

Political Corruption and Party Funding in Western Europe¹

An overview

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The 1980s and 1990s witnessed a proliferation of corruption scandals in Western Europe and even today such scandals persist. What is happening to Europe? How corrupt is Europe? From Italy to Germany, from France to Ireland it may appear as if corruption is endemic in European politics. Yet I would argue that this is probably not true. Nevertheless, the perception of widespread corruption is revealing. And perception is important. Politicians are not put on a pedestal as they used to be, and corruption seems to reach to the very epicentre of our democracies.

Until recently corruption was considered to be a serious problem confined to non-democratic states or developing countries. Yet after the multiplicity of scandals in public life, repeated by the media, it is no wonder that citizens' faith in the integrity of their representatives is continually declining. Today political corruption seems to be endemic and there are books – fiction and non-fiction – and films on the subject. It is like the La Fontaine fable of the animals suffering from the plague: not all are dead but all are affected, as Yves-Marie Doublet put it (Doublet 1997). A recent survey commissioned by the World Economic Forum and conducted by Gallup International showed that 51 per cent of Portuguese had little or no trust in their representatives in parliament while in France, 62 per cent of those polled for the survey expressed distrust in their politicians as a result of sleaze.

Needless to say, political corruption is not a new phenomenon. It has always existed in every political system. Yet it is the extent of corrupt practices that distinguishes today's corruption from past cases.

Transparency International's Corruption Perceptions Index 2003 revealed that some African countries are perceived to be less corrupt than European ones, and, by extension, that countries of Western Europe, including some of the world's oldest democracies are not as free from corruption as one would assume.

A tour of European political corruption

Starting with **France**, the current head of state has been tarnished by allegations of corruption, but he is by no means alone. Over the past ten years more than 604 politicians, including former prime ministers, ministers and elected representatives at the national or local level, have been prosecuted or charged.

While not all of these cases concern sleaze, we can safely say that all parties, from right to left of the political spectrum, have been involved in major scandals. There might be differences between parties of the left and those of the right in terms of the mechanisms of illicit financing employed, but, in essence, all have had recourse to

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opaque financing. It is possible to draw a parallel between the French corruption scandals exposed since the 1980s and the Italian system of *lottizzazione*. It appeared that systematic rules were agreed by the parties (see Pujas 2001, Pujas and Rhodes 1999), pragmatism prevailed and corruption was considered a necessary evil in the parties' pursuit of money.

Practices such as the use of public funds at both the national and local level, fake invoices from ghost companies and reliance on private sector largesse and money from abroad have been used by parties of the left and right in France. In 2001 the secretary general of the Communist party, Robert Hue, was charged with illegal fund-raising. The new rightwing party, Rassemblement pour la France (RPF), was at the time of writing under investigation for breaching the law on the funding of electoral campaigns.²

Some French corruption scandals have had ramifications for other European countries, for instance Spain and Germany. The Elf scandal, which has been subject to investigation since 1994, is an example.

In **Germany** the ramifications of the Elf scandal proved too much for Helmut Kohl. The former chancellor was allegedly implicated in the operation of a huge slush fund that benefited his political campaign. Authorities in Germany investigated the purchase of a German oil company in 1992 with money allegedly funnelled to Kohl's re-election campaign.

Dubbed 'Don Kohleone', the man had who served as German chancellor for 16 years admitted in 1999 that for many years he had accepted unlawful political donations, which had helped his Christian Democrat party maintain power. Kohl refused to provide investigators with the names of donors. Germany had been considered to be relatively clean until the fall of the former Chancellor. Today, by contrast, it appears that the CDU does not have a monopoly on political corruption – recent scandals have embarrassed Chancellor Schroeder and his leftwing SPD party in Cologne, for instance. Another prominent case involves allegations that an arms dealer made donations to parties and politicians. According to the *Economist* magazine, in 2000 police in Germany investigated no fewer than 1,243 allegations of bribery related to public contracts.

When the German scandal erupted, Europe was recovering from the shock of a political financing scandal that had enveloped almost every political party in **Italy**. Twelve years have passed since the start of *Tangentopoli* (Italian for bribe city), a nationwide Italian police investigation into political corruption that led to the most serious political crisis in the history of the Italian Republic. The *mani pulite* carried out more than 25,000 enquiries, which resulted in charges against five former prime ministers and some 5,000 businessmen and politicians. Corruption in Italy seemed to have been institutionalised. Former socialist leader Bettino Craxi said, “everybody knew” about the corruption, much like in France, but in Italy, they buried their heads in the sand.

² The proportion of elected representatives in the Hexagon who have been implicated in political funding scandals is less than one in 10, while less than 50 French politicians are on trial or have stood trial.

Italy today appears to be a little less corrupt than it once was. The post-1992 shake-up and the new party finance rules have made politicians across the political spectrum more careful, if not strictly law abiding. That said, Italy's current prime minister, the media tycoon Silvio Berlusconi, was found guilty on several charges of illegal party funding, bribery and fraud. He has appealed against each sentence and avoided jail. Recently he was accused of interfering with the workings of the courts in a so far successful effort to escape conviction on corruption charges that are the subject of four ongoing corruption trials.

In **Spain**, the socialist government of Felipe González was tainted by a number of corruption scandals, too, including the Filesa and AVE cases, involving fictitious consultancy work in return for political donations. In 1996, Felipe González lost power after 14 years largely because he was seen to be corrupt. His party, the *Partido Popular* has also been affected by corruption scandals such as the *Canyellas* case.

Other countries from the region are no less tarnished by corruption. **Greece** experienced a major scandal between 1988 and 1991 related to Andreas Papandreu's period in government. Since the 1990s, **Portugal**, an example of successful transition to democracy has been subject to an increasing number of political corruption scandals. **Ireland** is not exempt from party funding scandals either.

Even in the **United Kingdom**, which was for a long time considered to be relatively free from corruption – and from political corruption in particular – there has been in recent years numerous cases of deviation from the standards in public life, often involving the funding of political parties.

After the Neil Hamilton "cash for questions" affair, the word "sleaze" entered common political lexicon. The case saw a number of MPs under John Major's premiership accepting money to ask questions in Parliament on behalf of private interests. The Conservative Party was also found to have accepted large undeclared overseas donations. For example, Michael Ashcroft, a businessman based in Belize who made substantial donations to the Conservative party, was made treasurer of fundraising for the party and was later thanked for his financial loyalty to the party by being made a Lord. In the opposite camp, the Labour Party was also implicated in political scandals. Most damaging was the Ecclestone affair, which involved a donation of 1.6 million euros by Formula 1 boss Bernie Ecclestone at a time when the Labour government of Tony Blair was seeking to exempt Formula 1 from European Union legislation banning tobacco advertising at sporting events. More recently, donations to the Labour Party from an Indian steel magnate and from Enron have come under scrutiny. While there is no doubt that corruption does exist in the UK, it is, however, generally acknowledged to be limited. But questions are being asked. The fifth report of the committee on standards in public life concluded that, "what concerns the public is the inscrutability of the sources from which the parties derive their money". Who is paying? How much? In return for what? Is it British or foreign money? (Standards in Public Life, 1998, quoted in Heywood).

Of the countries included in this study, only **Iceland** appears to be immune from the major scandals faced by other European countries. Scratching the surface, however, cases of bribes, cronyism and corruption are revealed.

How can we compare political corruption in Western Europe?

Up until recently it was assumed that the north of Europe was cleaner than the south and that there was a clear distinction between the Protestant and the Latin Catholic countries. According to this “olive line” theory, virtue is above the olive line, corruption below (Yves Mény, Heywood).

This is, to some extent, reflected in Transparency International's Corruption Perceptions Index 2002. Finland, Denmark, Sweden and the United Kingdom are among the “least corrupt” countries; while France, Portugal, Italy and Greece remain “quite corrupt”. Of course this survey is not only about political corruption. Heidenheimer, an American political scientist, reached more or less the same conclusions by combining data with extensive survey information. His study, published in 1996 showed that Nordic countries are the “least corrupt”; Germany, Austria, France and Portugal are “somewhat corrupt”, with a level of corruption considered low in Germany and high in Portugal; Italy, Greece, Turkey and Spain fall into the third category of “quite corrupt”, with Italy and Greece faring worse of the four.

Of course differences exist between north and south on both sides of the olive tree lines in terms of political culture, national character and organisation of societies and the political system. To cite a few examples, northern countries tend to have stricter laws against influence peddling, and judges and the press are more independent. In some southern European countries, democracy has traditionally been more fragile, with family and clan loyalties holding more sway than any sense of obligation to the state. As Yves Mény has rightly asked, why is it that in the south for instance multiple office holding, patron–client relations across the private–public divide or informal channels of exercising influence on politicians are more accepted than in the north?

Although this distinction remains mostly true, the assumption can be challenged. The recent revelations of corruption scandals in countries such as **Belgium**, **Germany**, and **Ireland** or even within the European Union's institutions have put in question the accuracy of this description. After all, Helmut Kohl is a through and through Northerner, as the Economist pointed out. Even the **UK**, seen as comparatively free from political corruption, has had to rethink the way political parties are funded after a number of scandals were revealed and made headline news. The legislation was changed as a consequence.

In many respects north and south are converging. **Italy** is a bit less corrupt than it was, though Italians seem to have low expectations of their political class. Other southerners, notably the **Spanish** and **Portuguese**, seem to have improved, though corruption and sleaze at the local or regional level is still common. The situation in France appears to have improved, too, and while old affairs have come to the fore they pale in comparison to the scandals of the 1980s and 1990s.

It can be said then that the divide between north and south in terms of political corruption scandals is not what it once was. Indeed, a clearer divide can be drawn today between Europe's east and west. In broad terms, corruption in business and public life is rife in Eastern Europe, and not in Western Europe. This phenomenon is

closely linked to the process of transition to the market economy and to privatisation programmes.

In the Balkans authoritarian traditions have transcended the transition away from communism and have failed to create honest societies and political systems. Turkey is still riddled with corruption.

At the end of the day the main question remains: why across Western Europe have corrupt and illicit practises apparently proliferated in the contemporary period.

How can we explain the spread of corruption scandals?

Without doubt, the third and fourth powers, namely judges (third) and journalists and civil society (fourth), were the main actors in the fight against corruption in the 1980s. Changes in their professional standards and approaches largely account for the attitudes they have adopted towards politicians and business leaders. This is particularly the case in southern Europe (see Heywood, Rhodes, Pujas 2002).

One of the key characteristics of the new wave of scandals in the 1990s was the emergence of a new generation of anti-corruption magistrates, judges who had become more active and willing to confront political pressures. These judges, or "sheriffs" as they were called in **France**, include Thierry Jean Pierre, who was in charge of the investigation into the URBA affair, one of the first major scandals of the 1980s involving the Socialist Party, or Eva Joly, another sleaze buster in France who was awarded an integrity prize from Transparency International for her investigations into the Dumas/Elf scandal. Also notable is Judge Halphen, who attempted to summons Jacques Chirac for questioning about allegations of corruption, and who later attempted, unsuccessfully, to enter into party politics. In **Italy**, too, judges have been key players in the fight against corruption. Everybody remembers Antonio Di Pietro, the celebrated Milanese prosecutor who also hung up his robe to start a political career.

This trend in southern Europe is part of process of democratic maturing as judges and magistrates are freed from the constraints of highly corporatist, post-authoritarian regimes. This new generation of magistrates has been joined by a new generation of journalists.

Over the past two decades, a section of the national press in **France** has played a significant role in exposing political corruption as widespread and unacceptable. This is a relatively new phenomenon: the press are carrying out more of their own investigations and are becoming more independent-minded, following the model of the Anglo-Saxon media. This is still not the case in some countries of southern Europe, such as Portugal, where investigative journalism is almost non-existent.

But the revelations of large-scale scandals in some of the supposedly less corrupt northern countries suggest that no country is immune or inured to corruption, as elites rotate in power and as the attention of the public is alerted by media exposure. The **Italians** have renewed their call for the need to mobilise against political apathy and have drawn attention to corruption cases. In 2002 they launched the Movement of Spring, appealing to the memory of *mani pulite*.

In the **UK** and in **Germany** the issue of sleaze is debated constantly and the media are heavily involved in investigating and reporting political corruption.

The issue of money and politics

It is now generally acknowledged that membership subscriptions are not sufficient to fund a party. Mass parties are a rare species in today's Europe and nowhere in western democracies are political parties entirely financed through membership. Parties are tending to become "catch all" parties, focused on raising sufficient funds to compete and loosing their ideological base in the process. At the same time, some sections of the electorate are becoming more fluid and party affiliation is declining. Parties are pragmatic institutions whose aim is to support a leader at the time of an election, just as a Formula 1 team supports a main driver during any race. This is particularly true in southern Europe, in Italy, Spain and Portugal. In France parties are weak organisations, divided and numerous with the now historic exception of the communist party. Without activists and without ideology one wonders what their purpose is.

Another important contextual point is the electoral system. If we take the example of **France** or **Italy** there are three times as many elections than in the **UK**, for instance. In France there are six different kinds of elections without counting referenda. The number of elections contributes to the growth and expenditures of parties since it is generally the same parties and candidates that are standing.

In most countries then, membership fees do not even cover minor costs, while fortunes are spent on media and marketing, with politicians as the "products" of marketing campaigns. There is of course a strong correlation between electoral campaign expenditures and corruption.

Furthermore since the cold war ended, money from abroad has dried up. Russia is not interested in funding communist parties in Europe and America is more interested in new democracies. In any event most foreign donations are now banned.

With little money from membership and no foreign funds, European parties got in bed with business. The UK's Labour Party, which was historically bankrolled by trade unions, now courts businesses as avidly as any right-wing party.

Given the levels of corruption surrounding party funding, most Europeans have now adopted party finance regulations.

What have been the political and legal responses?

The funding of political parties has always been a source of difficulty and frustration, as Keith Ewing put it. The political world has preferred to be vague about the actual relationship between money and politics, acting as if these two spheres are and should be set apart.

But with reluctance, and often due to public pressure, politicians have had to confront the collusion between politics and money. For a long time in France, as in many other Western European countries, there were no rules regarding the funding of political

life. This was arguably the result of indifference on the part of public authorities or rather on the part of politicians who could not be trusted to regulate themselves. Hence the widespread reliance on dubious financing practices and the resulting scandals that have emerged in **France, Italy** or **Germany** for instance.

From the point of view of comparative law, **Britain** was the first country to introduce legislation, in 1883 when the Parliament passed the first law capping electoral expenditure at the local level. The law applied only to candidates and not to parties. This system proved to be ill suited to modern electioneering. In other western democracies it was not until the end of the 1960s that the first regulations appeared: 1968 in Sweden, 1967 in Germany, 1974 in Portugal, 1975 in Austria and 1984 in Greece. France did not adopt its first regulation until 1988. Before that there was a legal vacuum, which enabled political parties to use hidden means of finance in their race to raise money to meet the spiralling expenditures of parties and candidates.

While different countries have adopted different regulatory models, a common denominator in many cases is that they were motivated by political scandals. This is the reason why the rules on the funding of political parties and electoral campaigns are evolving. Everywhere in Western Europe the process has involved honing and polishing.

In France the legislation on party funding has been revised no fewer than five times. The same goes for Italy with six laws in total since 1974 and in Germany, where half a dozen laws have been introduced, with the last reform this year imposing criminal sanctions on false reporting. In Britain, until February 2001 when the Political Parties and Elections Act 2000 came into force, the funding regime was still shaped by the Corrupt and Illegal Practises Act of the 19th Century. It was not until 1998 that political parties in Britain had to be registered – before that before that date political parties were not even recognised as legal entities.

Taking a broad look, there are different regulatory models, different techniques and different mechanisms of intervention. No one size fits all when it comes to regulatory regimes, but there are similarities across systems.

Firstly, on transparency, a common rule throughout Europe is the disclosure of both income and expenditure of political parties. In some countries the identity of donors is also disclosed, as in **Italy, Germany, France, Greece** and the **United Kingdom**.

Second is the issue of contribution limits, though these are not universally accepted. Countries such as **Germany, Denmark** and the **UK** are very liberal, with no limits imposed on the parties. In **France** and **Belgium** there are limits for both parties and candidates.

The type or nature of donation can also be regulated. Foreign donations from foreign states or foreign companies are prohibited in **France, Germany** and recently the **United Kingdom**.

France Belgium and **Italy** prohibit donations from businesses or any other legal entity, such as trade unions.

In addition, in order to reduce the temptation of corruption and curb the financing "arms race", spending limits for electoral campaigns have been put in place in most countries. This has given rise to serious constitutional debate on the grounds of freedom of expression, but there is clear evidence that in countries where this is in place electoral campaigns are cleaner and less "Americanised". No limits exist in **Norway, Denmark and Germany**.

It is possible to distinguish three models of public **funding** of political parties in Western Europe:

- High degree of state control. This is the case in **France, Spain and Italy** where political parties have become para-state organisations and are sometimes exclusively dependent on state, i.e. taxpayers', money. These are known in political science terms as "Cartel Parties". In **Spain**, for example, 98 per cent of the income of the main parties derives from the state; in **France** the figure is more than 50 per cent.
- Mixed system, with around 50 per cent of state funding. This can be seen in **Turkey, Greece, Belgium, Austria, Ireland, Switzerland and Germany**, where the level of state funding is proportionate to the level of private funding.
- Private system with very little state funds. The odd one out is the **United Kingdom**, where there is no public funding.

Generally the trend is towards a greater dependence on state funding. This has the disadvantage of discouraging established parties to attract new members and encouraging the formation of small opportunistic parties. In France there are 210 political parties.

The aim of state funding and limits on expenditure is to place candidates and parties on a more equal footing. A related goal is to dampen the constant quest for financing. From the moment the state becomes involved it can legitimately exercise some degree of control over parties' private sources of funds.

Lastly if we have a system in place it needs to be enforced. Infringement of the law, that is illegality, is obviously central to the definition of political corruption. Sanctions and enforcement are essential. Again definitions and models may be different from one country to the next: what is illegal in one country might be legal in another. Some regulations on party finance are much stricter in some countries than in others, and there is no doubt that some well established practises in Britain or in France would prompt investigation in other democracies, and vice versa.

The most stringent supervision by an independent regulator takes place in the United Kingdom. In most countries there is a problem of weak supervision. This is the case in France, Germany, Italy, Spain, Greece and Turkey. In some countries there is no supervision or even no regulation, such as Iceland or Switzerland.

This is where the role of the fourth power, the media and civil society is important. Regulations with universal principles are in place. The press, the auditors and the Court are becoming progressively more rigorous and intrusive, as is civil society. The taxpayer and the voter are watching. With such safeguards in place, in Western Europe political corruption can only be declining.

Overview table – Transparency in party reporting across Europe³

	France	Germany	Greece	Iceland	Italy	Slovakia	Switzerland	Turkey	UK
Deadlines for financial report (after election):									
- National parties	After 6 months	End of financial year		None	31 st July	End financial year	No	Quarterly	
- National candidates	2 months	No		None	Within 120 days		No	N/A	35 days after election
- Local parties	After 6 months	No	None	None	Each year		No	N/A	
- Local candidates	2 months	No	None	None	30 days		No	N/A	35 days after election
Financial reports required to be published?									
- National Parties	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes
- National candidates	Yes	No	Yes	No	Yes	No	No	No	Yes
- Local parties	Yes	No	No	No	Yes	No	No	N/A	No
- Local candidates	Yes	No	No	No	Yes	No	No	N/A	Yes
- National parties	No	Yes	Yes	No	Yes	Yes	No	No	Yes
- National candidates	No	No	Yes	No	Yes	No	No	No	Yes
- Local parties	No	Yes	No	No	Yes	No	No	N/A	Yes

³ Based on At a Glance Reports

	France	Germany	Greece	Iceland	Italy	Slovakia	Switzerland	Turkey	UK
- Local candidates	No	No	No	No	Yes	No	No	N/A	Yes
Are donations exceeding a certain amount required to be listed in the report?									
- National parties	C.A.P.F.C. 4	President of Bundesta g	Yes	None	National Auditing office Finance ministry	National council Ministry of finance	N/A	Constitut ional Court	Electoral commissi on
- National candidates	As above	No	Yes	None	National Auditing office Finance ministry		N/A	N/A	Electoral commissi on
- Local parties	As above	President of Bundesta g		None	Regional electoral committees		N/A	N/A	Electoral commissi on
- Local candidates	As above	No		None	Regional electoral committees		N/A	N/A	Returning officer
Which oversight body is required to review the report?									
- National parties	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes
- National candidates	Yes	No	Yes	No	No		No	No	Yes
- Local parties	Yes	No	No	No	No		No	N/A	Yes
- Local candidates	Yes	No	No	No	No		No	N/A	No

4 Campaign Accounts and Political Funding committee

	France	German y	Greece	Iceland	Italy	Slovaki a	Switzerla nd	Turkey	UK
	No	Yes	No	No	Yes	No	No	No	Yes