. I Nr. 56/2012 and BGBl. I Nr. 57/2012) and modified again the regime of state subsidies as well as reporting rules. Contribution towards expenses is now awarded to parties that crossed a 1 per cent threshold in the federal elections to the National Council at the amount of €2.50 per vote. An additional annual contribution of €218,000 belongs to parties that won at least five seats in the National Council. For parties in the National Council, contribution towards expenses is calculated from a total sum of subsidies allocated to parties in parliament (number of eligible voters in Austria multiplied by €5.60) minus the cost of annual contribution. Those parties that also secured at least one seat in elections to the European Parliament are awarded contribution for votes received, which is

calculated as their share of votes received from the total allocated subsidy of €2 multiplied by the number of eligible voters. At the state and local level, political parties represented in a local, state or national representative body may also (at the discretion of the respective governments) receive additional annual funding proportionate to their vote share and allocated from a total sum based on the number of eligible voters in a given area, multiplied by an amount ranging from €5.60 to €11. Austrian party groups (or clubs) in the National Council (*Nationalrat*), Federal Council (*Bundesrat*) and the European Parliament are also eligible to additional payments towards their expenses (BGBl. 156/1985 as amended by BGBl. I 139/2008), but that is a feature common to most European countries and not usually included in party funding schemes as such.

Apart from disclosure rules and parties' requirements vis-à-vis the main oversight body, the Court of Auditors, political parties in Austria are also subject to limits on foreign donations and cash donations (€2,500), anonymous donations and donations on the behalf of third parties (€1,000) and to limits on election expenses which amount to €7,000,000 for any representative body (including the European Parliament). These rules and limits are still relatively new and untested and thus it is difficult to assess whether they will help to overcome the old problems of non-transparent funding and party financing scandals that have plagued Austrian politics in the past. As of August 2014, GRECO has yet to publish its Compliance Report on Austria after the recent changes. Since there are still, however, ways how to donate to parties anonymously and the parties' Annual Financial Reports are still not easily publicly accessible (neither in hard copy nor in digital one), GRECO's evaluation will not be most probably very favourable towards the recent incomplete changes.

Germany's post-war development was not so different from Austria. The country was divided into West and East Germany in 1949, but the Western, democratic part, adopted a party system similar to the Austrian. The two major pillars, the Christian Democratic Union (CDU/CSU) and the Social Democratic Party (SPD), were accompanied by a third party, the Free Democrats (FDP), and constituted thus together what Jean Blondel labeled the 'two-and-a-half party system' (1968). This form of party system lasted until the 1980s, when the Greens (*Grüne*) matched in electoral strength the FDP, followed in the 1990s also by the successor to East Germany's Socialist Unity Party (SED), the Party of Democratic Socialism (PDS), today known as The Left (*Die Linke*). Nevertheless, the government of the country remained in the hands of one of the two major parties, who alternated in heading coalition cabinets.

Parallely to Austria, Germany also very early adopted regulations on political parties. Article 21 of the Constitution of 1949 (*Grundgesetz für die Bundesrepublik Deutschland*) says that political parties "participate in the formation of the political will of the people" and that "[t]hey must publicly account for their assets and for the sources and use of their funds". The Constitution leaves details of party regulation to federal laws, from which the most important one is the Party Law of 1967 (BGBl. I 773/1967). This law, substantially amended in 1994 (BGBl. I 149/1994) and lastly in 2011 (BGBl. 1748/2011), covers many aspects of party life, from its creation, through its campaign activities and funding, to its dissolution. The 1967 law was the first law that provided for regular state subsidies of political parties in Germany, even though these

were previously already unofficially subsidised via contributions towards educational work, introduced in 1959 (Titel 620 in Bundeshaushaltsplan 1959/60, "Förderung der staatsbürgerlichen Bildungsarbeit der Parteien") (see, e.g. Der Spiegel 36/1959).

The threshold for access to state subsidies is in Germany set at 0.5 per cent of the total vote to the Federal Diet (*Bundestag*) or the European Parliament and at 1 per cent of the total vote to the State Diet (*Landtag*). The amount of state subsidies for parties is limited by three rules: first, there is the total maximum of money paid to parties from the state budget, in 2014 set to €150.8 million. Second, each party is allocated their share of subsidies based on a) the number of votes received in the last election with the current rate set at €0.85 per vote up to four million votes (€0.50 in Landtag election) and at €0.70 per vote over four millions votes received; and b) parties are awarded public contribution in the ratio of €0.38 of subsidy for each €1 gained through private donations of maximum amount €3,300. Third, state subsidies awarded to a party may never exceed their income from other sources.

Disclosure requirements on party funding are relatively relaxed: anonymous donations may be accepted up to €500. Donations over €10,000 must always be listed in Annual Financial Reports with donor's name and address. Donations over €50,000 must be immediately let known to the President of the Bundestag, who serves as the main body of oversight. The President controls parties' compliance with disclosure rules and receives submitted Annual Financial Reports. Since 2010, it also publishes complete reports on the funding of political parties (both parliamentary and non-parliamentary) in Germany on the Bundestag website, with records going back to 1968. While Germany thus performs better today in the control over party funding and tries to avoid large financing scandals that plagued its politics in the 1980s and 1990s, there are still some holes in its regulatory framework, such as the possibility of making anonymous donations, receiving donations from companies partially (up to 25 per cent) belonging to the state, or launching an anonymous election campaign, outside of the party budget.

Slovenia has since its independence from Yugoslavia in 1991 led the post-communist sector in economic indicators, including its per capita GDP or HDI score. Even though it used to be a part of the Habsburg Empire, unlike Austria or the Czech Republic, its current party system does not have many direct links to pre-1918 political parties. However, unlike other successor states of Yugoslavia, the party system has since the early 1990s been based on two dominant axes, the post-materialist and the socio-economic one, and has not featured any major ethnic- or religion-based parties, even though the left-right competition is constantly clouded by common mergers and name changes of major Slovenia parties. Between 1992 and 2004, the centre-left, social-liberal Liberal Democracy of Slovenia (LDS) was the leader of coalition governments and a junior member of the coalition between 2008 and 2011. The Slovenian People's Party (SLS), the centre-right conservative agrarians, went through a populist, pro-Slovene phase in the early 1990s, but joined the LDS in the government coalition of 1996 – 2000. The Slovene Christian Democrats (SKD), a typical Christian Democrat political party, was a member of ruling coalitions between 1990 and 1996, but merged with the SLS in 2000. In 2004, the centre-right domination was taken over by the previously radically conservative, nationalistic Slovenian Democratic Party (SDS), which ruled until 2008,

when it lost to the growing Social Democrats (SD). The Social Democrats remained in power until 2011, when they were beaten by both the centre-right SDS as well as the newly formed centre-left Positive Slovenia (LZJ-PS). In the early election of 2014, another completely new party, the Party of Miro Cerar (SMC), won the election, and extended the era of constant replacements of major Slovenian political parties that started in the early 2000s.

The system of party regulation in Slovenia developed substantially less turbulently than the country's party system. First two elections in 1990 and 1992 were regulated by the Law on Political Association (SRS 42/89) passed in December 1989, according to which state subsidies were awarded almost exclusively to parties represented in the Socio-political Chamber of the Slovenian Parliament (later, the National Assembly). In 1994, a new Party Law (RS 62/94) and a new Law on Election Campaigns (RS 62/94) were adopted, limiting state subsidies only to parties represented in the National Assembly. Allocation of subsidies was based on the number of votes received (30 SIT per vote) in national elections, with monthly contributions (30 SIT per vote) from local budgets also allowed for parties that participated in local elections (Arts 24 and 26). In 1999, the Constitutional Court that limiting subsidies from the state budget only to parliamentary parties unconstitutional (Decision U-I-367/96), which led to the 2000 amendment of the Party Law. This amendment lowered the threshold for access to public funding from 4 per cent (threshold of parliamentary representation) to 1 per cent (1.2 per cent for two-member coalitions and 1.5 per cent for larger coalitions). 10 per cent of the total sum allocated to public party funding was now divided equally to all parties entitled to state subsidies, the remaining 90 per cent was allocated according to their vote share. The total sum of subsidies was limited to 0.017 per cent of the Slovenian GDP made in the year prior to the election. The subsidies were still paid out monthly. Subsidies from local budgets, up to 0.6 per cent of all assets held by the given community, may now be awarded to all candidates that in local elections received at least half of the votes needed for securing a place in local councils.

Apart from these contributions, Slovenian parties also since 1990 receive contribution towards national election expenses (*Zakon o volitvah v skupščine* 10/90, *Zakon o volilni kampanji* RS 62/94, 17/97, 119/06), previously set at 30 SIT per vote for parties that received at least 2 per cent vote share nationally, or 6 per cent within a constituency, today set at €0.17 per vote for non-parliamentary parties over the 2 per cent threshold and €0.33 for parties in the National Assembly or the European Parliament. For presidential elections, the contribution is set at €0.12 for candidates receiving at least 10 per cent of the total vote. Communities may also reimburse candidates in local elections up to €0.12 (*Zakon o volilni in referendumski kampanji* RS 41/07, 11/11, 98/13).

Disclosure and reporting rules about the financial of political parties have undergone substantial changes in the decade. The 2007 amendments to the Party Law (RS 103/07) and the Election Campaign Law (RS 41/07) established that all political parties must submit each year their Annual Financial Report for control to the National Assembly and the Court of Audit. If a report is incomplete or shows that the offending party accepted income from undisclosed or prohibited sources, the party may be fined up to the amount of €20,850. The limit on donations from one donor per year is set to ten times the previous year's

average monthly salary. Anonymous donations may be accepted, provided they do not exceed the limit of three times the average monthly salary. Company donors are only banned if they are more than from 25 per cent owned by the state. On the expenditure side, there are limits on election spending set at €0.40 per eligible voter in all districts where the party puts forward a candidate; in case of presidential elections, referenda and mayoral elections, the limit is €0.25. Public access to financial reports of parties is limited to parties that receive state subsidies, which, combined with legal rules related to protection of personal data and archiving of records, in effect preclude an analysis of the financial development of the Slovenian party system that would suit the present work.

Part 5.6: Regulations of political parties in Central Europe today

As this Chapter shows, regulations of political parties in the researched countries do not substantially differ. They all feature a set of rules that are supposed to keep financial dealings of political parties to a certain degree transparent and free of unwanted practices; to these practices usually belongs financial support from abroad, financial support from state sources outside of the official channels, i.e., from state-owned or state-controlled companies, and financial support from all anonymous donors. In all cases, special disclosure requirements are also set for large donors: usually they must be listed with full personal data in financial reports; sometimes, they undergo an additional review process on top the regular one for other donations. All researched countries allow the public to access the reports of political parties, but not in all cases, this access is unhindered. Germany, Poland and Slovakia feature arguable the best and the simplest model: they publish all financial reports on the website of the main oversight body. Austria, the Czech Republic and Slovenia have in theory quite similar rules of public access, in practice, however, data on party funding from these countries are much harder to collect. In the Czech Republic, data gathering still requires a personal visit to the Czech parliament and scanning hard copies of reports. In Austria and Slovenia, the state does not even require data from parties not subsidised from public sources, and the collection of data on the entire respective party systems is therefore virtually impossible.

State subsidies to political parties were introduced in all six countries; public funding to political parties is in fact today available in 27 out of 28 Member States of the European Union, with the exception of Malta (where only a small contribution for a specific EU-related purpose may be granted to parliamentary parties). All six described models of party funding to a higher or a lower degree favour larger parties represented in the parliament. In the Czech and Slovenia, Constitutional Courts had to step in to assure that smaller parties will not literally or in effect be left out of the public funding scheme. The courts established the precedent that party funding is an important part of the principle of proportional representation and it state subsidisation ought to not unfairly disadvantage smaller parties. They do not, however, rule unconstitutional the usual linkage of the bulk of state subsidies to elections to the national parliament. Parties that are more successful in European, regional, or local elections than in national elections often suffer Pyrrhic victories in terms of public contributions towards election expenses; this fully applies to parties in Poland and in Slovakia, to a lesser degree also to Czech parties. In Austria, Germany and

Slovenia, the difference between subsidies for national and for other elections is substantial, but significantly lower than in the previous three cases.

The juxtaposition of older post-war democracies, Austria and Germany, with younger post-communist ones, the Czech Republic, Poland, Slovakia and Slovenia, shows that even though the first two countries enjoyed a longer time of democratic development, they are not today advanced in the development of the legal framework regulating political parties. Austria and Germany consistently place higher in common rankings of levels of public mismanagement and corruption; in 2013, their respective scores in Transparency International's Corruption Perceptions Index were 69 and 78, compared to the scores of the latter four countries, 48, 60, 47 and 57 (CPI 2013). However, both Austrian and German politics have not been free of financing scandals and questions about the channels of money in party politics are still very much alive in both countries. The last regulation reform in Austria was supposed to open the accounts of Austrian political parties to public inspection, but in practice, this did not happen and parties still enjoy a considerable level of privacy of their financial operations.

Four of the six countries limit the amount of expenditure used for election campaigns. Only Germany and the Czech Republic allow parties to spend whatever they deem necessary on an election campaign. The newly introduced direct presidential elections in the Czech Republic already feature expenditure limits and major Czech centre-left parties, including the currently governing Social Democrats, plan on introducing them at some future point. Whether limits work for transparency and fairness in multiparty elections is an open question. The fact is that, as is shown in Chapter X, Czech political parties spend aggregately more on election campaigns than even Polish parties, despite the Polish population being four times more numerous than the Czech one. On the other hand, the 2013 Czech presidential elections, in which some candidates managed to secure 80 per cent and higher discounts on advertising and PR products, showed that not even limits have the power to make the playing ground equal for all. 15 out of 28 EU Member States adopted some form of spending limits, including Greece, Hungary, Italy or Romania, where parties are known to regularly side-step any limits by conduction unofficial, hidden campaigns.

In summary, the researched cases are not in any aspects noticeably different from other European countries. Their party systems are relatively stable, even though new, protest parties have recently succeeded in crossing parliamentary thresholds in all six countries. This follows a trend seen in most European countries in the post-2007 era. None of the six countries adopted unique rules on political parties and all of them provide public funding for both parliamentary as well as non-parliamentary parties. As is also common in other European countries, major or minor financing scandals have been commonplace in Central Europe; in some cases, they led to serious troubles for leading political representatives (e.g., the fall of the Czech government in 1998, an opposition leader fall in Slovakia in 2010), mostly, however, they did not change the political environment considerably. So far, they have not led to major improvements in party regulations, even though efforts for progress towards more transparency are now present in all six countries. For the sake of both academic analysis as well as democracy in the region, the progress will hopefully continue and resist occasional efforts for its reversion.

Chapter 6: Party Budgets

Part 6.1: The research of party budgets in modern Europe

Budgets of political parties and their structure reveal many things about political parties, party systems and political institutions. They record both long-term trends and one-off events, purely domestic as well as trans-national processes. A deep historical analysis of revenues and expenses of political parties show the transformation of modern politics from a power struggle between elites to a developed complex system how to reach decisions about government policies backed by the mass electorate. While in the early and mid-19th century, political parties were only informally organised and candidates running in an election often paid out their campaign expenses from their own pockets, the late 19th century and early 20th century saw a shift towards parties with rigid formal organisation, paid part-time or full-time staff and centrally organised election campaigns. “Contagious organization” (Duverger 1967: 25; Nassmacher 2009: 61) of political parties became the standard across Europe and any party that wanted to succeed in elections needed to set up a permanent central organ with a fully staffed administrative office. Previously simple unofficial records of parties’ financial dealings now transformed into complete accounts of items found in budgets of private companies or other organisations, such as wages, energy bills and rents, or office equipment costs. Unlike in most organisations, however, these accounts also featured expenses for advertisements in the media, printing costs or finances paid out for staging public presentations, all the specific tools needed for running a professional, effective election campaign.

While the late 19th century and the first half of the 20th century were characterised by a substantial transformation of the expenditure side of party budgets, the second half of the 20th century was marked by changes on the income side. The costs of election were rising and political parties found themselves looking for new sources of revenue (Bardi and Morlino 1994: 243). For the first time in history, they started receiving officially sanctioned monetary contributions from the state. With that came first regulations on party funding. If the state was ready to give money to political parties, it demanded in exchange also the power to look into their account books and to restrict donations from private sources. The rise of the post-1945 welfare state brought larger taxes and larger revenues redistributed by the state; since these revenues were to be handled by political parties in the government, both the political representation as well as the public felt the need to strip political parties of their still existing privacy. Political parties were now linked to the state not only through one of their purpose of existence, the government of a country, but also through their budgets.

For political scientists, this shift towards open party accounts was a blessing; internal financial dealings of political parties, until then mostly inaccessible for the public, scholars included, were now available for an independent analysis. The already above mentioned works of Paltiel, Nassmacher or Pinto-Duschinsky included first officially reported data on the amounts of money political parties spend when attracting voters and when running their political business. Based on data collected from various authors that researched official party reports around the world, Nassmacher (2009: 118), for instance, was able to

compare costs of election politics in the 1960s Venezuela, Israel, Philippines and in Western European countries. Without the opening of party books that accompanied the introduction of state subsidies in the post-war world, such comparisons would not be possible.

That is not to say that, especially in the beginnings, the execution of these analyses was easy. Following budgets of political parties in a single country over the course of a long period of time is invariably made harder by changes in the political and economic structures of the country: fundamental market processes such as inflation and wage adjustments change the prices of campaign instruments, while legal reforms, both related and non-related to party competition, affect in bulk various budgetary items. As Penniman (1984: 52; see, also Nassmacher 2009: 89) writes, in the 1980s, a distinguished French political scientist gave up researching the subject of party funding in France, because, as he felt, there was “scant hope of ascertaining the truth” and the task “was beyond the capacity of a single researcher”. Comparisons of more countries, even those restricted to single time points of short periods, needed to compute in the differences between national fiscal systems, economies, laws and political cultures. Juxtaposing the costs incurred by political parties in all elections (presidential, congressional, state, local) in the USA between the years 1995 and 1999 with elections that happened in Germany in the same period leads to the conclusion that German parties cost their population per capita more than twice the amount that parties in the US cost (\$50 and \$22, respectively, in the 1995 USD rate) (calculated from Nassmacher 2009: 90, 95). However, such a comparison does not take into account the vast differences that exist between American and German politics, the make-up of their systems of government, the different roles that political parties in the two countries play and the historical events that were at that time happening there. A real assessment how much American and German political parties weigh on their respective societies and countries’ institutions, or how much are beneficial for the countries’ politics, would have to be based on a complex multi-variable formula, too difficult for a single researcher using only his head and hands.

In overcoming the complexity problem, immensely helpful were the technological innovations of the 1990s and the 2000s, especially the computerisation of academic work and the spread of the Internet. The opening of books of political parties to the public was not the only prerequisite of the current high-quality analytical work. Without the ability to base explanatory models on large datasets, made possible by computers, research into party finances could not develop further. Computers, networking and the rising numbers of students of political parties led to the current level of research on party budgets. For many European countries, there already exist dense case studies focusing on the development of party budgets in individual countries (see, .e.g, Adams 2005; Ewing 2007; Sickinger 2009); there are also carefully crafted comparisons that restrict the number of variables analysed and focus on specific causal chains that involve items of party budgets (seem e.g., Austin and Tjernström 2003; Mendilow 2012; Cross and Katz 2013). And as Nassmacher (2009) confidently shows, large-N comparisons of distinct cases across space and time are indeed possible, even if these comparisons still need to control for the continuing messiness of available data and the pitfalls of the diversity found between individual cases.

Last but not least, today's research into party funding in Europe benefits from one more major factor: the continuing Europeanisation and unification of political, economic and social institutions. Its impact on both methodological as well as practical issues related to political science research may not be overrated in any sub-field, including the analysis of political finances. First, political parties, national and European-wide, stand in the centre of European integration: they are represented in the European Parliament, for which they run in European-wide direct universal elections. Whether they are upholding the idea of federalisation of the European Union, they are conservatively 'realist', or staunchly anti-Europe, more than 90 per cent of all Members of the European Parliament (MEPs) participate in the system of political groups of the European Parliament, through which they receive public funding. In addition to political groups in the Parliaments, most MEPs participate through their national parties also in the activities of one of the (currently) 13 European political parties, or Europarties, and their affiliated political foundations. Both European political parties and foundations are granted financial contributions from the EU budget, which they spend on day-to-day operational activities and campaigning for European elections (see, e.g., Bardi 2004; Johansson 2005; Külahci 2012).

Second, even without the direct involvement of the European Union, standards of party regulations and political financing are being harmonised. The informal pressure coming from the EU, Council of Europe or GRECO pushes politicians to adopt legislation in its wording and effects at least resembling examples from abroad that are by the international community considered to be the best. Domestic pressure groups or national branches of international anti-corruption organisations use success stories from other European countries to push politicians into strengthening national rules that would curb illicit practices in politics. In the post-communist Central Europe, by far most analyses of party financing are produced by NGOs such as Transparency International (see, e.g., Klimešová et al 2012; Integriteta 2014; Mesežnikov 2014), whose experts are often consulted in the process of drafting new regulations. Gradually, this process of adopting rules that have proved effective in other European countries makes national regulations in individual countries more and more similar, even without the existence of a uniform model issued by some central authority. The spontaneous harmonisation of institutions is a well-known and well-researched phenomenon in European law (see, e.g., Talarico 2005; Loos 2007; Pîrvu 2012) and regulation of political parties is one of the areas, where this phenomenon may be observed.

More transparency, computers and the Internet, and harmonisation of legal regulations are three factors that significantly facilitate research of party funding, including the research done for the present work. In this Chapter, I am showing in detail items found in party budgets and their totals. I focus on the three researched countries, the Czech Republic, Poland, and Slovakia and on what the numbers say about four specific areas of inquiry that are covered by the arguments listed in Chapters 2 and 3.

First, party budgets reveal information about the shape of individual parties, the form of party systems and intra-system activities. Changes in the number of political parties, parties' positions in the system and inter-party relations most probably correlate with changes in parties' budgets and the entire financial bulk operated by the units of a party system. It is tenable to assume that the causal link between

these two sets of variables, party system transformations and party budgets, are bi-directional. There are many ways with a variety of in-between links how transformations of party system may affect party budgets: starting from the common event of establishing a pre-election coalition that will invalidate participating parties' claim for state subsidies, through the formation of a coalition of previously competing parties that will lead to the electoral defeat of a third party, to a party factionalisation that will rupture the party's previously consolidated budget into several independent financially unsustainable units. From the opposite causal direction, inflating a party budget may lead to the party's success in the next election, or its bankruptcy and dissolution in case of an electoral failure. Spending more on campaigns may lead to a sudden rise in the number of votes received, but spending more on day-to-day activities may build a stable party base support among the electorate that will sustain the party over a long period of time. On the side of the revenues, state subsidies are often considered to be a tool of party system petrification; however, there is a variety of models of distribution and extent of subsidies, which undoubtedly plays a significant role and conditions the subsidies' actual impact. In comparison, large donations are regularly seen as a sign of plutocratic tendencies; again, the specific form, sources and amounts of donations ought to be taken into account. To look closer at the relationship in the specific research area, I propose a budget-based classification of political parties and add to party budgets data on election results, party lifespans and pre- and post-election coalitions.

Second, numbers in party budgets change due to legal regulations. That is the rule drive area, based on the central assumptions that movements in budgets of political parties are partially caused by reform of the rules they affect them, that these movements are recognisable and that there exists a theoretically viable causal link between them and the legal reforms. While state subsidies are today the standard for all the researched countries, it was not always so. Moreover, budgets do not reflect only the presence or absence of subsidies; they are transformed by reforms in the actual model of distribution of public funding. Legal rules affect also private sources of income, the amount and form of donations, revenues from business and other activities. On the expenditure side, regulations most often cover campaign spending, its financial and other limits. The data needed for the exploration of this area are party budgets as the dependent variable and data on legal regulations, described in detail in Chapter 5.

Third, there is the wide area covering a quantity of socio-politico-economic variables not directly linked to party politics. Some of them, but not all, are covered in detail in Chapters 2 and 3. For instance, there are economic factors, such as rising and declining industrial output and the gross domestic product, moving currency rates and inflation; all these most probably have some impact on party budgets. From the opposite causal direction, the structure of party budgets, such as high shares of state subsidies or large donations, may affect the public trust in politics. State subsidies may also discourage parties from building grass-root foundations among the civil society and their membership bases. In turn, voter turnout may be indirectly affected by the public distrust in political parties, in addition to the direct effect of the amount of finances spent during campaigning. The data used for this particular area of inquiry are public opinion polls, voter turnout data, corruption indexes and economic data.

Last but not least, the fourth research agenda focuses on the relationship between party budgets and party campaigns. This sub-field, narrow in its scope but rich in its informational depth, is already to some extent discussed in Chapters 2 and 3 and to its further analysis is devoted the entire Chapter 7. In the following Parts of this Chapter, election campaigns are sometimes touched upon, since to exclude them completely from the text would be detrimental to theoretical explanations. Variables related to campaigning are found in the central hub of the many connections interlinking the set of research on party budgets, which need to be addressed properly in a separate Chapter. The rest is explored in the Parts below.

Part 6.2: Budget size-based classification of political parties in the Czech Republic, Poland and Slovakia

In total, 514 political parties in three countries (Czech Republic, Poland, Slovakia) are discussed in this Chapter. These parties comprise 2343 individual observations included in the dataset on party budgets, each observation representing one submitted annual financial report. 514 parties submitted at least once their AFR to their respective national body of oversight, i.e., parliaments in the Czech Republic and Slovakia and the National Electoral Committee in Poland. 207 parties are Czech, 155 Polish and 153 Slovak. Not all parties submitted reports for all of the 11 years included in the dataset – some of them did not exist for the entire period, they were created after 2003, or were dissolved before 2013. Others missed the submission of reports for one or more years, but were not sanctioned to the degree of court-ordered dissolution. The average number of years for which one party features in the dataset is 4.6 for Czech political parties, 5.2 for Polish political parties and 3.8 for Slovak political parties; for all the countries together, the average number of submitted reports per one party is 4.5 and the median is 3.

Out of the 2343 financial reports, 562 are blank – they were submitted but do not contain any information on the income and expenditure of submitting parties. The parties officially neither received nor spent any money; 123 of these reports belong to Czech political parties, out of 950 Czech reports in total, 237 to Polish parties out of 805 Polish reports in total, and 202 to Slovak parties out of 588 submitted Slovak reports. In other words, 13 per cents of all reports submitted to the Czech Parliament did not contain any numbers, as did 29.5 per cent of reports submitted to the Polish National Electoral Committee and 34.3 per cent of reports submitted to the Slovak National Council. Almost a quarter of all reports in the dataset does not provide any other information than that the political parties in question did not have any financial activities in the given year.

Looking at aggregate financial characteristics of the three respective party systems in the period 2003 – 2013 (Table 6.1), three interesting features should be noted: first, the share of state subsidies is high in all three countries and comprises between three to nine tenths of all the funding officially fuelling the three party systems. Particularly the higher numbers point in the direction of party system cartelisation taking place in Central Europe. On the other hand, the numbers differ in the three countries: in the recent years, the Czech system subsidises three to four times the number of parties that is being subsidised in Poland and Slovakia. This is because the Czech system awards financial grants also for seats won in regional and Senate

elections as well for votes received in elections to the European Parliament and recently, the set of parties successful at one level of elections was to a large degree different from the set successful in others. The Czech system is at the same time fuelled from a larger part by non-state resources than it is in Poland and Slovakia: between 2003 and 2013, the share of subsidies in the total income there did not exceed 62 per cent, while the Polish and Slovak parties are quite commonly funded by the state from 70 to 89 per cent.

Second, the aggregate share of private donations oscillates between 9 and 38 per cent; however, there are again differences between individual countries. The Poles officially record highest numbers of share of donations in parties' budgets, between 5 to 50 per cent, 18 per cent on average, followed by the Czechs (12 to 25, average 15) and the Slovaks (5 to 12, average 7). The amount of (official) donations to Czech parties varied in the research years between 2 to 18 million, less than in the Polish and Slovak cases (1.2 to 45 and 0.1 to 2.2, respectively). In Poland, significantly above average is the years 2005, the year of both presidential as well as parliamentary elections; after that, the total amount of private donations in Poland gradually falls.

Third, the total income of parties in all three countries significantly increases in the year of national parliamentary election. Even though an eleven year period is too short for research any firm conclusions, years of parliamentary elections stand out in all three cases. In the 2010 elections to the Chamber of Deputies in the Czech Republic, parties managed to accumulate almost €85 million, including €18 million of private donations. Similarly, Polish parties in the 2011 election to the Sejm acquired almost €60 million, including €14 million of donations. Moreover, while the number of political parties in the Czech Republic significantly increased between 2009 and 2010, which biases the data, the number of Polish parties remained virtually the same. The Polish case is, however, different from the Czech and Slovak cases, because incomes peaked also in 2005 and 2010, when the Poles voted for their president. The effect of presidential elections on party budgets seems to be smaller in the Czech Republic and Slovakia. It is, however, too early to say for the first case, since the Czechs so far voted for the president only once in 2013, when the early parliamentary election also took place.

Table 6.1: Selected Features of Financing of Political Parties in Czech Republic, Poland and Slovakia

	Total Income	Total Donations	Total Subsidy	Nr of Subsidised Parties	Share of Donations	Share of Subsidies
2003	40,387,512.91	10,270,541.73	14,663,291.97	14.0	25.4	36.3
2004	24,522,681.81	2,531,810.94	13,289,971.88	18.0	10.3	54.2
2005	26,828,189.42	2,236,805.09	15,803,000.00	16.0	8.3	58.9
2006	58,697,467.46	7,647,149.98	35,997,989.47	16.0	13.0	61.3
2007	30,266,782.63	2,376,697.61	17,662,588.63	15.0	7.9	58.4
2008	41,602,438.01	6,673,560.20	20,468,065.96	19.0	16.0	49.2
2009	53,830,801.79	7,380,501.98	20,534,953.70	23.0	13.7	38.1
2010	85,657,527.96	18,535,834.20	40,356,501.22	23.0	21.6	47.1
2011	50,590,419.15	8,533,848.92	20,785,270.83	21.0	16.9	41.1
2012	67,616,740.02	13,754,590.58	19,632,544.86	29.0	20.3	29.0
2013	66,750,365.23	8,503,283.94	36,079,488.85	30.0	12.7	54.1

CZE	<u>49,704,629.67</u>	<u>8,040,420.47</u>	<u>23,206,697.03</u>	<u>20.4</u>	<u>15.1</u>	<u>48.0</u>
2003	22,260,564.64	2,538,276.38	13,284,417.15	10.0	11.4	59.7
2004	22,426,499.14	4,197,400.43	14,758,286.12	7.0	18.7	65.8
2005	90,742,230.99	45,125,800.05	21,946,243.55	9.0	49.7	24.2
2006	79,755,103.21	17,821,771.01	52,815,756.45	9.0	22.3	66.2
2007	77,874,945.55	19,406,685.62	26,055,913.47	7.0	24.9	33.5
2008	60,663,089.17	2,858,026.42	51,317,948.39	9.0	4.7	84.6
2009	34,655,068.94	4,068,893.35	25,359,656.64	7.0	11.7	73.2
2010	57,454,451.17	11,517,652.11	40,830,160.36	7.0	20.0	71.1
2011	59,251,101.40	14,502,257.33	27,469,566.62	7.0	24.5	46.4
2012	36,981,918.84	1,905,717.03	30,007,111.60	7.0	5.2	81.1
2013	17,816,010.74	1,209,477.85	12,967,557.35	5.0	6.8	72.8
POL	<u>50,898,271.25</u>	<u>11,377,450.69</u>	<u>28,801,147.06</u>	<u>7.6</u>	<u>18.2</u>	<u>61.7</u>
2003	4,777,465.00	126,788.10	2,731,149.88	10.0	2.7	57.2
2004	3,618,149.63	321,566.13	2,017,725.00	7.0	8.9	55.8
2005	7,676,663.64	505,345.45	2,915,384.29	8.0	6.6	38.0
2006	16,163,639.46	1,077,777.37	12,429,727.08	9.0	6.7	76.9
2007	6,946,302.02	403,063.53	4,875,411.76	8.0	5.8	70.2
2008	7,505,829.92	469,062.50	5,180,125.00	8.0	6.2	69.0
2009	7,560,842.87	980,089.00	5,500,954.00	8.0	13.0	72.8
2010	25,139,466.86	2,251,002.70	18,982,174.29	9.0	9.0	75.5
2011	10,919,448.62	363,250.00	7,333,172.00	8.0	3.3	67.2
2012	24,467,875.71	1,411,345.72	20,710,039.27	8.0	5.8	84.6
2013	8,554,607.26	450,080.00	7,534,160.86	8.0	5.3	88.1
SVK	<u>11,211,844.64</u>	<u>759,942.77</u>	<u>8,200,911.22</u>	<u>8.3</u>	<u>6.6</u>	<u>68.6</u>
2003	67,425,542.55	12,935,606.21	30,678,859.00	34.0	19.2	45.5
2004	50,567,330.58	7,050,777.50	30,065,983.00	32.0	13.9	59.5
2005	125,247,084.05	47,867,950.59	40,664,627.84	33.0	38.2	32.5
2006	154,616,210.13	26,546,698.36	101,243,473.00	34.0	17.2	65.5
2007	115,088,030.20	22,186,446.76	48,593,913.86	30.0	19.3	42.2
2008	109,771,357.10	10,000,649.12	76,966,139.35	36.0	9.1	70.1
2009	96,046,713.60	12,429,484.33	51,395,564.34	38.0	12.9	53.5
2010	168,251,445.99	32,304,489.01	100,168,835.87	39.0	19.2	59.5
2011	120,760,969.17	23,399,356.25	55,588,009.45	36.0	19.4	46.0
2012	129,066,534.57	17,071,653.33	70,349,695.73	44.0	13.2	54.5
2013	93,120,983.23	10,162,841.79	56,581,207.06	43.0	10.9	60.8
AGG	<u>111,814,745.56</u>	<u>20,177,813.93</u>	<u>60,208,755.32</u>	<u>36.3</u>	<u>17.5</u>	<u>53.6</u>

The aggregate numbers of incomes to party budgets in the three countries provide ambiguous evidence about the presence or absence of cartelisation in the area of funding of political parties. While the share of subsidies in parties' budgets is comparatively high and in the Polish and Slovak cases the set of subsidised parties is small, particularly in the years of election to national parliaments, parties manage to acquire large sums of money from private sponsors.

More information about the shape of party financing in Central Europe may be learned when the dataset is divided not by countries, but by party types. The classification presented here is based on five characteristics of political parties' annual budgets.

First, the parties are divided by the size of their budgets. There are today in total four super heavyweight parties in the researched countries with incomes regularly exceeding €10 million. These are the Civic Democrats (ODS) and the Social Democrats (ČSSD) in the Czech Republic and the Civic Platform (PO) and the Law and Justice (PiS) in Poland. In 2010, the Czech Social Democrats and the Civic Democrats managed to amass and spend more than €20 million each. Between 2003 and 2011, the super-heavy class was intermittently reached also by the Polish Democratic Left Alliance (SLD, between 2003 and 2007, and in 2011), in 2012, also the Slovak Direction party (*Smer*) broke in.

Then there are the heavyweight parties, with average budgets between €1 and €10 million. In this category, 16 parties may be found in the region. In the Czech Republic, there are the two traditional parties, the Christian Democratic Union (KDU – ČSL) and the Communist Party (KSČM), and the newcomers with uncertain future, ANO 2011, the Party of Citizens' Rights (SPO), the Public Affairs (VV) and TOP 09. In Poland, there is the already mentioned Democratic Left Alliance (SLD) and the Polish People's Party (PSL), accompanied by the newcomer Palikot's Movement (RP). In Slovakia, *Smer* dominates and is already overgrowing this class, followed by the Christian-Democratic Movement (KDH), Freedom and Solidarity (SAS), Ordinary People (OLaNO), Slovak Democratic and Christian Union (SDKU – DS) and the Slovak National Party (SNS). The inter-ethnic Slovak – Hungarian party Bridge (MH) entered this class in 2010.

The 19 member-large middleweight category has budgets between €100 thousand and €1 million and includes, in the Czech Republic, the two traditional parties, the Green Party (SZ) and the Association of Independent Candidates – European Democrats (SNK – ED), and the emerging or constantly re-forming parties such as the Citizens.cz (O.CZ), Mayors and Independents (STAN), North Bohemians (S.CZ) and the Sovereignty (SUV). In Poland, this class is comprised of the Anti-Clerical Party of Progress (PPAP), Democratic Party (SD), Democratic Party – *demokracy.pl*, Social Democracy of Poland (SP) and the Union of Labour (UP). In Slovakia, there are two the two traditional parties, the Party of Magyar Coalition (SMK – MKP) and the People's Party – Movement for Democratic Slovakia (LS – HZDS), and the uncertain newcomers such as the 99% Citizen Vote (99), Change from Bellow – Democratic Union of Slovakia (ZZ – DUS), Citizen Candidates (OK), Citizen Party Today (OSDNES), Movement for Democracy (HZD) and the New Democracy (ND).

Between €10 and €100 thousand, there are 24 parties of the lightweight category. In the Czech Republic, there are the traditional parties, the Independents (NEZ), Non-Partisans (NEST), Party of Private Businessmen (SSČR) and the Right Bloc (PB), and the recently established, often regional parties, the Alternative, Change (Z), East Bohemians, Mayors for Liberec Region (SLK), Moral Catharsis of the Region (MOR), National Socialists – Lev 21 (LEV), Party for Open Society (SOS), Party of Free Citizens (*Svobodní*), Pirate Party (*Piráti*), South Bohemians 2012 (J2012), United Democrats – Association of Independents (SD – SN) and the Zlín Movement of Independents (ZHN). In Poland, this class includes the Congress of New Right (KNP), National Party of Retirees and Pensioners (KPEIR) and the Right of the Republic (PR). In Slovakia, there is the Communist Party of Slovakia (KSS), the emerging European Democratic Party (EDS), Law and Justice (PAS), New Parliament (NP) and the Party of Tradesmen of Slovakia (SŽS).

The bantamweight class, with budgets up to €10 thousand per year, is comprised of the remaining 256 parties in the dataset. This class also includes several Czech parties of certain regional importance, for instance, the Moravians (M) or the Mayors for Citizens (STO), and locally influential parties, such as the Jirkov of the 21st Century (J21), Tábor 2020 (T2020), Town for People (ML), Vote for Kladno (VPK), or the Vote for Town (VPM). In the Polish subset of this class, there is the Kobiet Party (PK), League of Polish Families (LPR), Patriotic Poland (PPAT), Pirate Party (PP) or the Polish Association of Monarchists (PRM). In Slovakia, very small budgets are recently reported by the Civic Democratic Party (OKS), Greens (Z), Liberal Party, Our Region (NK), Party of Modern Slovakia (SMS) or the Slovak People's Party (SLS).

Classification of parties based on the size of their budgets shows that there exists a hierarchy of parties that has a strong connection to parties' past election results and, most probably, their future chances. The four super-heavyweight cases of parties in the dataset are the Czech two largest parties that alternated in the government as right-wing and left wing coalition leaders since 1992; between 1998 and 2002, the Civic Democrats even agreed with the Social Democrats on tolerating the latter's minority government in exchange for influence over important government departments. If there indeed might be argued that a party cartel has emerged in the Czech Republic, these two parties are the backbone of the argument's empirical evidence. In Poland, the party system was much more volatile and the two major government contenders of the recent period, the Civil Platform and the Law and Justice, do not alternate and cooperate in a manner comparable to the Czech case.

From the point of view of the cartelisation thesis, most interesting are the heavyweight and the middleweight classes. If a party wants to enter parliaments in the Czech Republic, it ought to aim for budgets exceeding €1 million. The two Czech parliamentary newcomers of 2010, the Public Affairs and TOP 09, operated in 2010 with incomes of €1 and €3.3 million, respectively, excluding all state subsidies that were acquired after the election. In 2009, they already reported respective incomes from private sources of €430 and €1.6 million. In Poland, the 2011 parliamentary, the Palikot movement, needed only €425 hundred to secure 10 per cent of the vote and 40 seats in the Sejm. Compared to the 27 seats of the Union of Democratic Left, who amassed €12 million from private sources, Palikot's party proved to lead a much more cost-effective campaign. The Ordinary People (OĽaNO), the 2012 Slovak successful parliamentary newcomer, acquired only €31 thousand in 2011 and €311 thousand in the entire year 2012, with the election taking place already in March; still, he secured 8.6 per cent of the national vote and 16 seats in the National Council.

A six, "no-weight" class, is formed by parties that regularly do not report any income and provide only blank reports in consecutive years. These parties do not appear to conduct any activity apart from the continuing dutiful submission of reports to its national body of oversight. It is usually a sign of slow death of a party. That was the case, for instance, with the Czech Right (*Česká pravice*), Democratic Party of Social Justice (*Demokratická strana sociální spravedlnosti*), Polish Party of Land Rebirth (*Polska Partia Odnowy Kraju*), or the Slovak National Union of Handicapped (*Národná únia zdravotne postihnutých Slovenska*). However, many parties function without any financial activities for several years as a kind of "sleeping agents" that will suddenly attract private donations or acquire income from business activities and enter an election.

Czech radical right-wing activities seem to adopt this strategy of “shelved”, back-up parties, under which they rally once their original party is dissolved by a court order because of their pro-nazi or nazi-like manifestos and party programmes. These shelf parties bear neutral names, e.g., Party for Europe (*Strana pro Evropu*) and are usually registered to the relatives or close friends of leaders of the Czech right-wing movement. Other parties are set up with the expectation of a later entry of a large private donor, usually a businessman that will use the party brand as a vehicle to press his or her interests in politics.

Part 6.3: Budget structure-based classification of political parties in the Czech Republic, Poland and Slovakia

Apart from total numbers of budget size, the parties are also classified based on budget structure characteristics: first, on the share of election expenses in the total annual expenditure. A party is presumably more invested in an election if it spends a larger amount of financial investment in campaigning than if it spends smaller. The more a party spends on non-election activities, the more probably cares about its long-term organisational structure and day-to-day operations. Two caveats need to be added here. The first caveat is theoretical: in the entire population of parties, an inverse relationship between total expenditure paid by a party per year and the ratio of election expenses to total expenditure is expected. The largest (parliamentary) parties have large operational costs and even if they spend several fold more on campaigning than small parties, their ratio will still be significantly lower than the ratio small parties with low operational costs may feature. The ratio is more comparable with parties of the same or similar amount of total expenditure, and less so with parties of significantly different amounts of total expenditure. The second caveat concerns the practical aspect of research of party funding in the three selected cases. As is discussed at length above, particularly in Chapter 5, the existing Czech, Polish and Slovak models of party funding oversight is very liberal in terms of control and auditing. This liberal approach betrays itself also in the manner how parties report their revenues and incomes on forms prescribed by their respective supervisory bodies: to put it mildly, the manner is imperfect. Items from their annual balances are carried to prescribed forms differently by different parties. In theory matching columns and rows spread over different forms do not match in practice and, in many cases, numbers simply do not add up. This problem concerns also the items related election expenses, cumulative sum that are calculated by the parties themselves and often through different calculations. For instance, some parties in the 2012 Czech regional elections put forward hundreds of candidates and still reported zero election expenses (Šimral 2013). The models of audit and supervision of party funding that have been in place in the Czech Republic, Poland and Slovakia do not guarantee a high level of quality of the data found in annual financial reports, which is unfortunate for the democratic process in general and for academic analysis of the data in particular. Unfortunately, the annual financial reports are the only publicly accessible data source available and at the moment irreplaceable for political finance research.

The same caveat applies to the other three budget structure-characteristics on which parties are classified in the present work: they are the share of state subsidies in revenues, the share of donations in revenues, and the ratio of donations, loans and credits to membership fees. A classification based on the size

of budgets divides parties into useful categories, but does not by far exhaust the descriptive and explanatory potential of parties' financial characteristics. High total incomes are not by themselves a commonly accepted indicator of party cartels, even though the difference between super-heavyweight and heavyweight parties points to inequality between parties and suspicious domination. For Katz and Mair, cartelised parties are primarily "characterized by the interpenetration of party and state and by a tendency towards inter-party collusion." (Katz and Mair 2009: 755). Some of the transformation processes behind party cartelisation has been in the existing literature in part expressed in quantitative indicators: in aggregates of party membership (Mair and Biezen 2001) and sums of public funding (Szczzerbiak 2001; Biezen 2008). Both measures ought to indicate the loss of parties' roots in the civil society and their detachment (or withdrawal) from the general population towards the state that funds them and keeps them, at least financially, afloat.

Between 2003 and 2013, the average shares of state subsidies in the budgets of the super heavyweight parties were: 43 per cent for the Czech Social Democrats, 49 per cent for the Civic Democrats, 57 per cent for the Civil Platform, and 70 per cent for the Law and Justice. However high these number may be, they are not, in relative terms, the largest one. In fact, 33 out of the 514 parties in the dataset average more than 50 per cent of their (official) income coming from the state: 18 Czech, 9 Slovak and 7 Polish parties. Ten Czech parties belong to the lightweight class, 5 to the middleweight and 3 to heavyweights. Three Polish parties are middleweights, three are heavyweights and one is super heavyweight, in Slovakia, there is one lightweight, five middleweights and three heavyweights. In terms of relative numbers, the middleweight and the heavyweight classes are the one most benefited by state subsidies in Poland and Slovakia; in the Czech Republic, the heavyweights are accompanied in this respect by lightweight parties, most typically regional challenger parties.

However, the share of state subsidies in parties' income is not a reliable indicator, if detachment of parties from the civil society is to be measured. Substantial income may flow into parties' budgets also from loans and their business activities such as the letting and sale of property, cultural and social events, publishing or consulting. More logical is to measure the share of membership fees and private donations, respectively. While the first may tell something about engagement with the "ordinary" civil society and the party on the ground, the latter tells something about engagement with non-partisan supporters and also the private business sphere. In the dataset, no party of middleweight and above category acquired more than 20 per cent of their income from membership fees. The vast majority of parties have membership fees share below 10 per cent of total income. If only this measure is taken into account, parties in Central Europe are indeed very detached from the civil society.

The measure of share of donations provides a more colorful picture. Many parties with higher incomes acquired large sums from private donors, usually from large private donors. For instance, the Czech party ANO 2011 derived the whole of their 2.5 million Euro income in 2012 from large donations, mainly from the founder and main character of the party, the businessman billionaire Andrej Babiš. In the present paper, I argue and, hopefully, provide some evidence for the notion that ANO is a prime example of

the party model that currently mostly challenge the real or imaginary party cartel in Central Europe; and this model will in the near future play a crucial role in the working and development of Central European party systems. ANO is not the only representative of this new coming party: in the Czech Republic, there are also the Public Affairs or TOP 09, in Poland, there is the Palikot Movement (today under a different name), in Slovakia, there are the various Citizens' movements, such as 99% Citizen Vote (99), Change from Bellow – Democratic Union of Slovakia (ZZ – DUS), Citizen Candidates (OK) or Citizen Party Today (OSDNES).

The most important characteristics to identify these parties certainly do not need to be budgetary: the listed parties indeed seem to fall in their majority into a set of parties with clustered around an anti-system, anti-corruption, essentially anti-cartel message; often in their election manifestos overly focused on this issue, with other policies based on simple, schematic populism. These parties are then close not only in the outward political appearance, but also in their financial structure, which reflects the parties' intensive election campaign model, the background of the parties' creators, and the intra-party hierarchy in decision-making.

The intensive campaigning model is another significant feature of the party model. In financial terms, it may be indicated by the share of election expenses out of all expenses a party incurs in one year. This measure ought to indicate how stable an organisation a party runs and what activities it conducts in the time between elections. In 2009 and 2010, in the year and of parliamentary election and the preceding year, TOP 09, the successful new comer of Czech politics, spend, respectively, 85 and 75 per cent of its expenses on campaigning. After it joined the government, the party spent 51 per cent of income on campaign in 2012, the year of regional and Senate elections, but only 3 per cent in 2011. The Public Affairs (VV), the second Czech parliamentary challenger in 2010, spent in the same two years 97 and 95 per cent of their expenses on campaigning. In the Slovak parliamentary election of 2010, the new comer Freedom and Solidarity (SAS) spent 84 per cent on their campaign, while the second challenger, Bridge (MH) 70 per cent. Comparably, for the 2011 Sejm election, Palikot's movement spent on their campaign officially a hundred per cent share of their total expenses.

The ratio of donations, loans and credits to membership fees is another indirect indicator of a party's internal structure related to the classic distinction between cadre and mass parties (Duverger 1951; Panebianco 1988). Large share of membership fees in a party's revenues may indicate a large, organized and disciplined large membership. On the other hand, if the vast majority of revenues come from donations and loans, the party presumably focuses more on its campaign activities and on elections and does not concerns itself much with building a stable party organization from registered party members. Again, the ratio should be compared in individual cases only between budgetary large and, separately, between budgetary small parties. Especially the latter, the small parties, possess oftentimes so small a budget that its structure is fundamentally transformed with a single modest donation of several hundred Euro; the same sum may, however, be also written down in the books as a membership fee, depending on the tax reasons known to the donator, depending on her attitude towards being a registered partisan, or, in many cases, depending

solely on her whim. There is a second variable that has an impact on the relationship between total expenditure and the ratio of election expenses to total expenditure: the existence of non-official expenses towards election campaigning from private or semi-private sources. This matter is, however, dealt with in the paragraphs above and it would be redundant to repeat the theoretical arguments here.

Based on the financial characteristics discussed, a more detailed classification of political parties may be created, which takes into account both the budget size as well as the budget structure. In Figures 6.1 – 6.5, parties are divided on axis X by their ratio of election expenses to total expenditure, and on axis Y by the ratio of donations, loans and credits to their membership fees. Party budget size classes from super heavy- to bantamweight are represented by the size of parties' labels. Data used in Figures 6.1 – 6.5 are shown in two year periods from 2004 to 2013. The nature of the two selected scales favours shorter data periods as longer are affected by significant changes in party budgets – no party keeps its budget size and budget structure stable for a period longer than two or three years. Budgets fluctuate due to electoral cycles and the development of parties itself, from the early stages, when election expenses comprise the bulk of a party's budget to the mature stage of large organisational expenses.

Even though it would be possible to show in Figures 6.1 – 6.5 all parties dataset, the visualisation is limited to the largest parties and those representing specific party types. Like in the previous budget size-based classification, also these two continuous axes may serve as the basis for a nominal classification. Suitable cutting points need to be again artificially selected: here, the natural points were chosen based on the underlying logic of the two axes that is further described below. The values of the cutting points are:

- 45 per cent for the share of election expenses in total expenditure and
- 8 for the ratio of donations, loans and credits to membership fees.

Figures 6.1 – 6.5 are titled in chronological succession, but it is better to read them from the opposite direction. The reason is already in detailed discussed above: the most recent data are also the most reliable data; going back in time means getting closer to the pre-GRECO, pre-recession era when the reports of political parties in Central European parties were not the subject of much scrutiny. The oversight and control today is far from perfect, but it is still better than it was several years ago. That and the fact that the recent composition of party systems in the researched countries is also more actual for the reader is why I use Figure 6.5 to explain the logic behind the proposed budget size-based classification of political parties.

Figures 6.5: Political parties by (X) share of election expenditure in total expenditure per (Y) ratio of donations and loans to membership fees (period 2012 – 2013) (Czech, Polish, *Slovak*)

	<u>PLew Preg PSam</u>										ANO STAN	SD-SN S.CZ VPM				HOJJ				ÚPD		<u>ZS</u>
20											ZHN <i>Mag Slo</i>	<u>Libertas PJN PolPat</u>			SPOZ							<u>KPEiR</u>
19												<u>SPZZ PSL</u> 99										PPP-
18												SRP										<u>S80</u>
17																						<u>PWN</u>
16	NOVA																					NEZ
15																						
14																						
13		<u>RP/TR</u>										SNK-ED										
12																						
11																						
10											SMK-MKP											
9														TOP 09								
8																				SLK		
7											ODS	ZZDUS			SZ							
6	<u>SP</u>																					
5												M-H										
4										OLAN		KDU-ČSL								S		
3	VV									O		<u>KNP</u>		ALTE	KAN							<u>Z 2004</u>
2	US-DEU <u>PiS</u>				LS-					SDKU	ČSSD	DSSS		<u>SD</u>	RNAT							
1	<u>PO</u>	HZD	SDL	<u>KSČM</u>	<i>HZDS</i>					KDH	SNS			NK	IVA		SAS	7S		HNHRM		
0	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100		

Figures 6.4: Political parties by (X) share of election expenditure in total expenditure per (Y) ratio of donations and loans to membership fees (period 2010 – 2011) (Czech, Polish, *Slovak*)

	<u>PReg</u>		SD-SN			ZHN	ALTE	M-H		VV	HOJJ STAN		OLANO		SNK-ED		VPM			
20							RNAT				<u>Libertas</u> SDL								<u>RP/TR PJN</u>	
19							IVA												<u>PolPat KPEiR</u>	
18																			<u>PPP-S80 PWN</u>	
17																			<u>KNP PLew</u>	
16																			<u>PSam</u>	
15																				
14								TOP 09												
13																				
12																				
11								ODS		SLK			<u>PO</u>							
10									SAS											
9																				
8																				
7																				
6	<u>SRP</u>																			
5										SPOZ										
4			<u>SP</u>				SZ												S.CZ	
3	NK			KDU-ČSL			KAN													
2	<u>SD</u>			HNHRM LS-			ČSSD	DSSS											<u>Z 2004</u>	
1	DUS HZD		KSČM	HZDS			SMER	KDH	US-DEU SMK-MKP				SDKU	SNS						
0	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100

Figures 6.3: Political parties by (X) share of election expenditure in total expenditure per (Y) ratio of donations and loans to membership fees (period 2008 – 2009) (Czech, Polish, *Slovak*)

	SPOZ <u>KPEiR</u>									ZHN	S.CZ VPM VV <u>SRP</u>				SLK ALTERNATIVA				TOP 09		STAN <u>Libertas</u>	
20																M-H					<u>PWN</u>	
19																						
18																						
17																						
16																						
15																						
14																						
13	KAN															SNK-ED						
12																						
11	<u>PReg</u>																				<u>Z 2004</u>	
10																						
9																						
8	SD-SN			<u>SP</u>																		
7																						
6												ODS										
5										<u>PiS</u>												
4					<u>PO</u>			SZ														
3										KDU-ČSL												
2	DSSS <i>SDKU SMK</i>									ČSSD HNHRM												
1	<i>KDH LS-HZDS SMER</i>					SNS	KSČM					US-DEU <u>SD</u>									<u>PPat</u>	
0	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100		

Figures 6.2: Political parties by (X) share of election expenditure in total expenditure per (Y) ratio of donations and loans to membership fees (period 2006 – 2007) (Czech, Polish, *Slovak*)

				HNHRM		VV	ODA	SUV-POL2	NEZD	PIKM	SZ	SNK-ED	KPEiR	PO	PiS					
20										PWN										
19																				
18																				
17																				
16													SP							
15																				
14																				
13																				
12																				
11																				SRP
10	SD-SN																			
9																				
8															SLD					Z 2004
7																				
6																				
5																				
4																				
3																				
2	DS(SS)				LS-	US-DEU	SMK	SDKU	KDH											
1	KAN			KSČM	HZDS	SNS	SMER	ZHN		SD	SDL									
0	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100

	VV	SNS			ODA		ZHN	KPEiR	SNK-ED	SRP				PiS						SP
20	SUV-																			PWN
19	SZR																			PIKM
18																				
17																				
16																				
15																				
14																				
13																				
12																				
11																				
10																				
9																				
8																				
7	<u>Z2004</u>																			
6	HNHRM									PO										
5																				
4				KDH		ODS														
3	ČSSD KAN		KDU-		DS(SS)						SLD			UW						
2	NEZDEM	KSČM	ČSL																	
1	SMK SDKU	SDL	SMER		SZ				VPM	SD										
0	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100

Quite the opposite side of the spectrum is represented by parties found in the upper-right area of Figure 6.5. Above the cutting point of 45 per cent of total annual income spent on elections and the cutting point of eight times the ratio of DLs to MFs are the following: from the Czech Republic, TOP 09, Party of Equal Opportunities (SRP), ANO, Mayors and Independents (STAN), Zlín Movement of Independents

(ZHN), United Democrats – Association of Independents (SD-SN), Northbohemians.cz (S.CZ), Vote for Town (VPM), Movement “What’s their Deal” (HOJJ), and the Dawn of Direct Democracy (ÚPD), from Poland, Libertas, Poland Comes First (PJN), Patriotic Poland (PolPat), United Poland Zbigniewa Ziobro (SPZZ), Polish People’s Party (PSL), Slavic Union (ZS), National Party of Retirees and Pensioners (KPEiR), Polish National Union (PWN), Polish Labour Party – August 1980 (PPP-S80), from Slovakia, Magnificat Slovakia (MagSlo), 99% Citizen Vote (99), and the Independents (NEZ). This is the set of parties that put the bulk of their financial assets towards elections campaigning and the vast majority of their income comes from private sources. I label this group as ‘polipreneurs’ and assume them to be primarily new, office-seeking actors, with smaller membership base.

In the other two corners of Figure 6.5, there are two more categories of political parties. In the lower-left part, there is, from the Czech Republic, the Green party (SZ), Mayors for the Liberec Region (SLK), Club of Engagé Non-Partisans (KAN), Free Citizens (S), Movement of Independents for Harmonic Development of Communes and Towns (HNHRM), from Poland, Congress of the New Rights (KNP), Greens 2004 (Z 2004), and the Democratic Party (SD), from Slovakia, Change from Below – Democratic Union of Slovakia (ZZDUS), Bridge (M-H), Our Region (NK), Freedom and Solidarity (SAS), and the Magnificent Seven (7S). These parties spend more than 45 per cent on their income on elections and their ration of DLs to MFs is not higher than eight. I label this group as ‘vote-seekers’ that possess to a certain degree significant membership base and put the bulk of their assets towards winning more votes. The remaining, upper-left category includes, from the Czech Republic, the National Socialists – Lion 21 (NS-LEV21), from Poland, the Polish Left (PLew) and Your Movement / Palikot’s Movement (RP/TR), from Slovakia, NOVA and the Party of Magyar Coalition (SMK – KMP). This small group is here labeled as ‘hedgers’ and I assume their behaviour to be closest to policy-seeking. It is the least populous group, since the years 2012 and 2013 in the Czech Republic and Slovakia were years of parliamentary and regional elections. In Poland, no elections took place in the two years, except for supplementary elections in several senatorial districts. The Polish data are, however, affected by the specific format of Polish annual financial reports, which subsumes all expenses not used for the actual running of a political organisation and its offices, such as expert publications and between-election campaigning, into election expenditure. Even though the expectation ought to therefore be for all Polish parties to be on the left side of the Figure, in the all-rounders and hedgers categories, many Polish parties may be found on the right.

The classification into all-rounders, polipreneurs, vote-seekers and hedgers is a rough one, where the assignment of individual cases close to cutting points may be arguable, but it serves the purpose of dividing the party system into a detailed of meaningful categories. Put together with the previous classification based on budget size, political parties may be divided into 5×4 , i.e., 20 combinations, starting from ‘bantamweight all-rounders, through, ‘featherweight polipreneurs’, ‘mediumweight vote-seekers’, ‘heavyweight all-rounders’ to ‘super heavyweight hedgers’ or ‘super heavyweight polipreneurs’.

The selection of cutting points in the classification is not completely arbitrarily: since Figures 6.1 to 6.5 represent two year periods, 45 per cent of election expenses represent a party that spends either its

almost entire budget in one year on an election (the second year is election-free), or spends in both years almost half of its budget on two major elections; the cutting point is not set to 50 per cent since there is always at least a minimal expenditure dedicated to non-election activities. For axis Y, eight was selected as the cutting point for the ratio of DLs to MFs due to the visible trend in all Figures 6.1 to 6.5, showing parties often being divided along the number eight line.

In Figures 6.1 to 6.4, I put primarily a) the largest parties that played important roles in the party systems of the three countries, b) those parties that used to be smaller, but are today of significance in the current politics of the Czech Republic, Poland and Slovakia. Several general observations about these parties and their positioning in the Figures may already be stated based on simple data visualisation:

First, super heavyweight parties are predominantly positioned in the lower left category of all-rounders. The Czech Social Democrats (ČSSD) and the Czech Communists (KSČM) together with the Slovak Direction (SMER) are always found there. The Czech Civic Democrats (ODS) oscillate on the edges of this category and twice overstep into the hedging (2010-11) and vote-seeking (2008-09) category, respectively. The Polish Civic Platform (PO) and Law and Justice (PiS) may be found either in the all-rounders' category (2008-09, 2012-13) or among polipreneurs (2004-05, 2006-07, 2010-11); their strategy is much more capital-intensive in times of preparation for important presidential or parliamentary elections (2005, 2007, 2010 and 2011) and less intensive between important elections (2012-13, 2008-09). That might indicate that in purely financial terms, the Czech Social Democrats and the Communists as well as the Slovak Direction are the parties most anchored in a strong membership base and with largest organisational structures to run. The Czech Civic Democrats and the two Polish largest parties rely already more on private donations and loans and on capital-intensive election campaigning. Even though the difference in the legal framework between Poland and the other two countries (i.e., the rule drive) is significant, it may be tentatively concluded that the three latter parties are, if compared to the first three, more strongly linked to large business donors and use more expensive campaigning tools.

Second, traditional heavyweight and middleweight parties are also among the all-rounders. In the Czech Republic, there are the Christian Democrats (KDU-ČSL) and the now defunct Freedom Union – Democratic Union (US-DEU), in Slovakia, Christian-Democratic Movement (KDH), People's Party – Movement for Democratic Slovakia (LS-HZDS) and the Slovak Democratic and Christian Union – Democratic Party (SDKU), and in Poland, since 2008, the Social Democracy of Poland (SP). However, the smaller budgets of smaller parties tend to fluctuate more and these parties are not therefore set so firmly in their categories. Strongest seems to be anchored in this category the Christian democratic family in the Czech Republic and in Slovakia; this family is accompanied by a group of medium-sized centre-left parties of both rural (LS-HZDS) and urban (US-DEU) electorate.

Third, the polipreneurial category and its close border regions are the place of concentration of parties challenging the established format of the party system. All the recent challengers of the 'cartels' in the Czech Republic, Poland and Slovakia may be found there: in the Czech Republic, it was ANO, Dawn of

Direct Democracy (ÚPD), TOP 09 and the Public Affairs (VV) that managed to enter the parliament in the parliamentary elections of 2010 and 2013. In the latter case, the two parties already feature in the Czech parliamentary arena for a longer time, which leads to their diagonal shift from the upper-right corner to the lower-left, as they strengthen their links with the civic society and build their organisational structure.² In Poland, a movement of the same general direction may be seen at the positions of the Palikot's Movement (RP/TR) that succeeded in the parliamentary election of 2011; in Slovakia, the same may be said about the Ordinary People and Independent Figures (OLANO).

Fourth, parties of smaller budgets generally more fluctuate from one Figure to another (from one two year period to another). This is logical: several donations may completely change the budget structure of a small party and, at the same time, a small party does not run a stable organisation on the ground or a chain of offices as large parties do. Heavyweight, middleweight and smaller parties may also be more focused on regional, local, or even European elections. Some of the medium weight classes are thus built along an electoral cycle different from the large, nationwide parties; they focus their campaigning on the years between parliamentary elections, when the other elections usually happen. That is the case with, for instance, the Czech party of Mayors for the Liberec Region (SLK) that primarily concentrated their assets for campaigning in the 2008 and 2012 regional elections. In Poland, successful election campaigns have also been staged by the Silesian Autonomy Movement (RAS) in the 2006 and 2010 local elections. The regional and local level are also crucial for the Slovak party Bridge (M-H), representing predominantly the ethnic Magyar population along the border with Hungary to the south. In the case of the Czech Republic, the middleweight parties, such as the Green Party (SZ) or the Free Citizens (S), also wager more of their resources on elections to the European Parliament than heavyweight and super heavyweight parties do; the reason is their increased chance of success at this level of elections, which uses in the Czech case a more proportional system than elections to the Czech parliament.

Five, the structure of budgets of large political parties from the three countries differs: Slovak Parties are mostly concentrated in the lower left region, Czech Parties are scattered towards the middle and the centre of gravity of large Polish parties is even further towards the upper right corner. While it might also indicate the a lower level of anchoring of Polish political parties among the electorate via formal structures, a more probably explanation lies in the difference between the rule drives of the three countries: the budgets of large Slovak parties is from a larger part comprised of state subsidies, in the case of SMER and SDKU from 80 to 95 per cent, and the parties do not feel the need to materially strengthen their already dominant financial position among smaller parties. Plus, there is the anecdotic evidence of the large parties' tendency to boost their campaigns via non-official financial channels (see, e.g., Mesežnikov 2014). A large number of Czech parties, on the other hand, is subsidised by the state. The Czech system allows for subsidies to be awarded to also to parties that succeeded in regional and European elections, which has led to the

² The Public Affairs were between 2010 and 2013 the subject of several corruption scandals and fractionalized, which led to their effective marginalisation after the parliamentary elections of 2013. Their future fate remains very much uncertain.

emergence of a relatively large group of medium-sized parties operating outside of the top-level national parliamentary arena, in regions (SLK, S.CZ) or continually on the uncertain threshold of the parliament (SZ, S). These parties either oscillate in the mid-section of the two axes in times of low pre-electoral mobilisation or move towards upper right borders in times of heightened election campaign. Finally, the numbers of Polish group are affected by the parallel existence of parties and election committees in the Polish system, which are in Figures 6.1-6.5 simply calculated together as a single party actor. The large amounts of money handled by election committees then create the strong to and fro jumping effect of Polish parties, which are strongly geared towards intensive election campaign spending.

Part 6.4: Budget structure and size of political parties in Austria, Germany and Slovenia

Austria, Germany and Slovenia were not included in the previous analysis as the scope, detail and contents of data collected on the three countries do not allow it. Austrian political parties that receive federal grants publish their annual financial reports and audit reports by 30 September of the following year in *Wiener Zeitung*, the official gazette of the Austrian government. However, the format of this publication is relatively limited and lists only 14 budgetary items on the side parties' income and 13 on the side of expenses. These items do not precisely correspond with the items selected for analysis in the previous Part and cannot be therefore directly compared with the Czech, Polish and Slovak cases. Moreover, since not all parties are required to publish their financial statements, only a partial dataset on seven large parties that formed the parliamentary level of the Austrian party system in the years 2006 to 2012 was collected for the present work, but may be used only for illustrative purposes and for an indirect comparison.

A similar problem arises with a comparison with German political parties. While German parties' financial statements are fully accessible at the website of the Bundestag, the listing of their budgetary items differs and is actually closer to the Austrian case; here, the spread of a different accounting and reporting model in German-speaking Central Europe as opposed to the Western Slavic model is quite apparent. The financial reports of German political parties include nine items on the side of revenues and seven on the side of expenditure and the system of counting of individual entries found in the accounting books that later constitute the items of financial reports is different from the system common for Czech, Polish and Slovak reporting. As in the Austrian case, also the German data, which include financial statements of six largest parliamentary parties between the years 2007 and 2012, serve only complementary purposes in the analysis.

Data on the finances of Slovenia political parties are currently the most difficult to obtain. On the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) are accessible only short forms for the years 2012 and 2013 listing nine items of parties' income and thirteen items of parties' expenses. Older data are in theory open for public at a request at the Slovenian Court of Auditors, but in practice, privacy laws, as today enforced, prevent research into the parties' reports on the same scale and with the same depth as in the case of the Czech Republic, Poland and Slovakia. Before this controversy is resolved, financial dealings of Slovenian political parties cannot be included in a detailed analysis. The present work uses the accessible data for the years 2012 and 2013 and covers 20 Slovenian political parties

that existed for the duration of those two years, contested the 2011 Slovenian parliamentary election and the early elections of 2014.

Figure 6.6: Political parties by (X) share of election expenditure in total expenditure per (Y) ratio of donations and loans to membership fees in Austria (period 2006 – 12)

	FPO 06-12 BZO 90 11	BZO 08-10 Grune 06	Grune 08-09 BZO 06	Grune 07	BZO 07							Fritz 08		
20														
....														
10		OVP08												
3		OVP 06	11 SPO											
2		BZO 12	06-12											
1	Martin 06-07, 10	Martin 09	OVP 09-12	OVP 07										
					Grune 12			Martin 08						
0	5	10	15	20	25	30	35	40	85	90	95	100	

Figure 6.6 shows that, despite the difficulties in comparison of Austrian parties' budgets with the budgets of Czech, Polish and Slovak political parties, the Austrian party system behaves most probably similarly to its Western Slavic, post-communist counterparts. Even though only a small piece of the party system is displayed in the Figure, which precludes making generalised observations and reaching firm conclusion, data visualization shows a trend: large, established parliamentary parties, the Austrian People's Party (ÖVP) and the Social Democratic Party of Austria (SPÖ) have the smallest ratio of donations and loans to membership fees and their private income comes almost exclusively from their fee-paying members. Different is the funding model of the younger Freedom Party of Austria (FPÖ), which draws private revenue mostly from donations, credits, loans and business activities. The same can be said about the other four parties included in the dataset (*Die Grünen*, Alliance for the Future of Austria – BZÖ, *Liste Dr. Hans-Peter Martin*, and *Bürgerforum Österreich* – FRITZ). Unlike in the cases of ÖVP and SPÖ, these parties' annual budgets are more volatile, which is a reflection of the low membership base as well as of the intensive election campaigning funded by one-time large donations and loans.

Figure 6.7: Political parties by (X) share of election expenditure in total expenditure per (Y) ratio of donations and loans to membership fees in Germany (period 2007 – 12)

FDP	<u>1.17</u>		2007	2010	2012	2008	2011					2009		
CSU	<u>0.97</u>	2010, 11	2012		2007			2009				2008		
B90/G	<u>0.8</u>			2007, 10	2012	2008, 11				2009				
CDU	<u>0.6</u>			2007, 10	2008, 12	2011					2009			
SPD	<u>0.32</u>			2007, 10, 12		2008, 11					2009			
LINKE	<u>0.29</u>		2007, 10		2008, 11						2009			2012
	0	5	10	15	20	25	30	35	40	45	50	55	60	65

German political parties are shown in Figure 6.7, which, however, is not construed in the same fashion as the previous six figures. The reason is simple: the six large German parliamentary parties, which are included in the dataset, receive only a small portion of their private funding from (official) donations and loans and are largely funded by membership fees and state subsidies. The Figure indicates the existence of a trend that is common also to Austria, Czech Republic, and Slovakia: traditional left-oriented parties, social democrats and communists, have the ratio of donations to membership fees smaller than right-wing oriented parties. These numbers thus support the classic image of a large, structured, well-organised social-democratic party with strong presence on the ground and the more business world-oriented conservative party that is not to the same degree anchored among the general working population. The deviating case of Poland, which does not support the classic theory, may be explained by the traditional tendency of Polish parties to factionalise and continually reform their inter-party coalitions. The high volatility of the system then translates in parties' budgets to relatively high level of reliance on private donations and lines of credit, intensive election campaigning and low level of stable organisational structures on the ground.

The new system of reporting incomes and expenses of Slovenian political parties at the AJPES website precludes any juxtaposition of private donations, loans and membership fees as separate parts of parties' budgets. Also impossible is the calculation of the share of election expenses from the total annual expenditure of Slovenian parties – items included in Slovenian reports do not differentiate between costs for services and products related to election campaigns and non-election expenses. It might be possible to learn the amount of election expenses separately from post-election campaign report all Slovenian political parties are required to submit – however, only campaigns for national referenda and for presidential elections, both in the year 2012, took place during the research period of 2012-13 and these campaigns in their planning, conduct and financing differ from classic party-led campaigns before local, regional, parliamentary or European elections. To ascertain the involvement of parties in the financing of campaigns of individual presidential candidates, who were in their majority supported by coalitions of parties, would require a detailed in-depth analysis. In the case of the 2012 referendum, campaign reports indicate a very limited financial involvement of all major parties, not exceeding several hundred euros.

Austrian, German and Slovenian political parties do not differ only in terms of budget structure, but, like Czech, Polish and Slovak parties, also in terms of budget size. Since only the large parliamentary parties of Austria and Germany are included in the dataset, only the largest classes are represented. The Social Democratic Party of Austria (SPÖ) and the Austrian People's Party (ÖVP) are representatives of the super heavyweight class with incomes regularly exceeding €10 million per year. Both SPÖ and ÖVP recorded their largest incomes in 2006, €21 and €24 million respectively. 2006 was a year of parliamentary elections and a second spike in incomes for both parties meant also 2008, a year of next, early parliamentary elections (€21 and €14 million, respectively); ÖVP managed to acquire almost €15 million in the following year for the 2009 European elections, still, however, trailing behind SPÖ's €17 million revenues. Between 2010 and 2012, incomes of both parties slightly decreased and oscilated around the €10 threshold. The Freedom Party of Austria (FPÖ), *Die Grünen*, and the Alliance for the Future of Austria (BZÖ) are typical heavyweight parties,

with average incomes in the observed period of €5.8, €3.3, and €2.8 million, respectively. *Liste Dr. Hans-Peter Martin* operated between the years 2006 and 2010 with annual incomes between €0.6 million to €2.4 million, which puts the party on the border between the heavyweight and the middleweight class. The Tyrolean *Bürgerforum Österreich – FRITZ*, the last party in the Austrian small dataset, represents middleweight parties with income recorded in its 2008 annual financial report of €0.6 million.

All German political parties discussed in this Part belong to the super heavyweight class. Moreover, the two largest parties, the Social Democratic Party of Germany (SPD) and the Christian Democratic Union (CDU), form a class of their own with revenues between 2007 and 2012 ranging from €147 to €173 million and €138 to €162 million, respectively. To put things into perspective, each of this 'hyperweight' parties had in the observed period annual incomes larger than all Czech, Polish and Slovak political parties together (!). The remaining four German parties in the dataset would still belong to the richest level of parties in the Western Slavic countries: the Christian Social Union in Bavaria's (CSU) average annual income reached €41 million, Free Democratic Party's (FDP) €35 million, Alliance '90/The Greens' (B 90/ Die Grünen) €31 million, and the Left's (*Die Linke*) €27 million. All German parliamentary parties had in the observed period revenues higher than any of the Czech, Polish or Slovak political parties in the dataset.

Slovenian political parties, in comparison, operate with much smaller financial assets. Only two Slovenian political parties, the Slovenian Democratic Party (SDS) and the Social Democrats (SD), reached the heavyweight class with average annual incomes in the period 2012-13 of €1.8 and €1.1 million, respectively. The remaining 18 political parties included in the small Slovenian dataset belong either to the middleweight (8 parties), lightweight (2 parties) or bantamweight class (8 parties). The average annual incomes of the middleweight and lightweight parties were: Positive Slovenia (PS) €844 thousand, Slovenian People's Party (SLS) €713 thousand, Democratic Party of Pensioners of Slovenia (DeSUS) €589 thousand, New Slovenia – Christian Democrats (NS-KD) €527 thousand, Liberal Democracy of Slovenia (LDS) €420 thousand, Civic List (DL) €254 thousand, Zares – Social Liberals €155 thousand, Slovenian National Party (SNS) €132 thousand, Party for Sustainable Development of Slovenia (TRS) €60 thousand, and the Youth Party – European Greens (SMS-Zeleni) €54 thousand.

Data on Austrian, German and Slovenian political parties do not allow for a comparison similar to that carried out for Czech, Polish and Slovak parties. However, the data are more valuable in the next Part of the Chapter, which discusses the effects of the rule drive on budgets of political parties.

Part 6.5: The effect of the rule drive on budgets of political parties

I discuss legal regulations that have an impact on party funding already to some length in Part 2.2., where I deal with the content of the concept 'rule drive' and in Chapter 5, where I summarise the developments of party regulatory framework in six selected Central European countries (Austria, Czech Republic, Germany, Poland, Slovakia, Slovenia). In the present Part, I focus on the relationship between the size and structure of parties' budgets and legal regulations in existence in the researched countries. The data

on party budgets used in the following paragraphs come from the same dataset used in Parts 6.1 to 6.3, data on legal regulations are reiterated from Part 5.1 to 5.4.

The path towards the current form of party regulations in the Czech Republic, Poland and Slovakia was full of turns and changes of direction and pace in all three countries. In the Czech Republic, the original 1995 legislation was significantly refurbished in 2000 for two major reasons: first, parties borrowed substantial sums for previous parliamentary election campaigns (1996 and 1998) and were falling behind in installments. Second, Czech media were in 2000 once again filled with a series of scandals related to illicit party funding. Parties therefore agreed on a reform to fill up their party treasuries with money from the state budget by legal, transparent means, increasing state subsidies to large parliamentary parties. This move, however, met with criticism from the Constitutional Court, and the legislating parties were forced to grudgingly allow the widening of the scope of subsidies also to smaller parties. This compromise was accepted by all major stakeholders, including the large parliamentary parties, medium-sized parties on the threshold of the parliament, parties strong in the regions, and the public. The 2000s model of party regulations in the Czech Republic was thus a result of a trade-off between the need for more financial support from the state by large parties and the pressure of the smaller players to level the playing field – in the Czech case, smaller parties managed to get hold of a substantial, even if not equal part of public funding and this development shows in the numbers of Czech medium-sized parties budgets. The 2011 decrease of 5 per cent in mandate contribution contributed to the overall decrease of the total amount of state subsidies granted to Czech parties in 2011, 2012 and 2013, but its net effect is hidden by decreases caused by a movement of the electoral cycle (2012 regional elections, 2013 parliamentary elections) and the subsequent redistribution of funds towards a different set of political parties than before 2011.

Similarly to the Czech Republic, neither the Polish model of party regulations was substantially modified between 2003 and 2013; the major reform happened already in 2000 and 2001, when the framework currently in place was agreed upon. In the Polish case, parliamentary parties are clearly the winners of the new model: first, *dotacje podmiotowa*, mandate contribution, is granted only to groups represented in the parliament. These groups may be both non-partisan and partisan, but in reality, the Sejm have been for long fully dominated by regular political parties. Second, non-partisan election committees are not eligible for *dotacje celowa*, contribution for votes, which was distributed exclusively to political parties. Third, state contributions have been in Poland calculated solely on the basis of results of parliamentary elections, even though that other levels of elections (local, European, presidential) have been progressively more and more regulated. Since 2011, for instance, all election campaign expenses have been limited by spending caps, which carries with it a ‘rule drive’ effect affecting parties’ budgets. However, since the years 2012 and 2013 have been election-free in Poland, the real effect of the caps will have to wait for an analysis until at least parties’ campaign expenses for the 2014 European elections and the 2015 parliamentary elections are known.

Table 6.2: Subsidies and their share in the aggregate incomes of party system in the Czech Republic, Poland and Slovakia

Year	Total Subsidy	Share of Subsidies	Year	Total Subsidy	Share of Subsidies	Year	Total Subsidy	Share of Subsidies
2003	14,663,291.97	36.3	2003	13,284,417.15	59.7	2003	2,731,149.88	57.2
2004	13,289,971.88	54.2	2004	14,758,286.12	65.8	2004	2,017,725.00	55.8
2005	15,803,000.00	58.9	2005	21,946,243.55	24.2	2005	2,915,384.29	38.0
2006	35,997,989.47	61.3	2006	52,815,756.45	66.2	2006	12,429,727.08	76.9
2007	17,662,588.63	58.4	2007	26,055,913.47	33.5	2007	4,875,411.76	70.2
2008	20,468,065.96	49.2	2008	51,317,948.39	84.6	2008	5,180,125.00	69.0
2009	20,534,953.70	38.1	2009	25,359,656.64	73.2	2009	5,500,954.00	72.8
2010	40,356,501.22	47.1	2010	40,830,160.36	71.1	2010	18,982,174.29	75.5
2011	20,785,270.83	41.1	2011	27,469,566.62	46.4	2011	7,333,172.00	67.2
2012	19,632,544.86	29.0	2012	30,007,111.60	81.1	2012	20,710,039.27	84.6
2013	36,079,488.85	54.1	2013	12,967,557.35	72.8	2013	7,534,160.86	88.1
CZE	<u>23,206,697.03</u>	<u>48.0</u>	POL	<u>28,801,147.06</u>	<u>61.7</u>	SVK	<u>8,200,911.22</u>	<u>68.6</u>

In Slovakia, the model of party funding regulations underwent a significant reform in 2004 and 2005, when a new Election Law and a new Party Law were adopted. First elections to the Slovak National Council took place in 2006 and the regulations reform resulted in an immediate increase of state subsidies in the budgets of political parties, particularly large and medium-sized parties. Aggregately, the share of subsidies in the income of the entire Slovak party system rose from 38 to 77 per cent (see Table 6.2) and since 2006, this share oscilated between 67 to 89 per cent. As in the Polish case, also in Slovakia the model of subsidisation has always been strongle parliament-centred and did not undergo a process of scope-expansion comparable to the Czech model. Consequently, only 8 to 9 parties in the Slovak party system has been since 2004 subsidised, a number quite similar to the Polish party system. The number was moreover kept lower by the higher eligibility threshold of 3 per cent for both the contribution for seats as well as the contribution for votes, which is, for the latter, 2 per cent higher than in the Czech Republic. As Table 6.3 shows, middleweight and lightweight Slovak political parties distributed in the observed period among themselves a sum aggregately lower (€33 million) than their Polish counterparts (€54 million), comparable rather with Czech parties (€26 million), but among fewer units (11) of the set than it is in the Czech party system (32).

The amount of state subsidies and its share in the budgets of political parties is one the most apparent, most direct and easiest to calculate effects of the rule drive on the parties' budgets. State subsidies also stand in the centre of the discussion about cartelisation of Central European party systems and their large amounts are often considered to be an indicator of the existence of the cartel. The precise distribution of state subsidies among the different weight classes of political parties needs to be, however, taken into account; it may turn out that the parties most profiting from public funding are not those large

parliamentary players usually seen as the members of a cartel, but another group, not directly involved in the process of legislating party regulations.

Table 6.3: Distribution of state subsidies among political parties by weight classes

Weight Class	Total Subsidies	Share of Subsidies	Nr of Subsidised Parties	Average Subsidy
SW	143,495,920.00	57.61	2	71,747,960.00
HW	79,353,496.00	31.86	5	15,870,699.20
MW	19,953,665.00	8.01	11	1,813,969.55
LW	5,895,066.00	2.37	21	280,717.43
BW	378,844.00	0.15	6	63,140.67
CZE	<u>249,076,991.00</u>	<u>100.00</u>	<u>45</u>	<u>5,535,044.24</u>
SW	177,391,216.00	53.00	2	88,695,608.00
HW	102,648,070.00	30.67	5	20,529,614.00
MW	53,646,010.00	16.03	5	10,729,202.00
LW	1,016,482.00	0.30	1	1,016,482.00
BW				
POL	<u>334,701,778.00</u>	<u>100.00</u>	<u>13</u>	<u>25,746,290.62</u>
SW				
HW	57,260,273.00	63.47	3	19,086,757.67
MW	31,316,045.00	34.71	7	4,473,720.71
LW	1,633,705.00	1.81	4	408,426.25
BW				
SVK	<u>90,210,023.00</u>	<u>100.00</u>	<u>14</u>	<u>6,443,573.07</u>

In Table 6.3, political parties in the three researched countries are divided by weight classes used for the previous classification based on budgets sizes. The Table indicates the presence of two trends present in the researched countries, which are of significance for the discussion about cartelisation of party systems East Central Europe.

First, the largest parties do indeed receive the majority of state subsidies in all three countries. In the Czech Republic, the two major parties that dominated Czech politics in the observed period, the Civic Democratic Party (ODS), leading government coalitions between 2006 and 2013, and the Social Democratic Party (ČSSD), leading a coalition between 2002 and 2006, were awarded between 2003 and 2013 more than €143 million in public funding. This sum includes both contributions for votes and contributions for all their mandates in the parliament, in regional councils and in the Prague municipal council, and represents a 58 per cent share of all subsidies awarded to Czech parties in that period. In the heavyweight category, the always parliamentary Communist Party of Bohemia and Moravia (KSČM) received in the same period from public funding almost €39 million. The fourth largest party, the Christian Democratic Union – Czechoslovak

People's Party (KDU-ČSL), which did not hold seats in the Chamber of Deputies between 2010 and 2013, acquired despite the important electoral loss almost €22 million. The new challenger of the 2010 parliamentary elections and a junior coalition party in the Nečas's government (2010-13), TOP 09, received in the span of three years more than €13 million.

A situation similar to the Czech case was in the observed period in Poland, where the two major alternating government parties, the Civic Platform (PO) ruling between 2007 and 2013, and the Law and Justice (PiS), ruling between 2005 and 2007, divided between themselves over €177 million. The government leading party of the 2003 to 2005 period, the Democratic Left Alliance (SLD), a party on the border of the super heavyweight class, managed received alone almost €55 million. The common junior coalition partner, the Polish People's Party (PSL), reached to the sum of €29 million. The fifth largest party, despite its collapse in the 2007 parliamentary elections, the Self-Defence of the Republic of Poland, acquired more than €19 million. The difference between the Czech distribution and the Polish distribution of subsidies to super heavyweight and heavyweight parties is substantially influenced by the borderline classification of the third and fourth largest Polish political parties. As Table 6.4 shows, the differences between super heavy Czech and Polish parties in their respective average shares of seats in the lower houses of their national parliaments were in the observed period minimal: PO and PiS average seat shares in the 2003-13 period 36.6 and 30.3 per cent, respectively, ČSSD and ODS 33 and 31 per cent, respectively).

Table 6.4: Seats held in lower chamber of national parliaments (CZE, POL, SVK)

	2002		2006		2010		2013		Total Seats	Average Share
CZE										
ČSSD	70	35	74	37	56	28	50	25	724	32.91
ODS	58	29	81	40.5	53	26.5	16	8	673	30.59
KSČM	41	20.5	26	13	26	13	33	16.5	338	15.36
TOP 09					41	20.5	26	13	149	6.77
KDU-ČSL	31	15.5	13	6.5	0	0	14	7	159	7.23
ANO 2011							47	23.5	47	2.14
VV					24	12	0	0	72	3.27
ÚSVIT							14	7	14	0.64
SZ	0	0	6	3	0	0	0	0	24	1.09
	<u>200</u>	<u>100.00</u>	<u>200</u>	<u>100.00</u>	<u>200</u>	<u>100.00</u>	<u>200</u>	<u>100.00</u>	<u>2200</u>	<u>100.00</u>
POL										
PO	65	14.13	133	28.91	209	45.43	207	45.00	1853	36.62
PiS	44	9.57	155	33.70	166	36.09	157	34.13	1533	30.30
SLD	216	46.96	55	11.96	53	11.52	27	5.87	835	16.50
PSL	42	9.13	25	5.43	31	6.74	28	6.09	342	6.76
S	53	11.52	56	12.17	0	0.00	0	0.00	218	4.31
LPR	38	8.26	34	7.39	0	0.00	0	0.00	144	2.85
GER Min	2	0.43	2	0.43	1	0.22	1	0.22	15	0.30
RP							40	8.70	120	2.37
	<u>460</u>	<u>100.00</u>	<u>460</u>	<u>100.00</u>	<u>460</u>	<u>100.00</u>	<u>460</u>	<u>100.00</u>	<u>5060</u>	<u>100.00</u>
SVK										
SMER	25	17	50	33	62	41	83	55	565	34.24
SDKU	28	19	31	21	28	19	11	7	286	17.33
LS-HZDS	36	24	15	10	0	0	0	0	168	10.18
KDH	15	10	14	9	15	10	16	11	163	9.88
SMK	20	13	20	13	0	0	0	0	140	8.48
SNS			20	13	9	6	0	0	98	5.94
SaS				0	22	15	11	7	66	4
M-H				0	14	9	13	9	54	3.27
ANO	15	10	0	0	0	0	0	0	45	2.73
KSS	11	7	0	0	0	0	0	0	33	2
OLANO						0	16	11	32	1.94
	<u>150</u>	<u>100.00</u>	<u>150</u>	<u>100.00</u>	<u>150</u>	<u>100.00</u>	<u>150</u>	<u>100.00</u>	<u>1650</u>	<u>100.00</u>

In Slovakia, during the observed period, a super heavyweight party did not exist – only the ruling Direction (*Smer*) received over €10 million in revenues in 2012, almost nine tenths of it from public funding. The heavyweight class therefore represents the summit of the Slovak party systems in terms of party budget sizes and this class also receives the bulk, 63.5 per cent of all state subsidies. The average subsidy for one party in the class is higher than in the Czech and Polish cases, but that is influenced by the presence of the borderline case of *Smer*. While *Smer* received in 2003-13 the total amount of €34 million in state subsidies, the second largest party, the Slovak Democratic and Christian Union – Democratic Party (SDKU-DS), which led the government coalition between 2006 and 2010, was in the same period awarded only €14 million, not even a half of the sum belonging to the Direction. The third largest party in terms of public funding received was the Christian-Democratic Movement (KDH) with €9 million in state subsidies, followed by two no longer parliamentary parties, the Party of Magyar Coalition (SMK-MKP) and the Slovak National Party (SNS), both reaching to €7 million and by the dominating party of the second half of the 1990s, People's Party – Movement for a Democratic Slovakia (LS-HZDS) with €6 million.

The second trend noticeable in all three countries is the unfavourable position of the smallest parties. Bantamweight parties, i.e., those with annual budgets below €10 thousand, did not receive any subsidies in Poland and in Slovakia; only in the Czech Republic, they were awarded some kind of public funding. In three cases, it was contribution for a seat in the Senate (B10, Movement of Independents, National Prosperity), in two cases contribution for mandates in regional councils (Independents and Mayors, Vote for Town), in one case contribution for votes received in European elections (Right Bloc). The Czech model of subsidisation that covers not only the major (parliamentary and presidential) elections, but also other elections to regional councils, to the Senate and the European parliament, gives a better chance to parties strong on the regional level and/or on European issues. On the other hand, a comparison of sums divided between parties of smaller budget size classes shows that the average sum awarded to small parties is much lower in the Czech case than it is in Poland or Slovakia. While lightweight Slovak parties received in 2003-13 on average €755 thousand and the Polish lightweight party (Union of Labour) no less than €1 million, Czech parties of the same class ended up with the sum of €280 thousand, bantamweight parties with only €63 thousand. It is safe to say that the Czech model with a widened scope of state subsidies benefits a larger number of smaller parties, compared with Poland and Slovakia, but with the drawback of a larger dissipation of funds. Czech middleweight parties are as a consequence comparatively disadvantaged, if juxtaposed with their Polish and Slovak counterparts.

While these two trends, the relative advantage of the largest parties and the relative disadvantage of the smallest, are common across the three researched countries, there are also differences between the countries. The unfavourable position of middleweight parties in terms of public funding is already noted in the paragraph above: the 11 Czech parties that belong to that category distributed between themselves in the 2003-13 period a bit less than €20 million, which is substantially less than their five Polish counterparts with the aggregate sum of €53.6 million. Each Czech middleweight party received on average €1.8 million in public funding, while Polish and Slovak middleweight parties received €10.8 million and €4.5 million,

respectively. Czech super heavyweight parties are, on the other hand, privileged in terms of awarded state subsidies: between 2003 and 2013, they received four-and-a-half times more than Czech heavyweights and almost forty times more than middleweights. In Poland, the ratio between super heavyweights and heavyweights is the same as in the Czech case, but the ratio between super heavyweights and middleweights is only seven-and-a-half. The Slovak party system did not feature any super heavyweights in the observed period, if the emerging borderline case of *Smer* is not taken into account, and the ratio between heavyweights and middleweights was only 4.2. Because of the classification of *Smer* as a heavyweight party, this class in Slovakia also received the major share of state subsidies, a much higher proportion than the Czech and Polish cases of approximately one third-share. In Poland and in the Czech Republic, the lion's share of all public funding received the sets of the two largest parties in the system, 49 and 58 per cent, respectively.

In addition to the Czech, Polish and Slovak full datasets, also the Slovenian partial dataset allows the analysis of distribution of state subsidies among political parties in the country, albeit for a shorter period of 2012 to 2013). Similarly to Slovakia, neither the Slovenian party system features any super heavyweight parties; moreover, there is no Slovenian party resembling the Slovak *Smer* that would be nearing the borderzone between super heavy- and heavyweight categories. The two in terms of budget sizes largest parties, the Slovenian Democratic Party (SDS) and the Social Democrats (SD), operated with average annual budgets in the two year period of €1.8 and €1.1 million, respectively.

Table 6.5: Distribution of state subsidies among political parties in Slovenia by weight classes (2012-13)

	Total Income	Total Subsidies	Share in Total Subsidies	Share of Subsidies in Income	Nr of Subsidised Parties	Average Subsidy
HW	5,894,497.00	4,460,989.00	45.76	75.68	2	2,230,494.50
MW	7,270,882.00	5,063,611.00	51.94	69.64	7	723,373.00
LW	226,543.00	217,874.00	2.24	96.17	2	108,937.00
BW	27,862.00	5,598.00	0.06	20.09	1	5,598.00
Total	<u>13,419,784.00</u>	<u>9,748,072.00</u>	<u>100.00</u>	<u>72.64</u>	<u>12</u>	<u>812,339.33</u>

Even though the dataset of Slovenian parties is not complete and features only the 20 largest parties with largest budgets in the years 2012 and 2013, Table 6.5 shows that also in the post-Yugoslav country, a major share of state subsidies is awarded to the two-member heavyweight class. In that period, the share of subsidies in heavyweight parties' budgets amounted to three quarters of their annual income; and the share of public funding granted to these parties comprised more than 45 per cent of all public funding channeled to the national party system, a number similar to the Polish case. Almost all remaining funds were awarded to seven middleweight parties that formed the middle stratum of the Slovenian party system, namely the

Slovenian People's Party (SLS), Democratic Party of Pensioners of Slovenia (DeSUS), New Slovenia – Christian Democrats (NS-KD), Slovenian National Party (SNS), Liberal Democracy of Slovenia (LDS) and ZARES – Social Liberals. For the class of middleweight parties, public funding officially amounted to approximately 70 per cent of their annual incomes; that number is, however, significantly influenced by the presence of the Slovenian People's Party (SLS), which did not receive any state subsidies in the two year period and was the only middleweight party without public financial aid; excluding SLS, the average share of subsidies rises in the middleweight category to 88 per cent, with individual cases varying from 73 per cent (New Slovenia – Christian Democrats) to 99 per cent (Slovenian National Party). In comparison, the difference of shares between SDS and SD is only 10 per cent, with the former relying on public funding in its budget from 80 per cent, while the latter relied on subsidies from 70 per cent. Both lightweight parties in the set, the Party for Sustainable Development of Slovenia (TRS) and the Youth Party – European Greens (SMS-Zeleni), based almost their entire income, more than 96 per cent, on state subsidies; despite this financial support, both parties in 2012-13 remained at the periphery of Slovenian party politics and did not achieve any significant electoral successes. From the six bantamweight Slovenian parties in the dataset, only one, the Greens of Slovenia (ZS), were awarded a public grant, which represented in 2012 and 2013 their entire annual incomes. As a share from the total amount of public funding given to Slovenian political parties in that period, this grant did not amount to even one percentile of the total sum. The Slovenian case therefore confirms the general trends found in the Czech Republic, Poland and Slovakia, with the electorally largest parties receiving the bulk of all public funding and the smallest parties, if they receive anything, then only a very limited financial sum.

Table 6.6: Average Share of Subsidies in the Budgets of Austrian and German parties 2006/7-12

Austria		Germany	
Grüne	73	B90/Grünen	59
BZÖ	64	Linke	51
FPO	61	FDP	44
ÖVP	51	CDU	43
SPO	42	SPD	41
Fritzsche	40	CSU	34
Martin	32		

In the present work, I do not use data on non-parliamentary parties in Austria and Germany and a comparison of classes is here ruled out. However, the dataset, specifically its time range, allows for an analysis of subsidies' shares that takes into votes received in parliamentary elections, similar to the analysis of Czech, Polish and Slovak parties found in Table 6.4. First, in Table 6.6 are shown Austrian and German parties in the dataset and the average share of state subsidies in the periods 2006-12 for Austria and 2007-12 for Germany. The Austrian dataset is influenced by the variance between the number of financial reports of each party included in the dataset: Citizens' Forum Austria (*Fritzsche*) is included only in 2008, Hans-Peter Martin's List (*Martin*) only in 2006-10, the remaining five parties for the entire period 2006-12. The low

shares of subsidies in the budgets of the two parties indicate their relatively recent creation (Citizens' Forum was established in 2008, Martin's List in 2004) and their position outside of the National Council; the parties enjoyed some success only in regional, respectively European elections. The remaining political parties in the Austrian dataset enjoyed relatively high shares of public funding, starting from 42 per cent of the Social Democratic Party of Austria (SPO) to 73 per cent of the Greens (Grüne). This falls into the scope of subsidies share of large established parliamentary parties as it was in the same period in the Czech Republic, Poland, Slovakia and Slovenia. Comparable shares were recorded by German parliamentary parties, ranging from 34 at CSU to 59 at B90/Grünen, with the arithmetic mean slightly below the Austrian case (45 per cent as opposed to 58 per cent, when *Fritz* and *Martin* are excluded). There is no apparent ranking along the left-right dimension of political competition, but the parties are rather arranged from the largest (ÖVP, SPÖ and CDU/CSU, SPD), that receive the smallest share of subsidies, to the second-level, medium-sized parties (FPÖ, BZÖ, Grüne and FDP, Linke, B90/Grünen). This might indicate a stable anchoring of the largest parties of Austria and Germany 'on the ground', i.e., among the civil society, and a larger dependence of the other parties on their present electoral success. This thesis is supported by the strong long-term position of the largest parties.

Table 6.7: Seats held in lower chamber of national parliaments (AUT, GER, SLO)

	Seats	Seat	Seats	Seat	Seats	Seat	Total	Average
AUT	2006	Share	2008	Share	2013	Share	Seats	Share
SPO	68	37.16	57	31.15	52	28.42	177	32.24
ÖVP	66	36.07	51	27.87	47	25.68	164	29.87
Grüne	21	11.48	20	10.93	24	13.11	65	11.84
FPÖ	21	11.48	34	18.58	40	21.86	95	17.30
BZÖ	7	3.83	21	11.48			28	5.10
Stronach					11	6.01	11	2.00
NEOS					9	4.92	9	1.64
Martin	0	0.00	0	0.00			0	0.00
Fritz	0	0.00	0	0.00			0	0.00
	<u>183</u>	<u>100.00</u>	<u>183</u>	<u>100.00</u>	<u>183</u>	<u>100.00</u>	<u>549</u>	<u>100.00</u>
GER	2005		2009		2013			
SPD	222	36.16	194	31.19	193	30.59	609	32.62
CDU	180	29.32	146	23.47	255	40.41	581	31.12
FDP	61	9.93	93	14.95	0		154	8.25
Linke	54	8.79	76	12.22	64	10.14	194	10.39
B90/G	51	8.31	68	10.93	63	9.98	182	9.75
CSU	46	7.49	45	7.23	56	8.87	147	7.87
	<u>614</u>	<u>100.00</u>	<u>622</u>	<u>100.00</u>	<u>631</u>	<u>100.00</u>	<u>1867</u>	<u>100.00</u>
SLO	2008		2011		2014			
SD	29	32.95	10	11.36	6	6.82	45	17.05
SDS	28	31.82	26	29.55	21	23.86	75	28.41
Zares	9	10.23	0		0		9	3.41
DeSUS	7	7.95	6	6.82	10	11.36	23	8.71
SNS	5	5.68	0		0		5	1.89
LDS	5	5.68	0		0		5	1.89
SLS	5	5.68	6	6.82	0		11	4.17
NS-KD			4	4.55	5	5.68	9	3.41
TRS			0		6	6.82	6	2.27
SMS-Z			0		0		0	0.00
PS			28	31.82	0		28	10.61
DL			8	9.09	0		8	3.03
SMC					36	40.91	36	13.64
ZaAB					4	4.55	4	1.52
	<u>88</u>	<u>100.00</u>	<u>88</u>	<u>100.00</u>	<u>88</u>	<u>100.00</u>	<u>264</u>	<u>100.00</u>

Table 6.7 shows the seat shares of Austrian, German and Slovenian parties in the periods captured in their respective datasets used in the present work. The Austrian, German and Slovenian national party systems show a format of competition very much alike the format of the Czech and Polish party systems in the same period, i.e., in the 2000s: two large parties of a centre-right and a centre-left policy position form the two largest camps, attracting together around two thirds of the total popular vote, while other parliamentary parties divide the rest of the electorate and serve as junior coalition government or opposition parties. The distribution of state subsidies reflects in Austria, Germany and Slovenia reflects this distribution of electoral power, including the weakening of the two previously leading Slovenian parties (SD and SDS) in 2011 for the benefit of the newly established and victorious Positive Slovenia (PS). The rise of PS was also the cause of the relatively lower share of state subsidies (45 per cent) to SD and SDS. Also in Austria, the seat share of the two largest parties (SPO and OVP) was weakened in the parliamentary elections of 2013 to the total of 54 per cent. The opposite direction took the German party system, where the SPD and CDU, thanks to the significant electoral success of the latter, increased their common share to 71 per cent.

Juxtaposing Table 6.7 with Table 6.4 and Figures 5.1-3 indicates that the Central European region experiences in the recent years an erosion of the traditional bi-polar competition of two traditional, or at least established centre-right and centre-left parties. New challenger parties have begun to protrude into national parliaments in the last two electoral cycles in Austria (Team Stronach, NEOS), Czech Republic (Public Affairs, TOP 09, ANO, Dawn of Direct Democracy), Poland (Palikot's Movement), Slovenia (Positive Slovenia, Civic List, Party of Miro Cerar, Alliance of Alenka Bratušek) and in Slovakia (OLANO); in the only exception case, where the share of the two largest parties actually rose, in Germany, the rise was due to the overwhelming victory of the ruling CDU. However, also here, a new challenger party, the Alternative for Germany (AfD) came in 2013 close to the 5 per cent threshold of parliamentary representation. All these challenger parties have in common a largely unclear, populist economic and social policies and political agendas reacting to the global developments of the previous decade: the prolonged recession, war on terrorism and the restructuring of the post-1989 international order. Specifically for Europe, these new parties commonly put forward the issues of further European integration, rising unemployment and the unsustainable model of social welfare state, heightened religious and ethnic tensions. The analysis of these parties' budgets, carried out in the previous text, indicates that these parties use their often significant financial assets, mostly acquired from private donations, to mount intensive election campaigns with noticeable electoral successes. The issue, how these campaigns generally look like and how are they reflected in party budgets, is tackled in the following Chapter 7. Before turning to the issue of campaigning, the Chapter discusses the general relationships between budgets and electoral performances of political parties and their relationships to other, economic and social independent variables.

Chapter 7: Strategies

Part 7.1: Budgets of political parties and electoral performance

Any statistical analysis of budgets of political parties in the region is difficult due to the nature of the data: they are sketchy, with a large variance between individual units and between datasets covering individual countries. As the work of Nassmacher's (2009) and others show, it is indeed almost impossible to compare budgets of political parties across more countries by the means of statistics, since a) different countries record different data, b) these data are very much influenced by variables unique to each country.

In the following Part, I turn to the electoral performance of political parties in the three researched countries. Specifically, I am interested in answering the three following hypotheses that ought to cover different aspects of the question how the budgets of political parties influence the parties' performance in elections:

H1: The more finances a political party spends in a given year, the more candidates it runs in elections.

H2: The more finances a political party spends in a given year, the more votes it attracts.

H3: The more finances a political party spends in a given year, the more seats it wins.

While the sketchiness of data on party budgets is one problem related to the financial side of the hypothetical formula and, in the above hypotheses, related to the independent variable, there exists also a significant statistical problem related to the dependent variable, i.e., electoral performance: the occurrence of several types of elections in a given country in one year. In the research period between 2003 and 2013, in the Czech Republic, Poland and Slovakia, elections of only one type took place in 10 cases. In all other cases, elections of two and more of these types plus local elections happened in one year, which precludes a robust statistical analysis in these years for two jointly influential reasons: first, turnouts for different types of elections vary significantly, as do the numbers of seats contested in the elections. In the short period that the Slovenian dataset covers, 2012 and 2013, no elections took place.

Second, from the six countries discussed in the present work, only Polish and Slovenian parties report their election expenses for each election campaigns separately and that only to a limited degree, often with aggregate expense including also items otherwise reported as day-to-day activities. The dataset used here is based on annual financial reports, where election expenses from various campaigns staged over one year are summed up together – which might even be a better reflection of relativity, where election campaigns for different types of elections that happen in a common time slot, such as the same weekend, are often mutually indistinguishable.

OLS regression models ran to test the three hypothesised relationships between quantitative indicators are therefore based on smaller datasets depicting certain years in individual countries when only one type of election happened. The datasets are:

- 2009 European elections in the Czech Republic with 28 competing parties;
- 2013 parliamentary elections in the Czech Republic with 24 competing parties;
- 2008 and 2012 regional elections in the Czech Republic with 30 and 44 competing parties, respectively (Czech data source: Czech Statistical Office 2014);
- 2004 and 2009 European elections in Poland with 13 and 10 competing parties, respectively;
- 2007 and 2011 parliamentary elections in Poland with 6 and 7 competing parties, respectively (Polish data source: National Electoral Commission of Poland 2014);
- 2012 parliamentary elections in Slovakia with 23 competing parties;
- 2013 regional elections in Slovakia with 17 competing parties, respectively (Slovak data source: Statistical Office of Slovakia 2014);
- 2006 and 2008 parliamentary elections in Austria, both including the 6 most successful parties (Austrian data source: Nohlen and Stöver 2010: 217);
- 2009 parliamentary elections in Germany, including the 6 most successful parties (German data source: Bundeswahlleiter 2014).

In the Czech Republic, 2009 and 2012 were also the years of elections to one third of the Senate, but these elections and their campaigns happen together with the regional elections, which, together with the small number of contested seats in the Senate as opposed the contested seats in regional councils (27 vs 675), allows their exclusion from consideration; they should not influence results dramatically.

OLS regression models tested first the relationship between two independent variables, (I1) total annual expenditure and (I2) election expenses and three independent variables, (D1) total votes, (D2) total candidates, and (D3) total seats. They are run in the statistical programme R, the integrated development environment RStudio 0.98.932, and the command is:

```
olsX<-lm(Dx ~ Ix, data=X)
```

The following is a summary of results for the three dependent variables:

First, the majority of D1 (total votes) models are statistically significant with a positive correlation between the amount of both total annual expenditure and election expenses on the one side and the number of votes accumulated. The only exception are first, the model of 2013 Slovak regional elections, which includes election expenses as the independent variable (out of the 17 competing parties, only 3 reported any election expenses), and second, the model of 2004 and 2009 Polish European elections, also including election expenses. Otherwise, P-values are always below 0.01. The R-squared ranges from 0.40 for Polish European elections (total expenses), through 0.52 for Czech regional elections 2008 and 2012 (election expenses), 0.62 for 2013 Czech parliamentary elections (total expenditure), 0.69 for 2012 Slovak parliamentary elections (election expenses), to values over 90 (Slovak regional elections – total expenditure, Czech European elections – total expenditure, Austrian and German elections – total expenditure). Generally speaking, total expenditure is always a better predictor of the number of votes than election expenditure, which confirms the unreliability of this item in annual reports. In terms of ranking of

individual countries, better are being predicted Austrian and German elections, where only successful (i.e., parliamentary) parties are included in the dataset, over Czech elections over Slovak, and finally, over Polish elections.

Second, D2 (total candidates) models are run only on Czech datasets, since full data on candidates in other elections were not available. Also they all result in statistically significant positive correlations between total annual expenditure and election expenses on the one side and the number of candidates competing. The R-squared of these models is, however, low, especially for European elections in 2004 and 2009 (0.01); for parliamentary and regional elections, the value is around 0.3 for both election expenses and total expenditure.

Last, the same positive correlation also applies to D3, total seats won as the dependent variable of total annual expenditure and election expenses. However, since the amount of units on winning actually any seats is very low, the explanatory power of the models is low and p-values are on average higher than in the previous cases. Lowest p-values and largest adjusted R-squared (over 0.9) have quite predictably Czech and Slovak regional election, since the number of seats distributed in these elections is largest. However, also the models Austrian and German parliamentary elections, where only the successful parties are included in the dataset, feature p-values of <0.0001 and 0.01 and adjusted R-squared of 0.93 and 0.79, respectively. Austrian and German datasets have in this statistical analysis the best predictive power.

The datasets thus shows that the amount of money spent on election has a significant positive effect on the number of votes. However, this conclusion should not be generalised on other datasets, which might be construed as time-series or focus on other sets of parties. This particular piece of data includes a relatively large set of all small, medium and large parties competing in one election, where both the variance in total votes and the variance in budget sizes are huge. If another analysis focused, for instance, on parliamentary parties competing in a series of parliamentary elections, the results, including the general direction of the relationship might be different. To acquire data usable in such an analysis is, unfortunately, for the above described problems, impossible.

While only a very specific conclusion may be drawn from the result, it is interesting to note that some of the datasets also included the challenger parties discussed in the previous Chapter: ANO in the 2013 Czech parliamentary elections, TOP 09 in the 2012 Czech regional elections, the Palikot's Movement (RP) in the 2011 Polish parliamentary elections, OLANO in the 2012 Slovak parliamentary elections, and NOVA in the 2013 Slovak regional parties. All these parties, despite minimal or nonexistent previous electoral experience, managed to succeed in the researched elections, pouring into campaigning large sums of money, quite comparable to those of established, parliamentary parties; without this money, any electoral success would be, most probably, ruled out. Further empirical evidence for this argument may be found when the regression formula is used on data with parliamentary parties are excluded, to control for the bias resulting from a party's previous presence in the parliament and state subsidies. If such a model is run on the above described datasets of the 2013 Czech parliamentary elections and the 2012 Slovak parliamentary

elections, they both show statistically significant results with improved R-squared (0.87 and 0.90, respectively).

Part 7.2: Budgets of political parties and dependent variables

The electoral performance of political parties is not the only variable, or a set of variables, testable by the present dataset. As is stated in the thirty arguments in Chapter 2, party budgets are supposed to influence a wide variety of variables related to political (party membership, average life of parties, factionalisation, party ideological profile) and social (public trust, level of corruption, ethnic issues) phenomena. Those of these variables that have readily available indicators based on arguments in the existing literature are put in this Part under analysis.

First, there is the hypothesis that public funding prolongs the average lifetime of parties. As the dependent variable put against the independent variable of the aggregate sum of state subsidies awarded during the research period to one party, I put the number of annual reports the party during that time submitted. Regression analysis of the entire dataset, in which all Czech, Polish and Slovak political parties are included, shows a statistically significant result confirming this hypothesis, but with a very low predictive power and the adjusted R-squared of 0.1. It is true that if the whole dataset is considered, many parties actually survive the entire eleven-year period without receiving any subsidies. However, many of these parties do not effectively contest the parliamentary level of the political competition, being of any significance only at the local or regional level. On the other hand, some of the parties that had been previously successful in the elections and in securing large sums of state subsidies did not prevent their fall out of the voters' favour at one point of time and their gradual or rapid retreat from the positions of power: in the Czech Republic, the Union of Freedom – Democratic Union, in Poland, the Self-Defence of the Republic of Poland, in Slovakia, the People's Party – Movement for a Democratic Slovakia. State subsidies thus help in prolonging the party life, but do not make a party resistant to failure.

Second, it is argued that wider availability of public funding discourages parties from establishing grass-root links to the society via large party membership. Data on party membership in political parties in Europe are even today hard to gather, but some have been used in previous studies, on which I draw (Biezen, Mair and Poguntke 2012). The dataset includes 40 units: five parties from Austria from the year 2008, five parties from the Czech Republic from the year 2008, six parties from Germany from 2007, nine parties from Poland from 2003 and nine from 2009 and six from Slovakia from 2007. Only data for Poland therefore allow the comparison of two time points, which confirms the common observation that party membership in European countries is declining. However, there does not seem to be any significant statistical relationship between the share of subsidies in these parties' incomes and the number of their party members – in fact, several regression models even suggest that the larger a share of public funding in the budget, the more members it attracts. Regression analysis does not, in the end, result in neither tentative nor firm conclusion about the dataset or the relationship of the variables in general. The present work and the data it uses cannot provide any hard evidence for or against the argument that the introduction of public funding to political parties closes prevents the parties from establishing links to civil society.

Third, it also is argued that the structure and amount of assets in party budgets varies according to ideological party families. In the dataset are included all parties that were in the researched period present for at least year in the Czech, Polish or Slovak national parliament – in total, 30 political parties. These parties are divided into three categories to either rightwing, centre, or leftwing, based on data from the Comparative Manifesto Project (Wissenschaftszentrum Berlin für Sozialforschung 2014) and the Parties & Elections in Europe database (Nordsieck 2014). This three-point scale is in the formula used as the independent variable, while the dependent variable is the ratio of donations and loans to membership fees (RDM). Regression analysis does not show a statistically significant result of the formula, but it should be noted that the average RDM of rightwing parties (ANO 2011, US-DEU, ODA, ODS, LIDEM, STAN, VV, TOP 09, PiS PO, SRP, SDKU, SNS, LPR, OLANO) is 73.4, while the RDM of centre parties (KDU-ČSL, SZ, KDH, PSL, RP/TR, ANO, MOST, SAS, SMK) is 13.5 and the RDM of leftwing parties (ČSSD, KSČM, NS-LEV21, SLD, LS-HZDS, SMER) is 5.15. These numbers suggest that different party families, at least if classified on the rightleft unidimensional scale, acquire private assets via different means – the more leftwing families from large fee-paying membership, the more rightwing families from private donations and loans.

Fourth, another argument states that spending limits lower voter turnout. Since there were no spending limits effectively enforced in none of the countries researched, it is impossible to focus on this variable. Instead, I look at the amount of total expenditure and election expenses in the researched countries as the independent variable, while total voter turnout is the dependent variable. Austrian and German datasets are too small to make any conclusions from them, but regression models run on Czech, Polish and Slovak datasets show that there is a positive correlation between parties' expenditure and the per cents of voters turning up for elections. The statistical significance of these models ranges from the p-value of 0.11 (Czech dataset), through 0.015 (Polish dataset) to 0.007 (Slovak dataset) and the adjusted R-squared from 0.3 (Czech), through 0.67 (Polish) to 0.76 (Slovak). The entire dataset together has the p-value of 0.004 and adjusted R-squared of 0.32. These models are biased due to the differences between voter turnouts for European, regional and parliamentary elections and the parallel differences between the amounts of expenditure parties spend on campaigning for these three different types of elections. However, even when this difference is controlled by the inclusion of a variable distinguishing the three types of elections, the direction of the slope remains the same, most so for parliamentary elections over regional and European elections. The results suggest that if spending limits had been applied in the three researched countries, voter turnout might have indeed been lower; that conclusion is, nevertheless, only tentative as this problem obviously stands on a more complex formula than the three variables included in the regression models.

Fifth, the structure of parties' budgets is supposed to influence two features of intra-party structure: the level of its factionalisation and its organisational hierarchy and decision-making processes. Specifically, state subsidies ought to strengthen the unity of political parties and reduce the threat of party disintegration as well as strengthen the subsidies' direct beneficiaries inside the party and change the party internal power structure. Party factionalisation has been measured in the scholarly literature via several methods, each one

related to one the three most commonly used concepts of this research sub-field: party discipline, party unity, and party cohesion (Ozbundun 1970). For the three countries primarily researched in the present work, the Czech Republic, Poland and Slovakia, the Rice's Index of Cohesion is the most used commonly used indicator of factionalisation (despite its shortcomings, see, e.g., Depauw and Martin 2009: 104) and its data may be taken from previous works (Rakusanova and Linek 2005; Borz 2009; Tavits 2013). However, its application as the dependent variable with the independent variable of the amount of state subsidies does not yield statistically significant results in a regression analysis model. Moreover, from the 30 political parties which were in the Czech Republic, Poland and Slovakia at some point of the researched period present in their respective national parliaments, 13 splintered and in 6 cases their members established new independent parliamentary parties (TOP 09, NS-LEV 21, LIDEM, *Ruch Palikota*, *Most – Hid*, OLANO). In almost half of the researched cases then, state subsidies did not prevent the emergence of strong factions inside parliamentary.

The party internal power structure is another problematic variable for study in Central Europe. In none of the six countries researched, political parties report financial activities of their regional or local branches. The research of internal dealings of parties in Europe might be considered an area even less developed than the research of party funding – political parties are primarily private organisations and they are not compelled by any legal instrument to disclose the reality inside their group. As civic organisations, they are obliged to follow their statutes, which are registered with authorities and open to public inspection, but these represent only a small part of the set of both formal and informal rules party members must follow in their action. Informal rules are often more. Based on these statutes and on expert opinions, the Bertelsmann Stiftung (2014) ranks political parties in OECD countries according to the inclusivity of their internal decision-making processes. Germany and Poland score the highest from the group, 7, Czech Republic 6, Austria 5, Slovenia 3 and Slovakia 4. There is no apparent correlation between this ranking and the amount or the structure of state subsidies. The fact is that there is also no difference between the six countries indistribution of subsidies included in the present dataset – they are all send directly to the party central office. Some new findings might be potentially found if these sums of subsidies were compared first, with the MPs' salaries and the subsidies awarded to parliamentary clubs and clubs in regional or local councils, and second, with subsidies that are in some countries awarded by sub-national authorities (mostly Austria and Slovenia, less common in the other four countries). However, such data were not gathered for the present work and no firm answer about the potential influence of public funding on the structure of internal hierarchy in political parties can therefore be given.

The sixth argument states that public funding limitations, in particular the threshold of eligibility, closes and petrifies the party system. The rankings of closure here is taken from Casal Bértoa and Enyedi (2014); since for Austria and Germany, this ranking was computed from the entire 1949 to 2013 period, which does not correspond to the ranking period of the other four countries (1990 to 2013), the two countries are excluded from the analysis. The remaining four countries have their scores of closure very similar, ranging from 81.7 for Poland to 88 for Slovenia. Figure 7.1 shows that in these four cases, there is no

apparent correlation either between the closure score and the threshold for public, or for the closure score and the distribution of subsidies among weightclasses. Indeed, the most closed party system, Slovenia, features today the lowest eligibility threshold of public funding for the permanent contribution and the second lowest for contribution for votes. The most open party system, Poland, has the highest threshold for both the permanent contribution as well as for the contribution for votes from the four countries. If there exists a causal link between these variables, they are not reflected in this data.

Figure 7.1: Party system closure, corruption levels and trust in political parties

Party system		Thresholds		Share of total subsidies			CPI	Eurobarometer		
CZ	87.3	3	1.5	57.61	31.86	10.53	48	10	11	11
POL	81.7	5	3	53.00	30.67	16.33	58	17	8	14
SLO	88	1	2		45.76	54.24	57	17	13	6
SVK	87.5	3	3		63.47	36.53	46	17	13	16
Permanent contribution		for votes		SW	HW	Rest		2004	2007	2013

Figure 7.1 also shows the Corruption Perception Index from 2013 for the four countries. Poland and Slovenia score significantly higher than the Czech Republic and Slovakia. Yet, the first two countries feature both quite different closure score (81.7 and 88) as well as thresholds of public funding for political parties and the distribution of subsidies among weight classes. Similarly to the closure ranking, neither the corruption ranking seems at the first sight to be influenced by the model of party funding.

The last three collumns in Figure 7.1 show per cents of public trust in political parties in three time points: Autumns 2004, 2007 and 2013, which captures the start, the middle and the end of the researched dataset. Data were taken from Eurobarometer (2014). The European average at the same time points was 14, 18 and 17, as political parties in the majority of European countries are among the least trusted institutions of the public life. This data indicates that in the post-communist East Central Europe, the trust is even lower; lowest in today’s Slovenia, where the recent turmoils and a series of corruption scandals at the highest levels of party politics resulted in virtually no trust (6 per cent) in political parties among the population. At the same time, Slovenia ranks higher on the CPI than other countries in the analysis, the Czech Republic and Slovakia, where the trust in parties is relatively higher. Again, there seems to be no correlation between this data and the eligibility thresholds for public funding for political parties. In fact, the lowest trust is today in the two countries with the lowest thresholds, the Czech Republic and Slovenia. However, a firm conclusion about the relationship of these two variables cannot be reached from such a small number of cases.

The last arguments from previous literature discussed in Chapters 2 and 3 is that public funding may help to get involved in party politics groups who are in traditional societies materially disadvantaged, such as women, workers or non- ethnic and religious minorities. This is another complex problem that cannot be satisfactorily dissected only with the data available in the existing literature and with those gathered for the present work. No gender-based parties appeared in none of the researched countries’ parliaments during the observed period. Ethnic minorities have by law representatives in the parliaments of

Poland (German minority) and Slovenia (Hungarian and Italian minority). The only two ethnic parties that crossed the standard threshold of parliamentary representation were the Party of the Hungarian Community (SMK-MKP) and the younger Bridge (MOST) in Slovakia, both parties focusing on the cooperation of the Hungarian minority the Slovak majority. The first party received only 4.33 per cent of the vote share in the 2010 Slovak parliamentary election, followed by 4.28 in the 2012, which allowed it to receive both contributions for votes as well as permanent contribution. Even today, the party's budget is from more than 90 per cent based on state subsidies and public funding keeps the party further in play for seat in representative bodies; in the 2014 European election, it won one seat in the European Parliament. As regards the last disadvantaged group, the workers, social democratic parties were successfully integrated into the party systems in all six researched countries. Since the research period covers only the era of large catch-all, cartelized political parties, the budget size and budget structure of social democratic parties does not substantially differ from the budget size and budget structure of largest rightwing parties. Whether public funding played to some degree a significant role in bringing social democrats to the parliamentary area is a question that must be answered in a research project focusing on the earlier, 20th century European politics. The present work at this point turns away from an analysis of dependent variables found in the existing literature and focuses on the variables related to the strategy drive.

Part 7.3: Budgeting for elections campaigns

In the last part of this work, a second original dataset is brought in. It is the product of an email questionnaire sent to 470 political parties from Austria, Czech Republic, Germany, Poland, Slovakia and Slovenia in December 2013. The full wording of all four language versions sent out may be found in the Appendix. The questions included in the questionnaire asked about the surveyed parties' opinion on the current state of party regulation in their respective countries (4 questions), party policy towards potential reform of party regulations (4 questions), and parties' conduct of election campaigns (6 questions). Answers to these questions were transformed into 47 variables.

The questionnaire was followed by two email reminders in February and April 2014 with the goal to increase as much as possible the response rate. In the end, the questionnaire was fully or partially completed by 117 parties: 11 from Austria, 45 from the Czech Republic, 21 from Germany, 11 from Poland, 11 from Slovenia and 18 from Slovakia. The response rate from individual countries was 23.5 per cent of contacted parties from Austria responded, 31 per the Czech Republic, 30 per cent from Germany, 14 per cent from Poland, 25 per cent from Slovakia, and 19 per cent from Slovenia. The aggregate response rate was slightly under 25 per cent. If the dataset is divided into weight classes, 7 super-heavyweight parties responded, 15 heavyweight parties, 23 middleweight parties, 33 lightweight parties and 39 bantamweight parties.

As can be viewed in Appendix A, the questionnaire includes questions about first, parties' opinions on national regulations of political parties and the national system of party funding, and second, parties' campaigning strategies, tools of their election campaigns, campaign personnel statistical data and about their campaign budgets' structure. Respondents could choose to answer or not to answer any question in

the set and many chose to focus more on the first part of the questionnaire than on the second. Nevertheless, valuable information was gathered from both parts.

The first question allowed the respondents of the questionnaire to choose the level of anonymity of the answers: they could either allow the publication of the recorded answers namely, as referring directly to their party, or the publication of the data in an anonymised form, only as a statistical variable referring to one of the party weight classes used in the present work. Out of the 117 political parties, only 16 of them chose the first option (13 per cent of the dataset): 4 parties from Austria, 7 from the Czech Republic, 2 from Poland, 3 from Slovenia. From these numbers, it might appear that political parties in the researched group of countries do not yet fully believe in the need for transparency of internal financial dealings of political parties beyond the scope of the law; however, if the parties that responded to the questionnaire are summed up based on the share of votes cast at the latest parliamentary election in each country, the response rate should actually represent a relatively high share of the electorate: the parties that responded from Austria represent 51 per cent of the vote share, from the Czech Republic 53 per cent, from Germany 63 per cent, from Poland 87 per cent, from Slovenia 45 per cent and from Slovakia 75 per cent of the vote share.

Moreover, the information taken from the dataset suggests that the majority of parties would welcome a more regulated framework for the financing of political parties in their countries. In total, 60 parties, i.e., a 52 per cent share of the dataset responded that party funding in their country is too liberal and should be more regulated. Table 7.1 shows the distribution by individual countries: the least in favour of a potential reform of the party funding system towards more regulation seem to be German political parties, followed by Czech parties. This is an interesting piece of information, since the current Czech regulatory framework is the target of many a criticism from both national NGOs and the civil society as well as from international organisations. The data are influenced by the self-selection of willing respondents to the questionnaire and the actual share of Czech parties optioning for the preservation of status quo in party funding regulations (49 per cent) is much closer to the Austrian (56 per cent, i.e., 5 parties) and Slovenian (55 per cent, i.e., 6 parties) number than to the German number (33 per cent). Most pro-reform are in the dataset Slovak (67 per cent) and Polish (73 per cent) political parties.

Table 7.1: Opinion of parties on the current national regulation of political parties (Question 2)

	1	3	4	5	6	8	9	Total	1	3	4	5	6	8	9
AT		5		2	1		1	9	0.0	55.6	0.0	22.2	11.1	0.0	11.1
CZE	5	22	1	5	10	2		45	11.1	48.9	2.2	11.1	22.2	4.4	0.0
GER	4	7		6	3		1	21	19.0	33.3	0.0	28.6	14.3	0.0	4.8
POL		8	1	1	1			11	0.0	72.7	9.1	9.1	9.1	0.0	0.0
SLO		6	1		4			11	0.0	54.5	9.1	0.0	36.4	0.0	0.0
SVK		12		2	3		1	18	0.0	66.7	0.0	11.1	16.7	0.0	5.6
	<u>9</u>	<u>60</u>	<u>3</u>	<u>16</u>	<u>22</u>	<u>2</u>	<u>3</u>	<u>115</u>	<u>7.8</u>	<u>52.2</u>	<u>2.6</u>	<u>13.9</u>	<u>19.1</u>	<u>1.7</u>	<u>2.6</u>

A fifth of all parties included in the analysis believe that their national system of funding is regulated enough and should remain so, most so Slovenian parties (36 per cent, i.e., 4 parties) and Czech parties (22 per cent). This is understandable in the Slovenian case, where the recent legal reform brought to existence a very detailed regulatory system, but less understandable again in the Czech case. The Czech parties in the dataset appear to be the national group most favouring liberal approach towards party funding regulations, which is also supported by the number of parties that believe the regulations are liberal and should remain so (5 parties, i.e., 11 per cent). The majority of parties in the dataset has an official or unofficial policy on the issue of party funding and party regulations in their country (90 parties, i.e., 77 per cent), a slightly smaller majority also discusses the issue of a potential reform (80 parties, i.e., 68 per cent).

Parties were also asked to write down up to five most useful legal tools that might make a system of party regulations more transparent and/or enhancing democracy. The most often mentioned tools were transparent bank accounts (58 cases), identifiable party donors (52), limits on election expenses (46), independent supervisory organ (38), guaranteed space for campaigning on national TV, in the press and on space allocated to outdoor poster campaign (30), identifiable purchasers of political advertisements (21), regularly updated financial operations of political parties directly on their website (10), ban on company donors (6), ban on political advertisements on TV (6), ban on political advertisements from non-political subjects as recognized by the law (4), regulation of political foundation (3), tax assignment for political parties (3), and limits on donations by single individuals (3). Among single recommendations in the dataset was a fairer electoral formula, a ban on discounts for political advertisements, reimbursement for the real amount of expenses for election campaign, or the publication of all contracts concluded by political parties.

Table 7.2 shows parties' opinion on the eligibility and amount of state subsidies distributed to parties in their respective countries (Question 6). In most countries, political parties believe that the eligibility criteria for state subsidies should remain the same, most so in Germany (57 per cent) and in Slovenia (54 per cent), least so in Poland (36 per cent) and in the Czech Republic (39 per cent). The second largest share is of the parties that would like to see the scope of eligibility for state subsidies wider, most so in Poland (46 per cent), the Czech Republic (39 per cent) and in Slovenia (36 per cent). In Slovakia, more parties, five pro to four against, would actually like to see the eligibility criteria narrower, in Austria, the two sides draw (two parties against two parties).

Table 7.2: Opinion of parties on the legitimacy of state subsidies (Question 6)

	1	2	3	Total	1	2	3
AT	4	2	2	8	50.0	25.0	25.0
CZE	17	17	9	43	39.5	39.5	20.9
GER	12	6	3	21	57.1	28.6	14.3
POL	4	5	2	11	36.4	45.5	18.2
SLO	6	4	1	11	54.5	36.4	9.1
SVK	9	4	5	18	50.0	22.2	27.8
	<u>52</u>	<u>38</u>	<u>22</u>	<u>112</u>	<u>33.9</u>	<u>19.6</u>	<u>46.4</u>

Table 7.3 shows parties' opinion on the eligibility and amount of state subsidies when compared with the average share of subsidies found in the budgets of the parties that responded to each of the given option in Question 6. The data on share of subsidies in budgets represent the year 2012 for Austria, Germany and 2013 for the remaining countries. On average, parties with a higher share of state subsidies in their budgets (56 per cent) believe that the eligibility criteria should remain the same. Parties with a lower share of subsidies in their annual budgets answered, that either less or more parties should be eligible for public funding. The last option, i.e., that fewer parties should be eligible for state subsidies should be eligible for state subsidies, was often selected by free market, libertarian parties, which do not a substantial support among the voters in the researched countries.

Table 7.3: Opinion of parties on 1) whether the regulations are strict enough or should be changed (Question 2), 2) whether the scope of eligibility for state subsidies should be the same / larger / narrower (Question 6), 3) how large a share of subsidies in parties' revenues is legitimate (Question 7), 4) how large a share of small donations in parties' revenues promotes transparency and democracy (Question 8)

Question 2	1+6	2+3+4+5	8+9		
Average subsidies share	42	38	22		
Question 6	1	2	3		
Average subsidies share	56	23	19		
Question 7	1	2	3	4	5
Average subsidies share	61	50	41	40	18
Question 8	1	2	3	4	5
Average subsidies share	15	36	36	57	59

Table 7.3 also shows the average share of subsidies in the budgets of parties that responded to the five choices offered in Questions 7 (democratically legitimate share of subsidies in parties' budgets) and 8 (democratically legitimate share of small donations in parties' budgets). In both questions, the aggregate responses confirm the expectation that parties that rely on subsidies the most consider them more legitimate than parties that do not rely on subsidies to such a degree. Heavily subsidised parties also do not emphasise the role of small donations in parties' budgets for the promotion of democratic legitimacy. The hypothesis that the structure of incomes in a party's budget varies according to the party's policy position on the existing regulations on political parties therefore seems to be empirically supported; even though the question on the causal direction of this relationship is left to be answered.

Table 7.4: Questions 6 to 8 divided by weightclasses

Question 6	1	2	3		
Average Class	3.17	4.15	4.08		
Question 7	1	2	3	4	5
Average Class	1	3.42	3.44	3.85	4.27
Question 8	1	2	3	4	5
Average Class	4.29	3.77	3.61	3.5	3

In Table 7.4, classification of parties according to their weightclass is brought in to show that parties are divided on the question of legitimacy of public funding also when they are divided by the budget size scale. Weightclasses are coded on the range from 1 (super heavyweight) to 5 (bantamweight). Parties that believe that the current scope of eligibility for public funding ought to remain the same are on average middleweight (3.17), while those that believe that more parties should be eligible for subsidies are lightweight (4.15), same as parties that believe fewer parties should be awarded subsidies (4.08). The largest share of subsidies in parties' budgets is seen as most legitimate by the budgetary largest (or heaviest) parties and the smaller the party is, the smaller share of subsidies is seen as legitimate (Table 7.4). The opposite is true about the legitimate share of small donations in parties' budgets – the smaller a party is, the larger share of small donations in parties' budgets it considers legitimate.

No clear answer gives the statistics of Question 9, asking whether caps on campaign expenditures are beneficial for the transparency and/or democratic legitimacy of elections. Parties in the dataset are split on the issue 36 against-caps and 72 pro-caps and the 1:2 ratio is approximately the same in all the six researched countries (Table 7.5). Parties in countries with limits on election expenditures, i.e., Poland and Slovenia, seem to favour caps more than parties in countries with no limits, but the number of countries in the set is too small to make a firm conclusion. In Slovakia, the country where caps were introduced in the summer of 2014, the against/pro ratio is actually a little below average. There is no significant difference in the against/pro camps in terms of average share of state subsidies (37.23 versus 37.29) or in the average weight class (3.5 versus 3.78) either. The distinction between these two groups might lie in their ideological differences, with the leftwing parties more favouring the pro-caps camp. However, given the unclear ideological position of the many small parties in the dataset, I do not carry out this correlational analysis as it would be more a guesswork than a scientific inquiry.

Table 7.4: Question 9 divided by parties (against / pro) and share of parties

AT	5	6	45.5	54.5
CZE	14	26	35.0	65.0
GER	5	14	26.3	73.7
POL	3	8	27.3	72.7
SLO	3	8	27.3	72.7
SVK	6	10	37.5	62.5
	<u>36</u>	<u>72</u>	<u>33.3</u>	<u>66.7</u>

The remaining paragraphs of this Part are devoted to the analysis of data found in Questions 10 to 16 of the Questionnaire, which concern the strategies and tools political parties use in their election campaigns. The number of parties that were willing to answer to the set of questions on campaign tools and strategies was lower than for the set of questions on policies towards and opinions about party funding and party regulations, but the questionnaire even here yielded some interesting results.

First, Question 10 asks after the length of parties' elections campaigns for different types of elections (European Parliament, Upper Chamber, Lower Chamber, Regional Councils, Local Councils) and the statistical results may be seen in Table 7.6. The longest campaigns are on average staged for lower chambers of national parliaments (78 days), followed by regional elections (66 days), European elections (56 days), elections for the Czech Senate (55 days), as it is the only country with this type of separate elections, and local elections (51 days). It is interesting to note that none of the 10 Slovenian parties reported campaigning for a period longer than the officially permitted 30 days and some chose to report periods even shorter; on the other hand, parties from countries where some campaigns also have official time limits, such as the European elections in the Czech Republic (16 days) or Slovakia (21 days), chose to include also unofficial campaign days and effectively disregard the limits set by the law. It is probably for that reason, why in Table 7.6, the Slovenian case strongly deviates from the rest. With this exception, the average length of an election campaign in the researched countries is slightly above two months. Respondents in different countries may also differently understand the meaning of the term 'campaign day', which might have led to confusion and a bias in the answers.

Table 7.6: Average days of campaigning by types of elections, countries and weightclasses

EP	56	AT	62	SW	71
Senate	55	CZ	60	HW	75
Parl	78	GER	72	MW	60
Regs	66	POL	61	LW	64
Locs	51	SLO	28	BW	54
		SVK	73		

Correlational analysis in RStudio between the data from Question 10 and the weightclasses does not yield strong statistically significant results due to a relatively large number of missings (from 20 to 73 from 117); however, even if the two-tailed tests are negative with values ranging from 0.056 (regional councils) to 0.126 (local councils), the Pearson correlation itself is always negative and ranges from -0.156 (local councils) to -0.279 (Czech Senate). There is some empirical support for the statement that the smaller a party is, the shorter an election campaign it stages. Table 7.6 shows that in the dataset, such a statement cannot be taken absolutely as there are dips in the number of campaign days in the superheavy weight class and the middleweight class. These results, due to the lower number of parties choosing to answer this question, should be taken with much caution.

Table 7.7: Average number of campaign managers by types of elections, countries and weightclasses

EP	2.7	AT	19	SW	8	9.8
Regs	8.2	CZ	1.5	HW	6	9.1
Parl	3.8	GER	2.5	MW	2.3	3.8
		POL	4.4	LW	3.5	4.6
		SLO	4	BW	1.5	3.7
		SVK	1.6	only national	with regionals	

Second, Question 11 asks after the number of election campaign managers in European, national, regional and local elections. The data need to be again considered cautiously, as the question might have been understood differently by different respondents. When the numbers are divided by countries, the numbers of election campaign managers in national elections strongly vary from 19 in Austria to 1.5 in the Czech Republic and in Slovakia (Table 7.7). This might suggest two things: either the question was understood differently by respondents in different countries, or there indeed exists a difference of approaches towards campaign management in the researched countries. While in Austria and also in Poland and in Slovenia may be campaign management more of a team effort, with entire committees steering election campaigns in Austria (or a highly decentralised model), in the Czech, German and Slovak case, campaigning is ultimately the responsibility of one or two persons. Larger parties in the dataset also tend to have more national (and regional) managers than smaller parties, but there is again a dip on the level of middleweight parties. During regional elections, parties divide the campaigning workload among more regional campaign managers and streamline the management process in European and national elections, when a small team of 3 to 4 managers is usually commonly established. The question also included the variable 'local managers', but it proved to be of no value for the analysis as some of the parties reported having local managers for basically every larger commune in the country (up to hundreds), which inflated the variable's variance to an inoperable level.

Table 7.8: Is the person participating in the campaign planning team? (share of the group in the dataset)

	Chairman	ExComm	Gen Sec	NonExComm	PR profs	Local mems	Volunteers	Candidates
SW	71.4	100.0	85.7	42.9	57.1	28.6	28.6	28.6
HW	66.7	100.0	73.3	60.0	33.3	46.7	46.7	66.7
MW	69.6	91.3	52.2	47.8	47.8	65.2	73.9	65.2
LW	78.8	93.9	51.5	39.4	24.2	72.7	75.8	69.7
BW	87.2	89.7	33.3	23.1	15.4	61.5	71.8	66.7
AT	81.8	90.9	63.6	45.5	36.4	45.5	72.7	63.6
CZ	82.2	91.1	53.3	35.6	26.7	57.8	75.6	57.8
GER	76.2	90.5	52.4	33.3	28.6	57.1	57.1	71.4
POL	81.8	100.0	45.5	36.4	18.2	45.5	45.5	54.5
SLO	63.6	100.0	36.4	45.5	36.4	72.7	63.6	72.7
SVK	72.2	100.0	44.4	44.4	33.3	61.1	77.8	66.7

Third, in Question 12, parties were selecting from a closed list of options the people who regularly contribute to the planning of their election campaigns (Table 7.8). Some findings are not surprising: in parties of larger budgets, it is more probable that they will include in the planning paid public-relations professionals. On the other hand, the difference between the super heavyweight parties in the dataset, that hire such professionals for the planning stage in 57 per cent of the cases and the bantamweight parties, that hire these professionals in 15 per cent of the cases, is not as large as might be expected. Moreover, only a third of the heavyweight parties include PR professionals in the planning, while almost a half of the middleweight parties do so. Clearly, the size of the budget is not the only influential variable when parties decide on this issue. The number of volunteers involved in the planning also decreases with the increase of the budget size, same as does the number of actual candidates in the planning team and local party members. Also here, the difference in the spectrum from the heavyweight to the bantamweight class is lower than it might be expected. Lower in smaller parties is the occurrence of a general secretary in the planning team, since many small parties most probably do not have this administrative position served by a person separate from the chairman or other Executive Committee member. Table 7.8 shows in addition the answers from the dataset divided by countries. Similarly to the previous question, given the self-selection of respondents and the relatively small number of responses, these numbers are not quite reliable. The individual countries do not differ to a large extent, but the Table indicates two interesting deviations: first, Polish parties appear to use the services of PR professionals much less than parties in Austria, Slovakia or Slovenia. Second, Slovenian parties tend to involve local party members in campaign planning more than parties in other countries. It seems that in the smallest country in the dataset, local party cells are more important than in other countries.

Table 7.9: The share of annual expenditure devoted to a type of election by weight class and country

	EP	Parl	Regs	Locs
SW	0.27	0.8	0.33	0.28
HW	0.47	0.8	0.6	0.38
MW	0.43	0.81	0.6	0.45
LW	0.39	0.66	0.64	0.43
BW	0.47	0.75	0.68	0.48
AT	0.54	0.83	0.62	0.56
CZ	0.39	0.66	0.68	0.49
GER	0.52	0.75	0.69	0.47
POL	0.39	0.8	0.49	0.36
SLO	0.56	0.86	X	0.42
SVK	0.31	0.78	0.55	0.3

Fourth, Question 13 asks about the amount of expenses allocated from parties' annual budgets to campaigns for different levels of elections. In total 89 parties answered the Question at least partially, either reporting the share of annual budget allocated to the election expenditure, or in hard numbers. The latter were subsequently recalculated by me also to the annual budget share. Similarly to Question 10, correlational analysis between the answers and the weightclasses does not lead to many strong statistically significant results due to a relatively large number of missings; however, it shows some positive correlation (two-tailed test value 0.012) between the party group number and the share of annual budget allocated to regional allocation (0.285). With two-tailed test value 0.125, there is possible correlation between the party group number and the share allocated to local elections too (0.175). The smaller a party is, the larger a share of its annual budget apparently allocates to these two types of elections. Table 7.9 again shows the classification into weight classes and countries. Elections to national parliaments seem to be distinct from other types as also super heavyweight parties put into campaigning for these elections four fifths of their annual budgets. For other types of elections, there is a dip in the share of election expenditure to total expenditure in the heavyweight class and this share is largely similar to the smaller classes. This confirms the data from annual financial reports analysed in Chapter 6. Classification into national data sub-sets needs to be again taken with a caveat, but it does not any significant deviations anyway. Only the share of subsidies devoted to European elections seem to be smaller in the Czech Republic, Poland and Slovakia than in Austria, Germany and Slovenia, which mirrors the turnout for the last European elections in these countries.

Table 7.10: The share of election campaign expenditure devoted to a tool by weight class and country

	Contact	Outdoor	Print	Internet	Other
SW	0.34	0.38	0.12	0.06	0.45
HW	0.25	0.3	0.21	0.15	0.36
MW	0.25	0.29	0.27	0.13	0.24
LW	0.29	0.34	0.24	0.13	0.27
BW	0.3	0.36	0.32	0.11	0.18
AT	0.17	0.3	0.28	0.15	0.33
CZ	0.33	0.35	0.27	0.13	0.1
GER	0.36	0.33	0.27	0.13	0.19
POL	0.23	0.3	0.17	0.08	0.37
SLO	0.19	0.29	0.2	0.1	0.38
SVK	0.23	0.36	0.31	0.15	0.1

Fifth, Question 14 focuses on the various tools of political parties used for election campaigning. Table 7.10 shows the shares of election campaigning budget dedicated to five sets of tools: face-to-face campaigning, outdoor campaign (billboards and posters), print media, internet media and social networks, and the rest (including TV and radio campaigning). The last category is largest for parties with largest budgets, which reflects the relatively high prices of television advertising. The share of campaigning budget spent on print media, on the other hand, decreases the larger a party has its budget. The probable cause behind this inverse relationship is the relatively large part of budgets regional and local parties spent on advertisements in local newspapers. In addition, Table 7.10 shows two small deviations of single categories: in the budget size (weight) classification, super heavyweight parties spend less on internet advertising and social media than other party classes. In the division according to countries, Polish political parties are those that spend significantly less on the Internet than parties in other countries.

Table 7.11: Do you use different strategies for different types of election campaigns? (share of the group)

	Different strategy	Same budget	Same strategy
SW	83.3	0.0	16.7
HW	80.0	20.0	0.0
MW	59.1	13.6	27.3
LW	41.9	35.5	22.6
BW	32.4	38.2	29.4
AT	70.0	20.0	10.0
CZ	47.6	31.0	21.4
GER	44.4	27.8	27.8
POL	72.7	18.2	9.1
SLO	44.4	33.3	22.2
SVK	38.9	27.8	33.3

Sixth and last, in Question 15, respondents were asked whether their campaigning style or strategy differs for different levels of elections, i.e., European, national, local. Out of the 109 parties that answered this question, in 54 cases, the strategy for each of the levels of elections differed significantly and this difference affected also the structure of the campaigning budget, in 30 differed, but not in budgetary items, and in 24 cases, the strategy did not differ. The average weightclass of respondents choosing the first option was, when recoded to the three-point scale, 3.24, the second option 4.14, and the last option 4.04. Table 7.11 follows the suit of the previous Tables showing the shares of the dataset classified according to weight classes and countries. Super heavyweight parties in the dataset apparently have in their majority different strategies for different elections, same as heavy- and middleweight parties. Light- and bantamweight parties, on the other hand, follow the same strategy for different types of elections. In the national classification, the most strategy-concerned appear to be Polish and Austrian parties. Again, the cause behind these numbers remains a mystery and it may be so that it is only an unbalance in the analysed dataset.

Chapter 8: Conclusion

The present work's stated goal is to contribute to the discussion on cartelisation in the party systems of East Central Europe. The work's contribution to the research field is to be found in a thorough analysis of the budgets of political parties in the Czech Republic, Poland and Slovakia, to a smaller degree also of the budgets of political parties in Austria, Germany and Slovenia.

In total thirty arguments found in the existing scholarly literature are discussed in the present work, with a focus on their relation to budgets and election strategies of political parties. These arguments are analysed with the help of basic tools of quantitative statistical analysis and the qualitative method of comparison of selected features of the analysed cases.

The work's analytical part is based on two new original datasets. The first one, where data on budgets of political parties are collected, uses publicly available sources found in both the off-line as well as the on-line world of today. The second one uses original data collected by the means of an electronic questionnaire sent to representatives of political parties in the six researched countries. In the near future, I plan to allow the public free access to both datasets, as much as it is possible to keep the promise of anonymisation of the data in the questionnaires. Personally, I believe that the collection of these data might be maybe the most beneficial part of the research project for the political science community. The data already in the present work show several interesting phenomena currently happening in East Central European party systems and other researchers might discover and explore even more of them.

The first phenomenon of note is that the size and structure of party budgets are influenced by two distinct abstract causal agents, which I conceptualise as the rule drive and the strategy drive. The rule drive is the part of a party's budget that is predominantly formed by legal regulations on political parties, their funding and activities. On the income side, the rule drive is mostly visible in the share of party budget comprised by state subsidies. On the expenditure side, the rule drive is most apparent in the legal limits of expenses parties may allocate to election campaigning. In addition, the rule drive encompasses also the various limits on donations permissible to be accepted by political parties, limits on parties' business activities, or the legal fees that parties are obliged to pay to enter certain types of elections.

The strategy drive is the causal agent that is predominantly formed by parties' free decisions on how they wish to conduct their day-to-day activities and their election campaigning. On the income side, the strategy drive is represented by the amount of membership fees collected, donations accepted or loans taken out. On the expenditure side, the strategy drive is the formula by which political parties allocate their financial assets to the various activities each political party carries out: office operations, administrative work for their elected representatives and officials, education of party members and promotion towards the public in general, election campaigning.

In the present work, I focus on how these two concepts affect the basic and most visible parts of parties' budgets: how large a part of parties' revenues comes from state subsidies, how large from

membership fees and how large from private donations and loans. On the expenditure side, I am primarily interested in how large a part of parties' expenses is devoted to election campaigning.

From the data collected stands out the second notable phenomenon dealt with in the present work: parties in their lifetime go through an evolution of their budgets, from one relying mostly on private donations and spending the majority of assets on elections to one relying on membership fees, state subsidies in the case of an electoral success, and spending a larger part of assets on activities not related to election campaigning. Such a budget evolution is theoretically quite easily conceivable and is now confirmed by hard data.

However, this budget evolution depends largely on the size of their budget – parties with smaller budgets feature also a different budget structure than parties with budgets larger. This rule applies across the spectrum, from the largest parties in the dataset to the smallest one. The quantitative data on budget sizes are in the present work translated into a language of explanation by turning them into meaningful categories, into which political parties are divided. These categories are here labeled weight classes, mimicking the weight classes found in the boxing world. From the budgetarily smallest bantamweight parties, with annual budgets up to €10 thousand, to the budgetarily largest super heavyweight parties, with annual budgets over €10 million, all parties in the researched countries (and in general, all parties everywhere) may be classified by this simple, but helpful measure.

Based on these categories, the third important phenomenon is noted: the largest, super heavy parties in East Central Europe receive the bulk of all public funding. The model of subsidies distribution differs in the researched countries: the two largest, super heavy parties in the Czech Republic received in the observed period in total over €70 million, in Poland over €88 million. Parties of the heavyweight class, in both countries five of them, received over €15 and €20 million, respectively. These numbers show that it is difficult to assess whether one system is more cartelised than the other on the basis of distributed state subsidies; while the largest parties in the Czech Republic may have relatively received a larger share of public funding than the largest parties in Poland, in total 45 different Czech parties were between 2003 and 2013 awarded subsidies, while only 13 of Polish parties.

It is easier and less arguable to assess the relative transparency of the models of party regulations and regulations of party funding found in each of the researched country. Austria, Poland, Slovakia and Slovenia and Poland are in the recent time undergoing a turn towards more transparency, with new laws already in place or currently being adopted. The Czech Republic is noticeably lagging behind and the pro-reform mood has not as yet resulted in anything more than a draft law currently being debated in the cabinet. The draft should be discussed on the floor of the Czech parliament in spring 2015 and the Open Society Fund was kind enough to provide me with a grant, of which goal is to transform my research findings into a series of up-to-date briefs and analyses that ought to help push through the parliament a law truly improving the transparency of the Czech party funding model.

The fourth phenomenon discussed in the present work is that certain features of budgets, including its size and structure, correlate with certain party strategies. In Chapter 7, this relationship is mostly discussed from the direction of budgets as the causal agents to strategies as the outcomes, but is it most definitely a bi-directional relationship. In simple terms, parties of certain budget size and structure have different campaigning strategies, different policies and different opinions than parties of different budget size and structure. The collected data shows interesting links between several variables, from the logically most obvious, such as parties with large subsidies share in their budgets see as legitimate larger subsidies share than parties without subsidies, to less obvious, such as heavyweight and middleweight parties spend a significantly larger share of their election expenses on the Internet than super heavyweight parties.

The fifth and maybe most intriguing phenomenon is the behaviour of a specific set of parties that are in the researched dataset mostly found in the heavyweight and middleweight class. The above mentioned deviation in strategy is only one of several features that these parties seem to uniquely possess. These parties also keep their election campaign spending higher than the rest of the group and their budgets do not go through the same evolutionary shift as do the budgets of standard parties. They do not increase their fee-paying membership and do not sustain significant day-to-day activities not directly related to election campaigning. These parties seem to be recently, since 2007 at the latest, most successful in challenging the 'cartel' established by larger parties in national parliaments. The set of these parties appears to overlap in a large part with the set of 'populist' parties as discussed in other, ideology and party programme-oriented literature. Or, in a restated, less firm but more exciting conclusion, the populist parties are in their majority distinguished not only by their programmatic profile, but also by the structure of their budgets and related party strategy features.

Ultimately, the present work does not lead to shocking discoveries and does not amount to a challenge of already existing concepts. However, it does provide a lot of empirical evidence for the discussion of the concept of 'cartel' in the region of East Central Europe. It supports with hard data some of the folk theorems present today in debates on politics of the region and refines some arguments. In the end, the work will hopefully create a firm data and conceptual basis for further research of party funding in East Central Europe and provide other scholars with some interesting notions and ideas to ponder.

Appendix A: Questionnaire

Dear Sir or Madam,

Allow me to turn to you with the following request:

I am a PhD student at the Institute for Advanced Studies in Lucca, Italy (see the school's current students at this website and my academic resume here). My dissertation research focuses on the question of regulations on political parties in six Central European countries: Austria, Czech Republic, Germany, Poland, Slovakia and Slovenia. Apart from the current state of law, I am interested in the election campaigning and funding strategies that political parties employ.

For that reason, I would like you ask to if you would kindly agree to help me with my research by filling a short questionnaire, which includes in total 14 (semi-)closed questions. The questionnaire should be filled by your campaign manager, general secretary, chairman or simply the person(s) who knows the most about your party position on existing party regulations, election campaigns, and your campaign budgets.

The 14 questions ask about your opinion on the current party regulation in your country (4 questions), possible changes to the law that you would like to see (4 questions) and also how the current legislation affects your strategies when selecting campaigning tools and campaign budgets before elections (6 questions).

The questionnaire is attached to this email in .doc format; I selected the format as the most widely used and end-user friendly format that is easy to fill in. The guidelines (3 sentences) can be found on the first page of the questionnaire. In its simplest form, the questionnaire takes 10 minutes to fill: however, if you choose to spend on it more time and write down more detailed answers, I would very much appreciate it. If you cannot answer all the questions asked, I would feel obliged for any number of answers you provide.

As you can also read at the start of the questionnaire, I commit myself not to share, without your explicit consent, the data you send me with no third person. The data will be used solely for the purpose of my dissertation research and will be anonymized so as to make identification of the surveyed person and his or her party impossible (again, subject to your explicit consent); the survey is being sent in total to 319 political parties and movements, which makes the process of anonymization easier and quite safe. Apart from my PhD scholarship, the survey is not subject to any external funding or supervisory body and the data will be neither seen nor stored by anyone but me.

I would very much appreciate if you could send me back your answers by **mid-January 2014 or sooner**.

I realize that my request is not small and that the questionnaire increases your workload. Therefore, for any information on the subject you are willing to share, I would be very grateful indeed. Afterwards, I can offer you an exclusive first-view of the results of the survey and my entire dissertation research, on which you will be very welcome to comment and criticize points you consider problematic. If you have questions related to my person, my research, data protection or any other issue, please, feel free to reach me on this email, my second email (vit.simral@imtlucca.it), my Skype (vit.simral) or my Czech phone number (+420 606 220 985).

Thanking you in advance for your kind answer!

Yours gratefully, Vit Simral

Political Campaign Survey

Date and place:

Author's name, home address and phone number: Vit Simral, Prachovska 383, Jicin, 50601, Czech Republic, +420 606 220 985

1. The author of the survey pledges to use the acquired data solely for the use of his own academic research, namely his PhD dissertation written at the IMT Institute for Advanced Studies in Lucca and related academic outputs, such as contributions to academic journals, academic monographs and chapters in monographs. All other uses of the data are prohibited without the explicit consent of the persons and parties surveyed. Common rules of publishing ethics apply.
2. The author pledges not to share the survey results and information included in the survey with a third person without the explicit consent of the person and party surveyed. Access of the data will be limited to the author of the survey and secured by means of professional-level technical safety precautions.
3. The author pledges to anonymize all acquired data to the level where it is no longer possible to identify the party and the person surveyed without their the explicit consent.

Distributed by means of electronic mail to all political parties and movements registered by national authorities as active on 31 December 2012 in Austria, Czech Republic, Germany, Poland, Slovakia and Slovenia.

Guidelines: Please, underscore (Ctrl + U), **make bold** (Ctrl + B) or **change the font color** of the selected option (depending on your own preference). If you do not know the answer to the question and do not care for making an informed guess, please, specify so in the space below questions (e.g., write “not known”). Also, if you want to change the level of anonymization for a particular question from the survey (i.e., other, than selected in the first question), please, also specify that in the space below the question. In that space, feel free to share as many details about your campaigning strategies and campaign budgets as you want to.

I would very much appreciate if you could send me back your answers by **mid-January 2014 or sooner**.

Any information you share will be more than welcome and will contribute to the overall data yield of the survey!

Name of your party:

Your position in the party:

- 1) What level of anonymization of the data extracted from your answers do you prefer?

- a) I allow publishing the data namely, as referring directly to my party.
- b) I allow publishing the data anonymized, only as a statistical variable (i.e., my answers will be hidden among the answers received from other parties from Austria, Czech Republic, Germany, Poland, Slovakia and Slovenia and the party's name will not be deducible).

Space for your own words:

- 2) What is your opinion about the current system of regulation of the working and funding of political parties in Slovenia (select more options if you wish so)?
- a) The system is liberal and it should remain so.
 - b) The system is liberal too much and it should become more regulated.
 - i) Party funding should become more regulated.
 - ii) The everyday operations of political parties should become more regulated.
 - iii) The campaign activities of political parties should become more regulated.
 - c) The system is regulated enough and it should remain so.
 - d) The system is regulated too much and it should become less regulated.
 - i) Party funding should become less regulated.
 - ii) The everyday operations of political parties should become less regulated.
 - iii) The campaign activities of political parties should become less regulated.

Space for your own words:

- 3) Does your party have an official policy or an unofficial consensual stance on the law of political parties and other regulations on political parties?
- a) Yes.
 - b) No.

Space for your own words:

- 4) Is there an internal discussion inside your party on the topic of a new potential law on political parties and/or political funding?
- a) Yes.
 - b) No.

Space for your own words:

- 5) What are, in your opinion, the most useful tools in making the system of party regulation more transparent and/or enhancing democracy in Slovenia (both tools that are already in place as well as those that might be wise to include in a new law)? Please, write them down (e.g., an independent supervisory organ, caps on spending / incomes, auditors selected by draw, transparent bank accounts, state-guaranteed air time on national media, state-guaranteed space for outdoor poster/billboard campaign, identifiable party donors, identifiable buyer and owner of political advertisements, etc.)

- a) ...
- b) ...
- c) ...
- d) ...
- e) ...

Space for your own words:

- 6) In almost all countries in Europe, state subsidizes some political parties. Do you think that the limits on eligibility for subsidies from the state in Slovenia should be changed?
- a) No, the current scope of eligibility should remain as it is.
 - b) Yes, more parties should be eligible for state subsidies.
 - c) Yes, fewer parties should be eligible for state subsidies.

Space for your own words:

- 7) Is state subsidization in your opinion legitimate? What ideally should be the share of state money in a party's budget to promote political transparency and/or democracy in Slovenia?
- a) More than 90 per cent.
 - b) Between 61 and 90 per cent.
 - c) Between 31 and 60 per cent.
 - d) Between 11 and 30 per cent.
 - e) Up to 10 per cent.

Space for your own words:

- 8) What share of revenues of political parties should constitute small donations to promote political transparency and/or democracy in Slovenia (please, specify here the amount of money you consider to be a small donation: ...)?
- a) More than 90 per cent.
 - b) Between 61 and 90 per cent.
 - c) Between 31 and 60 per cent.
 - d) Between 11 and 39 per cent.
 - e) Up to 10 per cent.

Space for your own words:

- 9) Do you believe that caps on campaign expenditures are beneficial for the transparency and/or democratic legitimacy of elections? If so, does it apply to all elections?
- a) No, caps are not beneficial.
 - b) Yes, caps are beneficial in the case of all elections.
 - c) Yes, they are beneficial but only in the case of these specific elections (please, write them down): ...

Space for your own words:

10) Please, write down in months, weeks or days how long lasted (from the campaign day until the election day) your election campaign in the last...

- a) European Election: ...
- b) National Election
- c) Local Election: ...

Space for your own words:

11) Please, write down the exact or approximate number of election campaign managers working in your party:

- a) At the European level: ...
- b) At the National level: ...
- c) At the local level: ...
- d) In total: ...
- e) From these, the number of paid campaign manager (both full-time and part-time): ...

Space for your own words:

12) Who regularly contributes to the planning of your party's election campaign (check one or more options)?

- a) Chairman of the party.
- b) Other members of the chairmanship (deputy chairmen, ordinary members of the chairmanship).
- c) Secretary General.
- d) Campaign manager who is not a member of the chairmanship.
- e) Hired PR professionals.
- f) Party members at lower levels (regions, local).
- g) Volunteer non-partisans.
- h) Party candidates.

Space for your own words:

13) Expenses spend on campaigns at different levels of elections vary: the folk wisdom says that parties in Europe spend most on campaign for National Elections, less on European, regional or local elections. Please, write down how much your party spends (in an actual sum of money or as a share of your annual budget) on campaigning for:

- a) European Election: ...
- b) National Election:
- c) Local Election: ...

Space for your own words:

14) Expenses spend on different campaign tools also vary: the folk wisdom again says that parties in Europe spend most on TV and radio advertisements and on outdoor campaign such as billboards and posters and spend the least on social networks (Facebook, Twitter). Please, write down how much your party spends (in an actual sum of money or as a share of your campaign budget) on:

- a) Face-to-face campaign (meetings, workshops, discussion tables, seminars): ...
- b) Outdoor campaign (leaflets, billboards, posters, LED panels): ...
- c) Air advertising (radio, TV): ...
- d) Printed advertising (newspapers, journals): ...
- e) Internet advertising (banners, website):
- f) Social networks (Facebook, Twitter):
- g) Other (please, specify):

Space for your own words:

15) Finally, the last open question: does your campaigning style or strategy differ for different levels of elections, i.e., European, national, local? If so, is this difference also reflected in the structure of your campaign budget? Please, especially with this question, use the free space to write any detail about your campaigning styles and budget differences you feel like sharing.

- a) Yes, there are fundamental differences in the campaigns for different elections and this is also reflected in our campaign budgets. Specifically: ...
- b) There are some campaign differences but the differences in respective campaign budgets are minimal. Specifically: ...
- c) No, our campaigning styles and strategies as well as budget structures are the same for each level of election.

Space for your own words:

Please, send the filled the questionnaire to the address vit.simral@imtlucca.it or vit.simral@gmail.com.

Thank you very much for your contribution!

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Czech Laws and Other Legal Instruments

Decision of the Czech Supreme Administrative Court Pst 4/2013-29

Decree No. 273/2005 of 23 June 2005 of the Ministry of Finance, on the Standardized Format for the Submission of the Annual Financial Reports of Political Parties and Movements, as amended by Decree 40/2010 of 3 February 2010.

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