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Mapping private party funding regulation. Deregulation in sight?

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Abstract

This article presents a longitudinal comparative analysis of the regulation of private funding to political parties in 15 West European democracies and explores how these rules have changed under the most recent wave of political finance reforms. In particular, the article questions whether a deregulation of political finance regulation may be in sight, with a downsizing of the role of the state in the political finance domain. While evidence does not support a clear movement toward deregulation, the article shows that the move from private to public subsidization may not be that irreversible as it seemed and that private funding to political parties is likely to become more prominent in the near future also in Europe.

Keywords: comparative politics; deregulation; political parties; private party funding; Western Europe

Introduction

The shift from private to public funding regimes in continental Europe has been widely acknowledged. The theoretical contribution and the empirical analyses that Katz and Mair brought together in the mid-1990s (1994, 1995) played a fundamental role in raising the attention to the fact that party organizations increasingly relied on state subsidies for their organizational survival and that the subsidies received by parties significantly exceeded their total recorded incomes from other sources. The empirical evidence that followed the two scholars' considerations confirmed that states in continental Europe have been extremely generous in providing public resources to party actors (van Biezen and Kopecký, 2014) and that financial resources have continued to grow as a consequence (Poguntke *et al.*, 2016). At the same time, scholars who worked on party funding from a policy perspective observed a growing convergence of political finance rules toward public funding regimes throughout Europe, with virtually all countries introducing forms of direct state support to party organizations and/or electoral campaigns (Nassmacher, 2001; Koss 2011; Piccio and van Biezen, 2015).

In the light of these considerations, it is of no surprise that the literature on political finance in the region has mostly focused on the public sources of party income, analyzing either regulation as a dependent variable – questioning drives and motives that led to the currently dominant public funding schemes, or taking regulation as an independent variable – observing the ways in which those rules have been affecting the internal organization of political parties, their relation to party members as well as party systems' dynamics (Katz and Mair, 1995; Scarrow, 2004; van Biezen and Kopecký, 2017). Rules affecting the private sources of party income, instead, have received relatively less attention, especially in comparative perspective. This is a noteworthy lacuna, considering that private funding still matters to parties and that along with the rules on public funding to political parties, a growing number of rules on private funding have been introduced in Europe.

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To fill this gap, this article presents a longitudinal comparative analysis of the regulation of private funding to political parties in fifteen West European democracies and explores if and in what ways these rules have changed under the most recent wave of political finance reforms. Besides providing descriptive evidence of the regulatory frameworks on private funding in Europe, the article questions if evidence can be found of a deregulatory movement in political finance legislation, with a reduction of the historically important role of the state in the political finance domain. As we shall see, despite the trend of growing regulation of political finance in Europe since World War II, this hypothesis is not as far-fetched as one might think, in the light of changes in the partisan environment that may have pushed legislators (i.e.: the parties themselves, cf. Mair, 1997) toward the introduction of reforms that downsize the role of the state as a provider and a manager of political finance.

The dual nature of private funding

When defining the major characteristics of the mass party, Duverger famously pointed to a fundamental change also with regard to the principal sources of the parties' resources. If elite parties mainly derived their funding from few influential supporters often from outside the party, mass parties relied on fees and contributions by their members. In the authors' words, 'the mass-party technique replaces the capitalist financing of electioneering by democratic financing' (Duverger, 1964: 63). Several scholars regarded Duverger's considerations as an overstatement (Epstein, 1967; Schlesinger and Schlesinger, 2006), if not a 'mythology … that has pervaded the narrative of leftist parties' (Ignazi, 2017: 217). Indeed, the empirical observation of the sources of party income pointed to a diversification of sources of financial support also in the mass party era, with virtually no party being able to rely solely on their members (Heidenheimer, 1963). However, Duverger's observations on the democratization of the financing of political parties from a privileged few to a larger group of politically involved actors are useful as they remind us of the dual nature of private party funding. Small contributions to parties and candidates (often defined as 'grassroots financing') are generally considered beneficial, as they are expression of citizens' political participation and involvement; large donations, instead, especially from corporations or other organized interest groups, are perceived as pernicious as they are associated with buying influence over politics.[1] As we shall see, legislators across Europe have established different set of rules in relation to small and large contributions to political parties.

This distinction between beneficial and pernicious sources of income is important also because empirical analyses have consistently shown that the largest share of private funding derives from the potentially pernicious ones – the so called 'big donors'. As Wilcox observed for the case of the United States, 'those in the top 5% of the total population, […] give drastically more money drastically more often. This group gives seven times more frequently than the bottom two-thirds of the population combined' (Wilcox, 2001, 117–118). Such a skewed distribution of donors among the population has been raising concerns in terms of ways in which this may affect inequality in access to political power, the more 'networked' political actors having greater advantages (Mutch, 2014), party extremism (Tomashevskiy, 2022), policy outcomes (Evertsson, 2018) and democratic processes more broadly (Hopkin, 2004; Cagé, 2020). These concerns have mostly emerged where private sources of income are dominant. As I shall argue in the following section, there are reasons why we should consider addressing these concerns also for continental European countries. Not only do private funds account for over 40–50 per percent over the total reported income of political parties in EU member states,[2] but they may become more prominent in the near future in case a deregulation of political finance should take place.

[1]For a discussion on the different sources of private funding to political parties in Western Europe, see Piccio, 2014: 213–218.

[2]European Parliament, Policy Department for Budgetary Affairs (2021) Financing of political structures in EU Member States (PE 694.836). Brussels: European Union.

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Reversing the regulatory tide?

Scholars have widely acknowledged that following World War II political parties in Europe have become subject to growing state regulation (van Biezen, 2008). Their financial management is by far no exception, with a growing number of rules established and wider political finance areas becoming subject to legal norms, from party income to spending, disclosure and transparency mechanisms, internal auditing, just to name the main ones. This growing regulatory scope pairs with the increasing intrusiveness of the rules in the parties' internal affairs, which have become more and more managed by the state. Overall, if we were to place the European political finance regulatory frameworks along a continuum ranging from state management to free market (Norris and van Es, 2016) its positioning would undoubtedly be toward the state-managed side. The opposite holds for the case of the United States, positioned toward the laissez-faire, free-market side of the regulatory continuum. Indeed, the regulation of political finance is significantly diverse on two the sides of the ocean, if not opposite in its theoretical principles, the US adopting a libertarian model and Europe an egalitarian one (Katz, 2019). Thus, private funding is allowed with few restrictions in the United States and limitations on private contributions were recently seen as threatening liberty and freedom of expression,[3] whereas in Europe it has become increasingly more regulated in the name of corruption prevention and equality. Along with the egalitarian model, moreover, public funding schemes have become a striking feature of political finance in the European region, which has the highest percentage of countries with public funding provisions in the world (Piccio, 2023) and the highest percentages of dependency of political parties from state resources (Falguera *et al.*, 2014; van Biezen and Kopecký, 2014). If the American and the European political finance regimes always differed, their differences have grown enormously (Katz, 2019: 439), the United States turning into a 'deregulatory moment' of political finance (Boatright, 2015), further loosing restrictions on private donations, while providing limited amounts of public funding to candidates (Dawood, 2024).[4]

Given their fundamental differences, an American-like deregulation is not to be expected any time soon. Moreover, scholars have often pointed to the fact that path-breaking reforms in political finance, generating discontinuities in the rules and traditions are rare, as regulatory regimes tend to remain constrained by their path-dependent tradition of party regulation (Norris and van Es, 2016; Smirnova 2018). What can reasonably be questioned, however, is whether we can envisage legislation in the European continent moving toward a more laissez faire, deregulated direction, after decades of growing state-led regulation. Before answering to this empirical question, we should first explain what we mean by deregulation in the domain of political finance, why deregulation might happen and what consequences it may bring about.

Definition, possible causes and consequences of political finance deregulation

Following Boatright, we can define deregulation as 'any effort to remove legal restraint or to reduce the government's role in a particular policy domain' (2015: 4). In this sense, deregulation does not imply the dismantling of all public regulation, but rather a situation in which states diminish their role as providers and/or as managers of a given policy. Translating this into political finance regulation, deregulation may take two different forms: reducing the amounts of public subsidies available to political actors or lifting restrictions on the private sources of funding to political actors.

[3]The 2010 *Citizens United v. Federal Election Commission* Supreme Court decision prohibited the government from restricting independent spending for political campaigns by corporations and other outside groups and was defined as the 'triumph' of the libertarian over the egalitarian approach to political finance (Dawood, 2024).

[4]Although public funding is available to presidential candidates and (in a number of states) to candidates for state-level positions, candidates frequently opt out public financing programs so to avoid campaign spending restrictions. Public funding, therefore, virtually plays no role in elections as candidates rely for the most part on private donations by individuals and political action committees to pay for their campaigns.

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Such a deregulatory turn in European political finance legislation might happen for various reasons. A first reason can be effectively summarized by Boatright's statement that 'deregulation calls for more deregulation' (*Ibidem*: 4). Thus, the ascendance of a general emphasis on economic deregulation and market-based solutions is likely to also extend to deregulation of political life. The hollowing out of the state in contemporary Europe is a long-term process that has been widely discussed by scholars. If states used to characterize by a strong intervening function that ensured the provision of basic social services (health, transport, education, etc.), a significant downsizing in their sphere of intervention has been acknowledged, with a reduction of the size of state spending in a growing number of policy areas (Pierson, 2001; Taylor-Gooby *et al.*, 2017). This substantial move away from the traditional role of the state as a provider might spill over to public financing provisions too. It is worthwhile to recall that public subsidies to political parties were introduced throughout Europe in the aftermath of the Second Word War. As Ewing and Issacharoff argued, 'this was a period of the expanding State, in terms of budgets and functions' (2006: 5). The contemporary context of 'austerity' (McBride and Evans, 2017), 'contracting' (Griffiths, 2020), or even 'surrendering' (Gilbert, 2002) -states is dramatically different and makes the generous public subventions more difficult to sustain (see also Piccio, 2023: 55). Reducing party subsidies, therefore, may also be part of a more general movement toward a smaller role for governments in the economy.

Cuts in public subsidies to political parties may also occur as a consequence of the erosion of party legitimacy (Ignazi, 2014), a second development in European democracies. That parties do not enjoy a good reputation is not a particularly new situation, the thesis of party decline dating back to the 1990s (Dalton and Weldon, 2005). However, the party malaise has considerably worsened in the latest decades, with records of low election turnouts, high volatility and growing electoral gains of the so-called anti-party or new challenger parties (De Vries and Hobolt, 2020). While mistrust is spreading and parties appear to citizens as increasingly detached and removed (Dalton, 2013), they are generously supported by the public purse. Opinion polls reported by Ignazi (2017) show a fairly negative attitude toward state funding across Europe, especially in countries where parties are mostly dependent on state money. In such an age of distrust (Rosanvallon, 2008) and in one of their many efforts to improve their reputation, parties may respond moving away from a 'revenue maximization logic' to an 'electoral economy logic' (Scarrow, 2004). In other words, from giving priority to boosting their capital, parties consider electoral gains as their main concern. By shifting logic, parties may introduce political finance reforms that limit their own economic benefits, cutting public subsidies so to satisfy a growingly volatile and resentful public opinion.[5]

Besides affecting state subsidy provisions, a smaller government may also reflect on private funding rules. Under the egalitarian approach, which typically characterizes the European political finance legislation, restrictions on private funding to political actors were introduced to prevent the wealthy from dominating the electoral discourse. If we take the libertarian view, instead, the state should not impose restrictions on political giving (Dawood, 2024). Thus, we may see political finance reforms loosening restrictions to private donations as a result of similar premises, along with ideological perspective that values less state management and more freedom. We have seen this view prevailing in the United States with the before mentioned 2010 Supreme Court decision, which equated political (corporate) spending to a form of speech, whose restriction was considered as a violation to the First Amendment of the Constitution of the United States.

Such a deregulatory turn may have important empirical and theoretical consequences. Empirically, the decrease of public subsidies would move away political parties from a situation of over-dependency from public resources (van Biezen and Kopecký, 2014) to a possible

[5]This would not be the first time that political parties introduce reforms in this area that are not advantageous to them. This happened with the introduction of transparency and disclosure obligations, which forced parties to adapt to the increasing demands for financial openness to compensate their growing revenues from the state (Smulders and Maddens, 2016).

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rebalancing of the public and private sources of income. Katz and Mair (1995) famously pointed to a significant side effect of public subsidization, as they argued that parties would no longer search for the involvement of members or supporters for gathering economic resources, with the establishment of a self-serving and self-referential elite as a result (see also van Biezen and Kopecký, 2017). Research has indeed shown that in countries in which state subventions are more limited, parties place more value to on external funding (Thomas, 2001; Hopkin, 2004) and are more actively engaged in fundraising activities (Gibson *et al.*, 2003; Ponce and Scarrow, 2011; Karlsen, 2013). Greater investment in fundraising strategies, both offline and online (Lupato *et al.*, 2023), may therefore result as an important consequence of a deregulatory move, which on turn is likely to provide a new impetus to the private funding of politics. Moreover, and more intuitively, loosening restrictions on private donations would create a more favorable environment for private actors willing to influence politics and politicians. This holds in particular for corporations and big donors, to which political finance restrictions are typically directed, but it also holds for larger organized interest groups. Allern *et al.* (2021), for example, showed how public subsidies size and the extent of regulations on private donations affect the amount of financial donations from trade unions to parties and, most interestingly, the strength of relations between the two actors. Much against conventional wisdom, therefore, if deregulation brings about a reprivatization of the political finance domain, this may on turn lead to a strengthening of the parties' anchorage in society.

Theoretically instead, the presence of public funding cutbacks would disprove the conventional wisdom of an inexorable convergence toward the expansion of state funding and of an irreversible move from private to public subsidization (cf. Ewing, 2007). Three overlapping stages describing the implementation process of public funding rules were famously identified by Nassmacher (1989: 238–241): (i) experimentation, with the first tentative steps toward the introduction of subsidies; (ii) enlargement, with an extension in the scope and an increase in the amount of the subsidies; and (iii) adjustment, correcting benefits to inflation trends. A fourth stage – going in a deregulatory direction – may possibly need to be added.

The state of private funding regulation: criteria for assessment

In order to map the countries' legal frameworks and assess whether reforms have occurred that downsize the state favoring a possible comeback to the funding of parties by private means, we need first of all to identify among the broad number of rules composing political finance regulation those *affecting* the private economic resources. Two groups of rules are considered. The first group of rules *directly* regulates the private funding to political actors. Here, the distinction between larger potentially pernicious and small-medium sized beneficial contributions returns relevant, as legislators typically distinguish between these two sources, restricting the former and providing incentives to the latter. Thus, to limit the pressure of a wealthy few (companies or individuals) on the political arena, restrictions are set that prohibit parties to accept donations from specific groups of actors (i.e.: anonymous, foreign and corporate donations, so-called 'qualitative restrictions')[6] or from one single source above a given threshold ('quantitative restrictions'). To stimulate the strengthening of the parties-civil society ties, instead, small-medium sized contributions can be incentivized by means of tax deductions, credits on donations or matching funds schemes. The second group of rules to be considered *indirectly* affects private funding even though regulating public financing. As explained above, if the money taps of public funding are tightened, parties are likely to become more active in trying to attract funding from private sources also in continental Europe.

[6]A full account of the private sources of funding that may be subject to regulations would include, for example, public and semi-public institutions, religious associations, trade unions, etc. The present analysis selectively focuses on the restrictions applying to the sources of income conventionally deemed as pernicious (see Falguera *et al.*, 2014).

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The empirical analysis draws upon primary and secondary sources, in the forms of political finance laws and comparative reports and databases on the regulation of political party funding. In order to map the current legislation on the private funding to political parties across fifteen Western European countries, the analysis relied on the 2021 comparative overview of political party funding issued by the European Parliament (*Financing of political structures in EU Member States*, 2021). To ensure that the data is correct and up-to-date, information was cross-checked with the International IDEA Political Finance Database and with individual countries' political finance laws available at the EuroPAM database.[7] To acquire information on older political finance rules, which allowed to assess whether changes in legislation took place and in what direction, the countries' evaluation reports issued by the Council of Europe Group of States against Corruption (GRECO) were used.[8] The latter provide the most detailed and comprehensive accounts of the countries' regulation in the major areas of political party funding, including the rules affecting private funding, in the early 2000s and have been widely used by scholars to examine the countries' attitude toward political finance regulation (Smulders and Maddens, 2016; Jimenez and Villoria, 2018; Smirnova, 2018).

The regulatory frameworks of private funding

Table 1 presents the ways in which current legislation in fifteen Western European countries regulates the private sources of party funding. Information is provided on the presence of qualitative restrictions to funding by anonymous, foreign and corporate donors and of quantitative restrictions to donations from one single source. The last column refers to incentives for private donations. Overall, cases in which nor qualitative nor quantitative restrictions on the private funding to political parties have been introduced are rare. None of the countries observed currently allows unlimited anonymous donations, these sources of income being either banned (in five out of the fifteen countries observed) or limited to maximum ceilings. Where ceilings are set, moreover, they are relatively low (below 500 euros), with the exceptions of Denmark and the Netherlands with ceilings set, respectively, at 2.700 and 1.000 euros. Similarly, the large majority of the countries established bans and/or maximum ceilings for foreign donations, contributions from abroad being currently only allowed in Belgium, Denmark, Luxembourg and Sweden. Greater cross-country variation is found as we turn to the question on whether to restrict donations from special interests or wealthy individuals. A full ban on donations from companies and legal persons is present in 9 out of the 15 countries, and in 10 countries maximum ceilings of yearly donations are present. Variation in the actual height of the ceilings is considerable, figures ranging from 500 euros (the case of Belgium) to 100.000 euros (the case of Italy), with an overall cross-country average of 25.000 euros. No upper limits are established in Denmark, Germany, The Netherlands, Sweden and Luxembourg, although the latter bans corporate donations. With the relevant exception of Germany, this confirms a long-standing tradition in these countries of limited interference into the parties' organizational affairs (van Biezen and Ten Napel, 2014).

While constraining the potentially pernicious sources of party income, legislation stimulating small-medium size donations is limited. Incentives for donations in the form of tax deductions can only be found in six out of the sixteen countries observed.[9] It should be remarked that even

[7]International Institute for Democracy and Electoral Assistance (International IDEA) Political Finance Database, https://www.idea.int/data-tools/data/political-finance-database; European Public Accountability Mechanisms (EuroPAM) database: http://europam.eu.

[8]Established by the Council of Europe, GRECO conducted on-site visits to member states and issued Evaluation and Compliance Reports to monitor the implementation of Recommendation (2003)4 on common rules against corruption in the funding of political parties and electoral campaigns.

[9]Tax deductions for donations to political parties vary considerably across these countries: in France, 66% tax credit is provided for donations up to a yearly maximum of 7.500 euros; in Italy a tax credit equal to 26% is granted for yearly

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Table 1. Current regulatory environment on private donations

Countries	Anonymous donations	Foreign donations	Donations from legal persons	Maximum size donations from single source	Incentives for private donations
Austria	Capped at 150€	Banned	Allowed	7.500€	No
Belgium	Capped at 125€	Allowed	Banned	500€	No
Denmark	Capped at 2700€	Allowed	Allowed	No restrictions	No
Finland	Banned	Banned	Allowed	30.000€	No
France	Capped at 150€	Banned	Banned	7.500€	Tax deduction
Germany	Capped at 500€	Capped at 1000€	Allowed	No restrictions	Tax deduction; Matching funds
Greece	Banned	Banned	Banned	20.000€	No
Ireland	Capped at 100€	Banned	Allowed	2.500€	No
Italy	Capped at 500€	Banned	Allowed	100.000€	Tax deduction
Luxembourg	Banned	Allowed	Banned	No restrictions	No
Malta	Capped at 50€	Banned	Allowed	25.000€	No
The Netherlands	Capped at 1000€	Banned	Allowed	No restrictions	Tax deduction; Matching funds
Portugal	Banned	Banned	Banned	12.000€[a]	Tax deduction
Spain	Banned	Banned	Banned	50.000€	Tax deduction
Sweden	Capped at 225€	Allowed	Allowed	No restrictions	No

[a]Donations from natural persons in Portugal are subject to the annual limit of 25 times the value of the minimum wage per donor (International IDEA Political Finance Database). Currently, this corresponds to 12.000 euros, approximately.
Sources: European Parliament (2021), updated by author for Austria (2022) and the Netherlands (2023).

when particularly generous (as in the case of France, see Phelippeau, 2018), tax deductions have generally been considered as ineffective when it comes to encouraging political giving (Ponce and Scarrow, 2011; Bouton *et al.*, 2022). Matching funding schemes instead, which require an active effort from the parties' side, appear more successful for stimulating citizens' donations. Indeed, Germany and the Netherlands, the only countries where such schemes are present,[10] are among the countries where dependency from state resources is more limited (Piccio, 2014).

The picture is much more uniform as we turn to the second set of rules affecting private donations, those related to the public funding of political parties. As argued above, public funding is among the most distinguishing characteristics of political finance regulation in Europe. Of course, the fact that virtually all countries in Europe have public funding schemes does not imply that they have similar and let alone standardized rules when it comes to actual amounts of state support to parties or allocation mechanisms. What matters here is that under the current rules, only two are the European countries where no direct state support to party actors is provided: Malta and Italy. In the case of Malta, this is the outcome of a long-standing tradition of political finance legislation, whereas for Italy it is the consequence of an abrupt repeal in 2014, after fifty years of generously state financed parties (Piccio, 2020).

Overall, this overview shows that political finance frameworks in Western Europe are quite restrictive when it comes to regulate the potentially larger sources of income, provide few incentives to small-medium size donations, and offer state funding in virtually all countries. The next section explores whether changes have occurred overtime.

donations between 30 and 30.000 euros; a 50% tax credit can be claimed in Germany for donations that do not exceed yearly 825 euros; in Portugal and the Netherlands, tax deduction amounts depend on the donors' aggregate income of individual donors; in Spain, tax deductibility on membership and contributions up to a ceiling of 600 euros.

[10]The German system matches the amounts of public subsidies that a political party may receive to the private funds it manages to raise, thus stimulating parties to collect own resources. In the Netherlands instead, public subsidies are disbursed only to parties with over 1.000 due-paying members and they are allocated in proportion to their number, which stimulates parties to engage with their supporters.

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Toward deregulation?

Political finance is a legislation in constant flux and the experience of Europe seems to prove this quite effectively. 'Legislative incontinence' – how Clift and Fisher (2004) defined the several waves of political finance reform in France – is a definition that could be applied to several European countries. This has particularly been the case in the last two decades, as the number of political finance reforms peaked mostly as the result of the pressure on individual member countries by the evaluation reports issued by GRECO. The analysis of GRECO's first evaluation reports and the intensity of the political finance reforms that followed GRECO's visits (Smulders and Maddens, 2016; Smirnova, 2018) provides the opportunity to compare the current legislation in the fifteen countries under scrutiny to the one in force in the early 2000s.[11]

Can we see indications of a deregulatory movement in the European legislation on political finance? Table 2 brings together all the main rules directly or indirectly *affecting* the private dimension of political financing and provides information on whether these rules have changed and in what direction in the period between the early 2000s to today. 'No change' refers to the situation in which the over-time comparison revealed no modifications over a specific object of regulation, whereas 'more regulation' and 'deregulation' refer to situations in which changes in legislation were found, either in a more restrictive or loose direction. As argued above, we can see deregulation in political finance taking two main forms: 'a reduction in legal constraints on private actors and a reduction of the role of government in providing financial support' (Boatright, 2015: 11). If both forms imply a smaller role of the state in the domain of political finance, lifting constraints on private actors implies reducing the role of the state as manager of regulation whereas diminishing party subsidies implies downsizing the role of the state as funding provider.

As we compare the recent reforms regulating the private funding to political parties with those in force in the early 2000s, no clear movement toward deregulation appears. What we can observe instead is a growing role of the state aimed to curtail private funding to a greater extent. This particularly reveals with regard to anonymous and foreign donations, where the largest number of countries adopting stricter rules was found. An important impetus in this direction was provided by international actors, whose role in influencing national political finance regulation has been considerable (van Biezen and Molenaar, 2012). Notably, if restrictions on anonymous donations were stimulated, along with greater transparency measures, by GRECO (Smulders and Maddens, 2016), those on foreign donations are more recent and are encouraged by European institutions to mitigate foreign influence on electoral processes.[12] For most cases, rule changes have been incremental. Anonymous donations in Austria for example, were allowed until 2012, capped in that year to 1.000 euros, then to 500 euros in 2019 and further limited to 150 euros under the current (2022) legislation. Similarly, in Malta, anonymous donations were first allowed, then capped to 200 euros in 2012 and currently they are limited to a maximum of 50 euros.

Reforms did instead only marginally affect the potentially largest contributions from companies and individual donors, most countries maintaining the previously established bans and/or donation ceilings. Greater regulation in these areas was found in Austria, Italy, Malta and Spain. Except for Spain, which lowered the yearly maximum contribution ceiling from 100.000 to 50.000 euros, Austria, Italy and Malta introduced an upper limit for the first time.[13] The case of Greece, where donation ceiling was heightened (to 5.000 euros per year) is an isolated exception. In the time span under investigation, measures that encourage political giving were

[11]GRECO's evaluations did not start at the same moment in all countries under investigation, its reporting period ranging from 2007 to 2011 (Smulders and Maddens, 2016).

[12]See the 'European Democracy Action Plan' and the European Parliament *Resolution of 9 March 2022 on foreign interference in all democratic processes in the European Union, including disinformation.*

[13]Table 1 shows the maximum yearly amounts.

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Table 2. Toward deregulation?

State role	Object of regulation	No change	More regulation	Deregulation
Regulation manager	Anonymous donations	Belgium, Denmark, Finland, Germany, Greece, Luxembourg, Portugal	Austria, France, Ireland, Italy, Malta, Spain, Sweden, the Netherlands	No
	Foreign donations	Belgium, Denmark, Germany, Greece, Ireland, Luxembourg; Malta, Portugal, Sweden	Austria, Italy, the Netherlands, Spain	No
	Donations from legal persons	Belgium, Denmark, Finland, France, Greece, Italy, Malta, the Netherlands, Portugal, Sweden	Austria, Spain	No
	Maximum size donations from one source	Belgium, Denmark, Finland, France, Germany, Ireland, Luxembourg, the Netherlands, Portugal, Sweden	Austria, Italy, Malta, Spain	Greece
	Incentives to private donations	All countries (except Spain)	Spain	No
Funding provider	Party subsidies	Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Luxembourg, Malta, the Netherlands, Sweden		Greece, Italy, Portugal, Spain

Sources: for current rules, as for Table 1; for early 2000s rules, GRECO Evaluation Reports (available at: https://www.coe.int/en/web/greco/evaluations/round-3).

introduced only in Spain in the form of tax deductions. The remaining five countries which established provisions in this respect, did so when introducing their first political finance rules.[14]

The situation differs if we consider the rules on public funding to political parties. If state support measures remained unchanged in the large majority of European countries, some exceptions are present and worthwhile discussing: in Greece, Italy, Portugal and Spain, the amounts of public funding were substantially reduced. These countries share some relevant commonalities. Not only they are among the countries where public funding provisions had increased exponentially since their first introduction (Vernardakis, 2012; De Sousa, 2013; Casal Bértoa *et al.*, 2014; Piccio, 2014) and scoring the highest among West European countries in levels of state dependency (van Biezen and Kopecký, 2014, 2017), but they also share among the highest corruption perception figures and mistrust toward parties (see Jimenez and Villoria, 2018). Perhaps most importantly, given the timing of their deregulation reforms, they are the countries that were mostly hit by the 2008 great Recession. In Italy, direct public subsidies to political parties were first reduced in 2008, then halved to an annual fixed amount in 2012, and finally repealed in 2014. In Portugal, after a 10% cut to public subventions to parties established in 2010, subsidies were further decreased in 2013 and 2014, and became permanent with the latest 2017 reform, which cut both annual and election campaign subventions of 10% and 20% respectively (Fernandes, 2011; De Sousa, 2013). Greece introduced cutbacks in the amount that parties received from the state budget from 2009, with subsidy amounts halving in 2013 and further being reduced in 2014 (Repousis, 2014). In Spain too, as part of the austerity policies set up to face the economic crisis, the amounts of public subventions for the parties' ordinary activities were substantially diminished (Jimenez and Villoria, 2018; Teruel and Casal Bértoa, 2018), which led to cuts of 38.3% between 2009 and 2015 (Cavero Rubio and Gonzales-Morales, 2021). The countries involved as well as the specific timing of these reforms clearly show that the context of austerity was a fundamental stimulus for parties to reverse the revenue maximization logic.[15]

[14]In Belgium, however, tax deductions for party donations were introduced under the first political finance law (1989) and repealed in 1993.

[15]Whether to reduce state funding to political parties given the country's economic crisis was also discussed in Ireland. See https://www.irishtimes.com/news/politics/oireachtas/failure-to-cut-funding-of-parties-criticised-1.486156. Cutbacks did ultimately not take place.

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Conclusions

Following a growing number of studies analyzing party regulation in Europe and beyond (van Biezen, 2008, 2013; Casal Bértoa *et al.*, 2014; Norris and van Es, 2016), party law can no longer be considered 'the domain of academic lawyers' (Müller and Sieberer, 2006: 435). However, as opposed to public funding legislation, rules on the private party funding in Europe have virtually been ignored, especially in comparative terms. This paper, therefore, which analyses the presence of qualitative and quantitative restrictions to and the legal incentives for the private funding to political parties in fifteen European democracies adds to prior work providing relevant empirical evidence in the field. Most importantly, it questions if changes in legislation have taken place and if such changes point toward a deregulation of political finance. In the continuum between the state managed and the free market modes of political finance regulation, Europe is still clearly placed on the state management side, and a clear movement toward deregulation of political finance laws was not found. Is the hypothesis of deregulation therefore fully to be rejected? As far as the role of the state as regulator limiting private contributions, the analysis has shown that, against deregulation, legislation has become more restrictive in the two latest decades. Pressure from international organizations has been playing an important role in this respect. Deregulation was found instead as we consider the role of the state as subsidy provider. We have seen that where the economic crisis hit the hardest and where parties face a deep crisis of political legitimacy, reforms lowering the amounts of public funding have been introduced.

Although limited to a handful of cases, such cutbacks enrich our understanding of the dynamics of political finance regulation in Europe in a number of important ways. First, they confirm, along with Scarrow's arguments (2004), that resource maximization is not always the parties' foremost priority and that in times of major crises legislators/parties appear more aware of the electoral risks that they face if they keep boosting their capital. Second, they show that the process of implementation of public funding rules is not as linear as scholars have conventionally claimed, as such rules may be reversed. We know this from elsewhere (the example of the United States illustrates this well) but it is a novelty for Europe.

Of course, caution should be taken when trying to draw definite conclusions about the direction in which political finance legislation – and practices, are moving toward. On the one hand, relying only on political finance laws does not reveal what is actually going on in practice. This is an unavoidable drawback of *de jure* perspectives on political finance (e.g.: Norris and van Es, 2016). Thus, the fact that a more restrictive legislation on political donations was found over time does not exclude the presence, *de facto*, of (possibly growing) flows of private donations to political actors. This may happen as the consequence of the significant loopholes and implementation gaps in political finance legislation lamented by both scholars and non-governmental organizations (see, among others, Phelippeau, 2018; García-Viñuela, 2019; Falguera *et al.*, 2014; OECD, 2016), which allow moneyed connections from the private sector to be preserved independently from the introduction of more stringent regulations. On the other hand, substantial caution is necessary as the analysis does not rule out that the observed turns toward deregulation may once again be reversed. The time frame under consideration, from the early 2000s to current days, is inherently marked by the economic crisis. What cannot be excluded, therefore, is that the reduction of public funding in times of austerity may change course again and that the observed deregulation may be temporary. Future research should be conducted to observe whether we find further indication of cross-national convergence keeping track of the evolution of public funding rules, also for their inverse effects on the private funding to political parties. Reforms lowering the amounts of public funding may be taken up also by other European countries. Erosion of party legitimacy and the smaller role of the state on various policy domains is not exceptional to Southern European democracies, and the 'cornucopia' may have indeed come to an end (Ignazi and Fiorelli, 2022). A reduction in the amount of state subsidies, if quantitatively significant and over-time consistent, may open up to a rebalancing of the public and the private sources

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of party income elsewhere – an outcome that international guidelines and recommendations would particularly welcome (OSCE/ODHIR and Venice Commission, 2020).

Finally, and beyond legal frameworks, a rebalancing of the sources of income may also be stimulated by a renewed attitude of the parties to fundraising. Until recently, parties in Europe were doing little to solicit private donations. Now, parties have become more aware that promoting a culture of political giving among a wider public is a way to stimulate involvement and participation in partisan activities, and increase the probability of electoral gains. Ponce and Scarrow argued that 'European political parties may have some scope to increase the financial support they receive from individuals *should the parties be motivated to try*' (2011: 1014, italics in original). The arguments presented in this article suggest that this is the moment in which such motivation to try has arrived.

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