

## Formation of Models for Funding of Political Parties in Europe

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**Abstract.** The article discusses the factors that influenced the formation of models of financing political parties in Europe. Since the formation of the two types of political parties – cadre and mass – for the first the main source of funding were private donations, while for the second – entrance and membership fees. In this connection, mass parties were interested in maximizing the number of members. In began in the mid-twentieth century the global crisis of political parties as socio-political institution loss of confidence in parties was accompanied by a significant reduction in the number of their members, and this has led to a reduction of income in the form of entrance and membership fees. In order to prevent the threat of political parties becoming dependent on large donors, public funding of parties is being introduced in Europe. The growth of its volumes led to the formation of three models of party funding – public funding, which is currently the predominant, private funding and a balanced model.

### 1. Introduction

Political parties are one of the most important elements of the political system. As a public Association based on a common ideology, the political, and in some cases, and also other values, political parties are created for citizens to participate in political life of society by shaping and expressing their political will, advocacy, political education, participation in public and political events, and most importantly – in the struggle for power through elections. Based on the nature of their functions, political parties are intended to act as a link between civil society and the rule of law, an essential element of electoral competition, and their legitimacy is key to the legitimacy of the democratic process as a whole.

In order to function, political parties need various types of resources, including financial resources. Sources of funding of political parties can be divided into two groups – self – funding (entrance and membership fees, deductions from the salaries of members of political parties elected to political office, income from party events, income from business activities), and external funding - donations, public funding.

The problems associated with the funding of political parties was addressed in the works of M. Duverger [4] K. Casas-Zamora [2], K. Ewing and S. Issacharoff [5] S. Repousis [12] and other authors. Thus, in his research M. Duverger paid attention to the importance of membership fees for

mass political parties. In terms of reducing the number of members of political parties witnessed in Europe since the second half of the twentieth century mass political parties faced with reduced revenues in the form of membership dues. The decline in membership affected both the financial well-being of the parties and their position in the political system. Therefore, it is no coincidence that the orbit of the researchers got problems related to the reasons for the decline in the number of party members [9, 11, 13, 14].

## 2. Purpose and questions of research

Despite the fact that the term "party" in relation to the different political groups fought for power, began to be used since ancient times, political parties in the modern sense began to emerge from the mid-nineteenth century, after the expansion of the number of persons with voting rights. In order to obtain the support of a significant number of voters, groups of influential persons claiming power became necessary to form branched organizational structures, which required the involvement of a large number of persons willing to promote to the masses the ideological views advocated by a certain political group, to agitate for the candidates nominated by it. The effective functioning of such structures required the creation of a bureaucratic party apparatus consisting of persons who carried out political activities on a professional, paid basis. Also, the cost of campaigning funds has increased many times. Thus, the increase in the number of voters led to the emergence of political parties, and this in turn led to the need for significant financial resources.

In the XIX century began to develop two types of parties - cadre and mass. The first type, being a product of previous eras of political struggle, is an Association of notables-influential persons, or persons with the skills of organizing election campaigns, or financial resources [4]. They were initially characterized by a lack of formal membership. Cadre parties did not need it, as the persons who created them could independently provide themselves with the necessary resources to win the elections. The main source for them were donations from major sponsors. The second type, the mass parties, were primarily left-wing parties that expressed the interests of the workers. These parties, which usually had a pronounced class character with its characteristic key role of ideology, were initially focused on self-funding, and as the main source of income considered the entrance and membership fees [4]. Another source of self-funding was the publication of party literature, the sale of goods with party symbols and paraphernalia purchased by members of these parties, as well as sympathizers. Therefore, mass political parties focused on broad membership, which was the key to their financial independence [3].

For a long time the model of mass parties demonstrated its viability. But in the second half of XX century, political parties began to become increasingly inclusive. To achieve a better result in the elections, with the gradual erosion of class boundaries and mitigate the socio-economic contradictions in the era of the "welfare state", the party sought to enlist the support of broader layers of the electorate, in this regard, the ideological differences between the parties gradually decreased, and the role of ideology has been steadily falling [10, 13]. From the 1950s to the 1960s, political parties as a socio-political institution entered a crisis, accompanied by a fall in confidence in them [1, 14].

The fall in confidence has led to a decrease in the number of members of political parties. For example, between 1992 and 2001, the average number of members of local British conservative organizations fell by more than half [7]. For the period from 1980 to 1997 political party of Norway lost more than 218 891 of its members (47,49%), party of Finland from 1980 to 1998 – 206 646 (34,03%)[11]. If in the early 1960s the share of members of political parties was on average about 15 percent of voters in Western, Northern and southern Europe [9], by the end of the 1990s. this figure fell to 4.99%[11], and after another 10 years - to 4.7%[14]. The number of political parties in Denmark decreased from 1950 to 2008 from 597 thousand to 166 thousand, the Netherlands – from 630 thousand to 304 thousand [13]. Even more pronounced was the decline in the number of political parties in the post-Communist countries of Central and Eastern Europe [14]. Thus, in Slovakia, the number of members of political parties has almost halved in just 7 years [14].

In these circumstances, the amounts received in the form of entrance and membership fees have been significantly reduced. In 1993, in France, revenues in the form of membership fees and deductions from the salaries of party members holding political positions, together accounted for 22,6% of revenues of the National front, 20% - the Socialist party, and only 10% - the Association in support of the Republic [15].

In such a situation, it was impossible to count on an increase in revenues from the sale of party literature and goods with party symbols. Moreover, in the modern period the party press often becomes subsidized. This is largely due to a decrease in circulation, and it is due to a decrease in the number of party members.

Expenditure, on the other hand, tended to increase steadily. The situation was complicated by the fact that the global crisis of political parties coincided with a significant increase in the costs of electoral campaigns associated with the development of television and its use as a tool for election campaigning. The victory in the presidential election in the United States in 1960, John F. Kennedy on Richard Nixon, achieved largely through television, showed the power of this tool, and contributed to the growth of television political advertising. This, in turn, led to a multiple increase in the cost of election campaigns. The professionalization of politics has increased the capital intensity of political parties in General and electoral activities in particular. Under the new conditions, parties increasingly needed not agitators capable of delivering leaflets to the homes of voters, but specialists-advertisers, PR specialists, journalists, lawyers, sociologists, psychologists, for whom participation in political activity, unlike ordinary party members, was not a way of expressing their position, protecting their interests, but a job that provides livelihood. Strengthen legal regulation of political parties led to an increase in reporting that political parties were required to provide to the competent state authorities, and this, in turn, to the growth of the party apparatus, to further bureaucratization of the party activities.

Most political parties, for which the contributions of their members had previously been the main source of revenue, had been forced to shift from internal to external sources of funding. The alternative was donations. But in this case, political parties faced the threat of falling into financial dependence on business. K. Ewing and S. Issacharoff note that «With a declining membership base and growing financial demands, political parties are easy prey for the rich and powerful for whom the political parties offer opportunities for greater wealth and power» [5]. Political corruption was also on the rise, as there are many examples, in particular, the corruption scandal in Greece related to the receipt of one million Deutsche marks from a German company for a political party by an assistant to a former Prime Minister in 1999 [12].

In order to preserve the financial independence of political parties, the idea of using direct state funding for their activities emerged. According to Ewing and of Issacharoff, the use of public funding should encourage parties to increase members and to involve citizens in the political process [5].

For the first time in Europe, funds from the state budget were allocated to political parties in Germany after the decision of the Federal constitutional Court in 1958, which allowed the state to provide financial support to political parties in order to ensure equal opportunities in competition. Since 1959, state funding of German parties has been carried out annually, and its size depended on the number of factions of political parties represented in the Bundestag.

Subsequently, public funding was introduced in Sweden (1966), Finland (1967), Norway (1970), Italy (1974), Austria (1975), Spain (1977), Portugal (1977), Denmark (1986), France (1988), Belgium (1989), Cyprus (1991), Ireland (1997), Luxembourg (1999), the Netherlands (1999), and now exists in almost all European countries.

The amount of funds allocated to political parties from the state budget has steadily increased. Thus, if in 1994-1997 in Germany the upper limit of funds allocated to political parties from the Federal budget, in accordance with the provisions of the Law on political parties was set at 230 million marks annually (117,6 million euros), in 2002-2010 it increased to 133 million euros, in 2017 reached 161,8 million euros, and from 2019 will be 190 million euros.

Changes in the revenue structure of political parties have led to several models for their financing – models of public financing with a predominant share in party budgets of funds received from the state (Spain, Belgium, Portugal, Sweden, Luxembourg, Denmark, Finland, Hungary, Iceland, Norway, Poland, Slovakia, Greece, France, Ireland), a model of private financing, preserved in those countries where political parties exist mainly through donations or membership fees (UK, Netherlands), and a mixed (balanced) model combining elements of the first two (Germany). The model of public financing in continental Europe has become predominant. Thus, in 2007-2011, the share of public funding in the countries of Northern, Western and southern Europe accounted for an average of 67% of their total income [8]. The model of public financing is most typical for Belgium, where funds received from the state account for 85% of the revenues of political parties, Spain (87,5%), Greece (90%), Portugal (80%) [3, 6].

Until recently, the model of public funding predominated in Italy, but after reduction in state financing of political parties, then reform of the system of public funding of political parties, carried out in 2013-2014, associated with providing the taxpayer the right to decide whether he wants to 0,2% of its tax payments were in support of political parties, and allowing him the choice of party, which shall be deposited the funds, Italy began to gravitate towards a balanced model when the amount of funds, the public funding received by political parties (0,2% of the income tax of individuals) was comparable to the donations of individuals and legal entities.

A balanced model of financing in Germany is distinguished by a number of parameters. First, limiting the maximum share of public funding in the revenue structure of political parties. Any political party may receive under the state funding amount exceeding the amount of its own revenues, that is, the share of public funding under any circumstances can not exceed 50% of the revenue from certain in the law sources (membership dues, contributions from individuals, elected, donations of physical persons, when calculating the amount of state subsidies accounted for these payments in the amount of up to 3 300 euros obtained from one individual).

The result is that the share of public funding in the revenue structure of the leading political parties is not more than one third of all revenues. At the same time, the share of membership fees is quite high compared to a number of other countries, which in 2017 amounted to 23,98% of all revenues in the CDU, and 31,12% in the SPD [15,16].

### **3. Conclusion**

Thus, the global crisis of the political parties that began in the second half of the 20th century in the face of declining confidence in them began the process of reducing the number of their members, and with it the size of the domestic funding of political parties, primarily through membership fees. This has led to an increased orientation of political parties towards the use of donations. This, in turn, created a threat of political parties falling into financial dependence on business. As a way out of this situation in Europe began to introduce public funding of political parties, which now exists in almost all European countries. As the practice of public funding has spread, it has also increased. As a result, a large part of Europe has developed a model of public financing of political parties, in which the structure of political parties' revenues is dominated by funds received from the state. In addition, there is also a private financing model and a balanced model.

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