THE EVOLUTION OF PARTY FUNDING REFORMS IN SPAIN (1976-2011)

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Paper presented at the panel "Regulating Party Finance", 1st Congress IPSA / ECPR, Sao Paulo February 16th-19th, 2011

Abstract
From 1976 to 2011 the Spanish party funding regime has evolved from an essentially private funding system to another one predominantly based on state funding. The aim of our paper is to develop a new model to explain the introduction and reforms of party funding in Spain. Our main hypothesis suggests that new (third wave) democracies party funding reforms follow a different path to the well-established democracies. That is why we state that political parties weaknesses, and not to other factors (such as corruption) may be the most important factor linked to each party reform. The empirical part of the paper tries to identify, using process tracing methods, the main factors laying behind each party funding reform adopted in Spain (1976-1978, 1985-1987, 1991-1994, 2007, 2011). The conclusions support our main hypothesis. However, the evidence from the Spanish case also allows us to propose a new path under which parties can accept reforms that are detrimental to their increasing state funding revenues.

Keywords
POLITICAL PARTIES – PARTY FINANCING – REFORMS - SPAIN
INTRODUCTION

The funding of political parties is a key issue for understanding contemporary politics. It is perhaps for this reason that this field has always attracted academic attention. However, for years the focus was on describing the characteristics of the different party funding regulations laws in both comparative studies and, above all, in case studies. However, the last decades have seen a remarkable progress in building up a body of increasingly complex theory.

So far, most researchers have been interested to point out the impact of party funding. This literature has turned around three themes: First, the main part of these studies have tried to establish the impact that party funding has on the election results (Scarrow, 2007: 198; Nassmacher, 2009: ch 9); Although to a lesser extent, in recent years some scholars have also begun to produce studies devoted to analyse the impact of party funding both to the public opinion and to political donors (Scarrow, 2007: 201.) Third, an increasing number of researches have focused on studying the impact that party funding has on the organization and competition of parties and party systems. Three main hypotheses have been tried to be tested by these studies (Koβ, 2011: 20 ff): The "ossification hypothesis" holds that the introduction of state subsidies favours the dominant parties because it limits the ability of minor parties (which do not have this tool) to obtain representation; Second, the "alienation hypothesis" argues that the substitution of dues, small donations or volunteer work for state funding turns away the partisan elites of their members and voters; Third, the "oligarchy hypothesis" states that the introduction of state funding not only reinforces the party in public office and the party in central office, but above all the dominant faction within the party. The main problem with all this work is that, with more or less caution, it is seeking to establish state funding as the main (if not the only) variable to explain quite complex political phenomena (Scarrow, 2007: 204; Koβ, 2011: 24).

The last years a new research avenue has emerged. The aim of these works is to consider party funding as a dependent variable. Although the topic of this research has to do with explaining party changes or institutional reforms, most of them focus on explaining the reasons of the introduction and development of state funding. Most of these studies have been developed by combining several approaches linked to the new institutionalism (Pierre, Svasand and Widfeldt, 2000, Clift and Fisher, 2004, Scarrow 2004; Koβ, 2011). Their results have led to major improvements in the understanding of how and why these reforms occur. However, so far the bulk of this research has been limited to case studies or comparative studies essentially focused on established democracies.

As a part of the third wave countries, Spain may help to extend these findings and theories. Along with Portugal or Greece, Spain was amongst the first

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1 This research has been funded by the Spanish government (Project SEJ-2006-15076–C03-02, 2006-2009, and CSO2009-14381–C03–02, 2009-2012) and the Catalan government (Project SGR 2009-1290, 2009-2013). Their members are part of the research groups of the Institut de Ciències Polítiques i Socials (ICPS) in Barcelona.
countries of this new wave of democratization that introduced extensive state subsidies (Van Biezen, 2000: 329). This trend has also been followed by the Eastern European countries (Van Biezen, 2003; Van Biezen and Kopecky, 2007). With some exceptions, research on party funding in Spain has mainly been descriptive or normative. Only few studies have presented a comparative design, or have analysed party funding trying to link it to any kind of theories. These last works have mainly attempted to establish the impact of state funding on political parties providing some evidence of both their "ossification" and their "oligarchization" (Del Castillo, 1985; Gillespie, 1998; Van Biezen, 2000; García Viñuela and Artes, 2005, Artés and García Viñuela, 2006). To our knowledge, until now there has not been any study paying particular attention to party funding as the dependent variable.

In this paper we are going to analyse the evolution of party funding reforms in Spain. More precisely, we will try to explain the reasons for the gradual evolution of an essentially private party funding system to another one predominantly based on state funding. To do this, we will try to identify, using process tracing methods, the main factors behind the increasing use of state funding in each of the party funding reforms adopted in Spain (1976-1978, 1985-1987, 1991-1994, 2007). The paper is divided in three parts. In the first one, an analytical framework presents some hypotheses that have attempted to explain both the introduction of state funding and, more broadly, party funding reforms. The second part is devoted to describe the main stages in the evolution of party funding regulation in Spain, pointing out the main mechanisms behind the adoption of each reform. The third section discusses the findings and concludes.

THE INTRODUCTION OF STATE FUNDING, AND THE REASONS OF PARTY FUNDING REFORMS.

The bulk of studies on institutional change have used a new institutionalism approach. The current study of party funding reform of is no exception. Developing the previous work of Clift and Fisher (2004), Kok (2011: chapter 3) has systematized the premises and main theories of change that emerge from the different variants of new institutionalism: the rational choice institutionalism tries to explain the institutional change and reforms as result of changes in the actors’ interests (in this case or the dominant parties). To do so, it tends to be based on theories that conceive the change as the result of a process more or less designed strategically (ie, Scarrow, 2004); On the other hand, historical institutionalism stresses the importance of the historical context, institutional learning and path dependency in any transformation process. For this reason, theories of change employed by this approach tend to think of it primarily as an incremental and evolutionary process (ie, Pierre, Svasand and Widfeldt, 2000: 18-20 and Clift and Fisher, 2004: 680); Finally, normative institutionalism stresses the role of norms and values in determining any change and it is highly suspicious of its intentional nature. Following that, normative institutionalism tends to emphasize the role of the unintended consequences (and side effects) of the decisions taken by the actors. Theories of change supported by this approach are often explained by the mismatch between the prevailing norms and values, and the actual behaviour of the actors (ie, Clift and Fisher, 2005).
The academic research has showed the usefulness of these approaches to explain different processes of party funding introduction and reform. Koβ (2011: chapter 4) combines the rational choice and historical institutionalism to build an analytical framework devoted to explain the determinants of the introduction of state funding in consolidated democracies. First, the author suggests the hypothesis that consensus between the parties is a fundamental precondition for the introduction of state funding. Secondly, he introduces three independent variables (the number of institutional veto points, the strategic goals pursued by political parties, and the role attributed to state funding in discourses on party corruption) from which develops two paths (or models) for the introduction of state funding. The first suggests that the introduction of state funding is caused by a large number of institutional veto points, the policy and office seeking goals of political parties and the identification in party discourses of state funding as a useful remedy against corruption. In the second model, by contrast, the number of institutional veto points is very small and the parties are mainly oriented to vote-seeking strategies. In this case the introduction of state funding should be based primarily on the discourse on corruption.

Koβ hypotheses on the introduction of state funding can be complemented by those of Clift and Fisher (2004) on the determinants of party funding reforms. Taking as well propositions derived from different new institutionalism approaches these authors have suggested different hypotheses (although some of them complementary) to explain the sense of reforms in party funding regimes (Clift and Fisher, 2004: 680-2): Their first hypothesis (based on rational choice institutionalism) claims that state funding will be planned to benefit either the ruling party or the dominant political parties of a political system; Their second hypothesis (inspired by historical institutionalism) states that party funding reforms will obey more to variations in the environment than to concerns arising with party financing per se; Their third hypotheses (arisen by normative institutionalism) suggests that the increase of political scandals linked to party funding will encourage party reforms; Finally, their fourth hypothesis proposes that changes in the balance of resources among members of political finance community will lead to changes in party funding regulation.

Halfway between the rational choice and the historical institutionalism Scarrow (2004) also suggested a parsimonious framework of analysis to explain party funding reforms. The author tries to explain them distinguishing between maximizing revenue party goals (money as an end in itself) and the electoral economy ones (money as a means to an electoral end). However, Scarrow states that party goals may be shaped by the context in which political parties operate. Hence, the reaction of parties may be conditioned by several factors: the configuration of the party system; whether the financial problems affect one or all of the competitors; the attention that the media or the public opinion gives to corruption scandals; or the autonomy and power of the regulator.

As mentioned above, the increasing development of theories on party funding introduction and reform has tended to be focused on countries with long democratic tradition. It is questionable whether these models can be also extended to the new (third wave) democracies of southern and eastern Europe.
In these countries the introduction of state funding was closely linked to the introduction of democracy. Therefore, the origins of state funding in these countries was probably less connected to corruption scandals than to the financial and organizational weaknesses of the emerging democratic political parties (Van Biezen, 2000: 299-300 and 2003: 185; Van Biezen and Kopecky, 2007). If this is true, it might be expected (in line with the historical institutionalism views) that the weaknesses of political parties in new democracies imply strong path dependency in the development of the party funding regimes. Hence, it seems feasible that the weakness of parties remains for a while one of the key factors (though certainly not the only one), to account for future reforms. Perhaps even a more important one than is the corruption scandals. At least, until the moment when the dominant parties finally overcome their initial weaknesses. From that path dependency follows, in turn, that the direction of the reforms is to encourage state funding, not reduce it.

In the following sections of the paper we will try to explain the reasons of both the introduction of state funding in Spain, and of its subsequent reforms. Following what has been said, we will focus mainly on the influence that may have had: a) The context in which the party funding reforms were approved and, more specifically, if during its approval the political agenda is dominated by the existence of corruption scandals; b) If that were the case we are going to assess the emphasis that parties put in their discourses on state funding as a tool to fight corruption; c) whether party funding reforms are adopted by consensus or not, c) Following Scarrow, we will also point out the party goals behind each reform, be that the maximizing revenue view or the economy electoral one.

The following section is devoted to describe how the successive party funding reforms have been adopted in Spain. As noted in the analytical framework, the description will be theoretically guided using process tracing techniques (George and Bennett, 2005: Chap. 10). In the penultimate section we are going to discuss in more detail the relationship between the theory and the evidences from the Spanish case. The aim will be to clarify in what sense the Spanish case fits with the various assumptions made and, eventually, to suggest other alternatives. Finally, brief conclusions to be drawn on the Spanish case will serve to complete the text.

THE EVOLUTION OF PARTY FUNDING REGULATION IN SPAIN

The late implementation of democracy in Spain, together with the peculiarities of Spanish political culture (political cynicism, low participation, interpersonal distrust, etc.) had important implications for the regulation on political parties. The party funding regulation is no exception to that. The demobilization process favoured by the dictatorship (and partly maintained during an elite driven political transition) made clear from the very beginning of the political transition that party membership development would be very slow (Montero, 1981). Political parties’ foreseeable difficulties to fund with dues and donations their firsts campaigns and elections, as well as the willingness to overcome their economic weaknesses led to the design of party funding regime in which
prevailed state funding. While state subsidies were first limited to election expenses, these ended up being extended soon to the regular activities of political parties (Del Castillo, 1985, Van Biezen, 2000).

1. State funding introduction in Spain: from a private funding regime to a mixed one (1976-1985)

After nearly forty years of prohibition, the transition to democracy allowed the formation or the reappearance of many political parties. In these circumstances, it was easy to understand that most of the historical parties (usually the leftist ones) presented structural weaknesses due to the constraints derived from their years in underground work. They had few members, a very small structure and central office, difficulties to be funded, etc. The newly formed parties had other difficulties (usually to get members) although some of them, especially those closer to the dictatorship had more facilities to get funded.

Significantly, the first legislation promoted during the political transition to regulate the political associations close to the authoritarian regime (democratic opposition parties were still banned by then) bent over all for a private funding regime based exclusively on dues and donations. The 1976 Political Associations Act detailed the various forms of private contributions (dues and other contributions from their members, benefits derived from the activities of the association, donations and legacies, bank loans, etc.) setting fairly lax limitations: donor identification and the ban on foreign donors. Consequently, the law did not set any limits on the amounts that the political associations could receive from private sources. Although the law allowed state funding through The Budget, it did not specify an amount or a specific mechanism for its distribution. We are not aware that any state subsidy was distributed by that time (García Viñuela and Artés, 2005: 258). All this may be interpreted as the lawmakers (the liberalizer elite of the regime) opted for electoral economy goals (Scarrow, 2004). Faced with the prospect of the electoral competition, the liberalizers had the intuition that private funding could favour them and hurt their opponents’ prospects (the democratic opposition parties).

However, the implementation of political reforms and the imminent election call marked a turning point with logic of the 1976 Act. Although the 1977 Political Reform Act, the law that marked the formal starting point of the transition process, did not mention political parties, it was obvious that they would be the key actors in the near future. This change made obsolete the 1976 Act and opened the debate over who should bear the costs of the electoral nominations. Hence, very soon several mechanisms introducing direct and indirect state subsidies were established.

Thus, the 1977 Decree-Act calling for the first elections established the legal

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2 A ban on foreign donors is quite common in comparative electoral law. In the Spanish case this ban had an added justification: To prevent the support received by the democratic opposition parties from various European governments and political parties. According to some sources, a German secret service fund earmarked 3.8 million euros to Spain and Portugal between 1978 and 1981 (ABC, 7/10/2006).
basis for the introduction of direct and indirect state funding in electoral campaigns. This was meant to help the political parties most of whom had extremely weak finances and low membership. The introduction of state subsidies must be attributed to the leading role of democratic opposition parties when negotiating the terms of the transition process with the government. Thus, the democratic opposition parties could compete on more equal terms with the party promoted by the Prime Minister, and with other parties close to the authoritarian regime, who could presumably have more support from private funding. It follows that in this case, the opposition parties seemed to prefer the goals of an economic rather than electoral.

As regards the state funding of election expenses, the 1977 Decree-Act granted both direct and indirect subsidies. The former were determined on the basis of the results (6,000 euros grant for every congressman and senator achieved), 27 cents of Euro grant for every vote to Congress, and 9 cents for every vote in the Senate only in those constituencies in which parties achieved representation. The indirect funding included the provisional assignment of municipal premises to hold meetings, space for advertising during the election campaign, reduced rates for advertising mailing, and some free air time in the media (only allowed in public broadcasting).

No limitation was provided to the private funding of election campaigns. The only limits specified were: private contributions or donations earmarked for electoral purposes had to be deposited into a special bank account; all private transactions had to be registered; the donor had to be identified; foreign donors or donations from foreign government agencies were banned, as well as donations from public administration contractors.

Funding to parliamentary caucuses was immediately introduced after the 1977 legislative elections. The interim regulations of Congress and the Senate contemplated the assignment of local and material resources for their parliamentary groups, as well as the introduction of state subsidies depending on the number of members. The regulations of the Congress and the Senate drafted after the 1982 general elections held those indirect and direct subsidies. Regarding the direct grant, the new regulations stated that all the parliamentary caucuses were entitled to a fixed amount (equal for all them) and a variable grant (depending on the number of group members). The 1982 regulations were clearly adopted in a revenue maximizing view especially conceived to favour the small parties. The non-proportionality of the grants ensured that small parties achieving representation had sufficient means to operate, regardless of their electoral support.

Once introduced in the national parliament, the parties were quick to introduce the same regulations in the regional parliaments. Gradually, all the regional parliaments approved similar regulations in order to introduce state funding for their regional parliamentary caucuses. Once again, the logic behind this was the maximizing revenue view. Spanish political parties justified this new distribution of state funding on their limited recourses to do their work. These new grants were meant to favour all parties represented in the regional arena. However,
this state funding benefited above all the small regionalist parties, many of them without representation in the national arena.

The same logic applied in 1978 when the Political Parties Act extended state funding for regular activities. By then, they had an added argument to do so. The limited political activism, the scarcity of private contributions and the lack of a ceiling on electoral expenditures revealed since the 1977 elections that parties were getting into debt. This made the banks the main source (even the only one) of private contributions financing party campaigns and activities. However, this dependence on interested money soon ringed the bell for the future obligations that could engender. If parties wanted to build an organizational structure to operate beyond the elections, the only alternative they had (apart from the banks) was to use state funding. And that's what they did in the 1978 Political Parties Act which repealed, in part, the 1976 Political Associations Act.

The 1978 Act was formally maintaining the principle that party activities should be mainly funded from private contributions. Hence, some of the provisions of the 1976 Act dealing with private financing remained in force. But, the Act also set the stage for the funding of the regular functioning of political parties by the Budget. For this reason, it was stipulated that each party would receive an annual fee for each seat won in each of the two houses of parliament, and another one depending on the number of the votes obtained only in those constituencies where they had achieved representation. The law did not set any ceiling to the state funding, so it was left to the parties themselves to modify the annual state budget according to their needs. Obviously, such a revenue maximizing Act was adopted by the consensus of all the parties represented in Parliament.

In conclusion, the fundamental principle that inspired the first party funding policy in Spain was to privilege state money to fund election expenditures and the activity of parliamentary caucuses, and let the bulk of the regular costs be financed by private contributions (García Viñuela and Artés, 2005). Paradoxically, it soon became clear that state money was insufficient to pay for campaigns made with no ceiling spending and, at the same time, that private contributions were by far no enough to cover the regular functioning of political parties.


The high debt caused by the 1977, 1979 and 1982 elections, the lack of parties’ ability to increase their financial support from the civil society (other than bank loans) and the slow growth of party members (not enough to support their organizational structures) made it necessary to introduce a party funding reform in the mid-1980s. On the one hand, political parties attempted to establish a ceiling on election spending to stop their continued borrowing. On the other

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3 Based on Bank of Spain figures, Ariño (2009: 52) stated that the total “historic” debt of Spanish political parties was in 1994 of 300 million euros.
hand, state subsidies were increased to better finance parties’ growing territorial structure. It is therefore clear that although changing some of the principles of the party funding policy, the main goals remained the same (maximizing their revenues) and were linked to their weaknesses inherited from the dictatorship and the political transition.

In the reform also played a minor role (undeniable, though) the existence of a scandal of illegal funding by the Socialist Party in government. The PSOE was accused in 1984 of accepting money from the Friedrich Ebert Foundation (linked to the German SPD) that came from the Flick case. Although the parliamentary commission’s investigation determined that the money was received before the 1976 law was passed, the suspicion of international financing by the PSOE (as well as other democratic opposition parties) was spread among the public.

The 1985 Electoral Act introduced important reforms to curb election spending by parties. These changes were mainly the result of the accumulated experience by the parties during the early elections. One of the major developments was the introduction of a ceiling on spending during the electoral campaigns. However, the Act did not impose limits on expenditures that were made during the pre-election campaign. Thus, the spending limitation was partially overturned, transferring these costs to the regular funding paid primarily with state subsidies. On the other hand, the Act also banned any kind of advertising paid by firms or interest groups. Only parties or groups of voters with nominated candidates could spend during the electoral campaign. This avoided the use of soft money spent by interest groups on behalf of one or another parties.

On the other hand, the 1985 Act sought to improve the parties' electoral income. Again the main changes were, to a large extent, the correction of minor errors, gaps or loopholes made in the previous legislation. First it was introduced the obligation to update the state funding according to the inflation rate. In a moment of high inflation rates this prevented the loss of spending power by parties. The amount of state subsidies to the Congress and Senate was also updated. Second, it was introduced a substantial change in the way parties received the state funding. To prevent that parties had to borrow money from banks for (almost) all campaign expenses, it was established that the parliamentary parties could request an advance fee of up to 30% of the amount received in the previous election. This advanced fee was then deducted from the money they received once the electoral results were known.

The 1987 Political Parties Funding Act 1987 also introduced changes in the regular state funding. This law presented a major change in the party funding policy approach. While the 1976 and 1978 Acts supported the aspiration that parties’ regular activities should be mainly maintained by civil society (with private contributions), the 1987 Act was formally opting for a mixed party funding regime. However, the small prints of the 1987 Act openly bent for the dominance of state funding (García Viñuela and Artés, 2005). In return, the law stated that the finances of political parties had to be controlled by an external regulatory body: the Court of Auditors (Tribunal de Cuentas). This body was
allowed to monitor all income and spending made by political parties, but with a very limited penalty capacity.

The new approach of the 1987 Act was made clear when considering private funding. In this regard, the main measure adopted was to establish a ceiling on the total income that parties could receive from private contributions. The ceiling was set at 5% of the total state funding received by each party from the Budget. The law also set up other limits. Any contribution from an individual or interest group for regular expenditures couldn’t be earmarked and its limit was 60,000 euros per year. The 1987 Act allowed for the first time anonymous contributions from individuals (not firms), and stated that these incomes had to be deposited into specific bank accounts. The identified contributions from firms or interest groups were allowed, but they needed a prior corporate agreement.

Some modifications regarding the regular state funding were included. One of the most important provisions was a change in the criteria for the distribution of these subsidies. The general principle of distributing the money in terms of seats and votes obtained remained the same. However, this time some important settings were added: One-third of the total amount of state funding for regular activities was allocated according to the seats in the Congress (not on the two chambers of Parliament, as before). The remaining two thirds of state funding were distributed according to the votes obtained in Congress (not in both chambers). Nevertheless, a clause was added stating that only were counted the votes obtained in those constituencies where a party had reached 3% of the valid votes.

The 1987 act also included some spending limits. It was established that each party could not spend more than 25% of the state funding received every year to pay off its debts with banks. On the other hand, the law authorized the Parliament and the regional parliaments to finance the parliamentary caucuses. As we saw above, this practice began several years before, but now was enacted as law.

With these reforms Spanish parties sought, once again, to improve their precarious financial situation. Hence, as already stated, their objectives were basically to maximize their revenues. However, the fact that no state subsidy was left to those parties that didn’t reached the electoral barrier (3%) can be interpreted as an attempt by the dominant parties to make access to state funding difficult for minority parties, so that would limit competition. That is why the Act was passed by a large majority of parties but not strictly by consensus. The support of Izquierda Unida (IU) a state-wide but small party was, in this sense, very revealing. Although the new criteria for the allocation of state subsidies surely could have an adverse effect on its finances, IU supported the Act because anticipated that this effect would be compensated (as it was) by the increase in the total amount of state funding.


During the second half of the 1980s different scandals linked to the irregular
funding of political parties were announced. This showed that the limited amount of private contributions, the inadequate campaign spending ceilings, and the expenditures derived of setting up a highly costly territorial structure (Heywood, 1995) made state funding insufficient to stop parties’ debts. At best, most parties choose to continue borrowing from banks⁴. The effects of these scandals were a further erosion of the traditional distrust and low evaluations of political parties made by the Spanish citizens.

In this context, political parties reformed in 1991 the 1985 Electoral Act in two directions. First, new criteria were established to lower election spending ceilings because that was identified as one of the main of causes of political parties borrowing. To do this a new and low electoral expenditure ceiling was established and other several savings measures were taken. One of the most important was aimed at improving the early payment of public subsidies by the State. With the new reforms the State was going to give the 45% of the electoral fee 30 days after the parties presented their financial statements to the Court of Auditors. This amount was added to the 30% of the advanced fee deposited before the beginning of the electoral campaign.

However, the new spending limits and other savings measures were just political manoeuvring from the dominant parties. In reality, the 1991 reform was aimed at substantially increase the campaign spending of political parties and, in turn, to rise the amount of state subsidies. First, electoral fees per seat and votes grew by 25% for Congress and 50% for the Senate (García Viñuela and Artés, 2004: 14). But above all, it was decided to introduce a new state subside to cover the costs of the electoral mailing. There was only a main limit to that expenditure: the number of mailing sent by each party could not exceed the number of people in the census of each constituency where the party had nominations. The amount exceeding that limit was not entitled to the grant. However, access to this grant was limited only to parties who could have a parliamentary caucus in the Congress or the Senate. This was a highly restrictive approach (much more than to reach the election barrier or have seats in parliament) that clearly protected the interests of the dominant parties in front of the minor ones. Compared to the previous election the introduction of the new state subside campaign spending increased by 23%, and public subsidies almost doubled (García Viñuela and Artés, 2004: 15).

Contrary to what happened before, the 1994 reform of the Electoral Act was the first serious attempt to contain the election spending. The context of that reform was highly marked by a deep economic crisis, a serious political scandals (although most of them not directly related to party funding), and by strong adversarial politics (the crisparción) between the ruling party and the main opposition party. This adversarial politics quite possibly changed the approach

⁴ In this sense, García Viñuela and Artés (2005: 259) point out two side effects of the 1985 reform: The first one was the difficulties arising from the obligation to audit their financial statements without leaving a temporary period of adjustment. The second had to do with the prohibition of spending more than 25% of state funding to repay debt. Although this measure was intended to prevent parties to be bound to automatically pay their bank debts, at the end hindered the process of liquidating, so that the parties were forced to pay more for the interests of the accumulated debt.
of the two major parties towards the electoral funding and imposed the electoral maximizing view. Hence the active measures to contain and limit the electoral spending of which all parties wanted to support. However, it is important to point out that the 1994 reform didn’t change the principles in which the 1985 Electoral Act was based. It simply affected to some policy goals established by that law.

First, a new procedure was established to lower once again the spending ceiling established in the electoral laws of 1985 and 1991. Since then, the fixed amount assigned to each representative elected was eliminated and only was granted a fixed amount of money (24 euro cents per citizen) in those constituencies where a party nominated candidates. Second, two new spending ceilings were established: a) One for the outdoor advertising spending that should be less than 25% of the overall electoral spending ceiling; b) And another one for media advertising (newspapers and private broadcasting) that should be too less than 20% of the overall electoral spending ceiling. Third, the electoral campaign and the pre-election campaign were shortened: fort 21 to 15 days the electoral campaign and from 60 to 54 days the pre-election campaign. The (rather naïve) assumption there was that a reduction of the campaign would be followed by a reduction of the expenditure. However, this measure was followed by a more controversial statement by which no spending ceilings were fixed during the pre-election campaign. Therefore, in this particular measure the goal of containing the electoral spending was very much in doubt. Finally, in order to further reduce the electoral debts of the parties, the electoral fee paid by the State after the parties presented their financial statements to the Court of Auditors was increased from 45% to 90%.

The overall campaign spending of political parties dropped 20% in the next election. Hence, the measures adopted by the 1994 reform were quite successful. Since then, state funding covers about 90% of the overall electoral expenditure of the dominant parties, and electoral debt was no longer a problem. The same didn’t apply for the small parties, though (Garcia Viñuela and Artés, 2004: 18).

However, the 1994 reform did not end the debate about party funding. Various parliamentary committees created during the 1990s and the 2000s only served to highlight important differences between the parties. The divisive issues concerned especially private funding and, more specifically, the maintenance of anonymous donations and corporate contributions. As the consensus was not feasible all reform proposals failed.

2b. The 2007 reform: even more public funding in exchange for more transparency.

The 2007 party funding reform, the more substantial up to date, has its roots in a bill filed in 2005 by Esquerra Republicana de Catalunya (ERC). ERC was then one of the main parliamentary supports of the PSOE, and part of the regional coalition government. It is precisely in the context of Catalan politics were lie the political origins of this reform. The formation of the left-wing regional coalition government ended the 23-year rule of Convergence and Union (CiU), which launched a very tough opposition. In this context of bitter disputes between
government and opposition came the charge that CiU had been irregularly funded with assignments worth the 3% of public works contracted.

Although the charges of 3% could not be tested, suspicions focused on the big number of anonymous contributions received by CiU. The scandal reached the national arena emerging news reports about what the press called "the black box" of the parties (ie, El País, 18-4-2005). These reports pointed out the big amount of anonymous contributions received by the right-wing parties. No wonder then that the bill proposed by ERC had amongst its main goals the suppression of the anonymous donations and the introduction of new income ceilings on private donations.

Although the major parties agreed to discuss the bill in the Congress, the amendment process showed the deep disagreements between parties. This lengthened the process of drafting the new reform. Other factors dealing with the multi-level nature of Spanish politics also contributed to the length of the process. The first one was the end of adversarial politics among all Catalan parties. This allowed the drafting of the 2005 reform of the Catalan Statute of Autonomy. A call for Catalan regional elections led in 2006 to the reprise of the left-wing coalition government and, again, to new adversarial politics between CiU and the leftist parties. By then, ERC urged the PSOE to approve the bill.

When the PSOE decided to pass the bill, the pre-election campaign for the 2007 Spanish regional elections had begun, making almost impossible for the PP to approve it. The PSOE had to face the trade-off of breaking the existing consensus in party funding or withdraw the bill and have problems with one of its key parliamentary supports just weeks before a mid-term election. The PSOE opted this time to pass the bill and thus breaking the existing consensus with the PP.

To avoid the PP blocking the bill, the PSOE had to make concessions to other parties in the parliament. CiU and PNV agreed to eliminate the anonymous contributions. Instead, they managed to increase the overall state funding, to maintain the (identified) private contributions from firms and pressure groups, and to increase the limit on private donations made by individuals proposed by ERC. They also agreed to extend the supervision of the Court of Auditors to the foundations of the parties in exchange for raising the yearly limits (per person or firm) that they could receive. IU, meanwhile, managed to change the criterion for distributing the state regular subsidies form a percentage of the constituency votes, to the nationwide votes. The PSOE took the opportunity to legalize the extinction of debts by banks. The law was finally passed in July 2007 with the support of all parties except the PP (Pérez-Francesch, 2009).

However, the lack of formal consensus and the transactions between parties should not be interpreted as an attempt to benefit some of them just to harm others (PP). Apart from the abolition of anonymous donations (which the PP accepted during the drafting of the Act), only the supervision by the Court of Auditors of the foundations of the parties can be interpreted as a "weapon"
against the PP\(^5\). Nonetheless, this is an element that equally involves all parties. In contrast, the three main changes introduced by the 2007 Act are clearly designed to benefit all the dominant parties of the system (including the PP): a) The first one was the 20% increasing of the regular state funding for parties; b) The second reform was the legalization of regional and local state subsidies to fund regular party activities. Although the previous law only allowed regional and local governments to provide state funding to the parliamentary and local caucuses, regional and local public subsidies for ordinary party activities became a common practice during the 1990s\(^6\). The 2007 Act accepted that and, in exchange, introduced the supervision of the Court of Auditors; c) The third change, mentioned above, allowed the extinction of debt by banks. With no doubt, the short term benefits of this amendment were for the PSOE (as the party with more debt), but this didn’t exclude future benefits from other parties.

Despite all this modifications, the 2007 Act still showed large continuity patterns with the 1987 Party Finance Act. It kept the main principles of previous law while taking a new step forward to the prevalence of state funding. Changes on the objectives and on the policy implementation were rather incremental (such the ban on anonymous donations, or the legalizations of regular state funding by the regional and local governments) and were accepted by the dominant parties. From this point of view the 2007 Act could be considered a first-order change according to Hall (1993) criteria.

2c. The 2011 reform: cutting the electoral spending in the midst of a severe economic crisis.

In early 2011 it was adopted a new amendment of the Electoral Act. When the bill was introduced, it did not aim to make modifications on party funding. However, the climate of strong adversarial politics between the two major parties and the proximity of the 2011 regional and local election campaign brought a change in partisan strategies. As was the case in 1994, this reform was also in the midst of a severe economic crisis. Moreover, by then the opinion polls showed that the PP was clearly ahead of the PSOE (in government). Hence, the PP decided to use the reform to cut the electoral spending up to 30% (El Mundo, 06/10/2010). The adoption of this electoral maximizing strategy had the advantage of having broad popular support. For that reason neither the PSOE nor the rest of the mainstream parties opposed its amendment.

The main changes introduced by the 2011 Act were reductions in the amount of electoral state subsidies: the total expenditure ceiling allowed during the elections was lowered, and spending on outdoor advertising was reduced from

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\(^5\) By then the main foundation of the PP (the FAES) was presided by former Prime Minister J.M Aznar. Some sources pointed out that Aznar urged the PP to block the bill because didn’t want the FAES to be supervised by the Court of Auditors.

\(^6\) The paradigmatic example was the agreement by which the Catalan Parliament gave 1.8 million euros in 2000, 3 million euros in 2001, 4.5 million euros in 2002 and 6 million euros in 2003 (El País, 28-8-2003). These grants were subsequently approved under a regional government decree-act.
25% to 20% of the total expenditure limit. All private TV broadcasting was banned as well as any outdoor advertising or media broadcasting during the pre-election campaign. It is possible that these measures will contribute to lower the parties' electoral expenses. Time will tell if parties will cut up to 30% their electoral spending as announced by the PP, though.

**DISCUSSION AND CONCLUSIONS**

The essential continuity experienced by successive party funding reforms reinforces the main assumptions of historical institutionalism: once a model is introduced, changes tend to be incremental and based on existing policy options (Clift and Fisher, 2004: 680). The Spanish case can as well be understood as a long (and never finished) exercise of institutional learning. This path dependency can also be extended to the main goals pursued by parties with successive electoral reforms. As noted above, the main thrust of party funding in Spain has been to overcome their financial weaknesses. Spanish parties have had few members and big difficulties with their private funding (beyond the interested money provided by banking system). Thus, the meaning of almost all party funding reforms can be classified in what Scarrow labelled revenue maximizing views. Similarly, the preservation of the main policy goals that inspired party funding law in Spain can lead to conclusion that all the reforms have been limited to both first-order changes (in policy instruments) or second-order (in policy instruments and settings) ones (Hall, 1993).

As pointed out in the analytical framework, the Spanish case (as in other new democracies), allows us to propose the existence of a distinctive third wave model of state funding introduction and development. This model would be different than the one suggested by Koβ (2011) for the long-established democracies. The weakness of civil society, the organizational and financial problems of democratic parties after years of prohibition, or fear of the influence of interested money appear as key factors to explain the very early introduction of state funding in Spain. The same conclusions may be easily extended to other similar countries (Van Biezen, 2003, Van Biezen and Kopecky, 2007).

In contrast, the role of political corruption or the discourses on political corruption suggested, amongst others, by Koβ (2011: 49-52) doesn’t seem to be a key factor leading to reforms in Spain. Only in 1991 and 2007 political corruption scandals linked to irregular funding played a role in the reforms. Although political corruption was also present in the 1985 Act and the 1994 amendments, this was an added factor of questionable relevance. In this sense, our conclusions are undermining the normative institutionalism thesis according to which the increase of political scandal would lead reforms in party funding (Clift and Fisher, 2004: 681).

The Spanish case also draws attention to the importance of consensus, at least among the dominant parties. Interestingly, this has not only been present at the time of the introduction of state funding (Koβ, 2011), but in almost all the subsequent reforms. It is also worth pointing out that some party funding bills (especially of the late 1990s) were withdrawn precisely by not achieving the consensus of the main dominant parties. The exception to this pattern is the
2007 reform, but as suggested above there are some shades that can be useful to interpret this exception. In this sense, party funding reforms in Spain would confirm the rational choice institutionalism hypothesis according to which party funding introduction and reforms are designed to promote both to the ruling party or the dominant parties (Clift and Fisher, 2004: 681).

Finally, the evolution of party funding in Spain may also be used to theory developing. This is because some interesting findings have apparently not been covered in both our analytical framework or, to our knowledge, the existing literature on party funding. As mentioned before, the general trend of Spanish party funding reforms has been the development of revenue maximizing strategies. However, there are two important exceptions to this trend, which also have common patterns: the 1994 and 2011 reforms. In both cases the dominant parties changed their maximizing revenue strategies to the electoral economy views. Both of them were made in a similar context: an environment characterized by a deep economic crisis, and with the (left) party in government clearly behind the opposition in the polls. In 1994 this was due, in part, to some corruption scandals, but not in 2011. In both cases the party funding bills were presented by the main opposition party and were aimed at the limitation of election expenses. All dominant parties decided to support the bill, as well. These findings suggest a new pattern of party funding reform extending some ideas stated by Scarrow (2004). Contrary to what has been the main focus of the literature, this may help to explain the conditions under which parties can accept reforms that are detrimental to their increasing state funding revenues. As Scarrow pointed out, the Spanish evidence not only stress the influence of political parties’ expectations or interests (as holds the rational choice institutionalism), but the influence that the environment plays in shaping them (as claimed by historical institutionalism). In an environment characterized by a progressive increase of state funding this may be an increasingly relevant question.

REFERENCES


