

Robert Schuman Centre

Party Finance and Political Scandal
in Latin Europe

VÉRONIQUE PUJAS
and
MARTIN RHODES

RSC No. 98/10

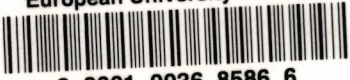
EUI WORKING PAPERS

WP
321
.02094
EUR



EUROPEAN UNIVERSITY INSTITUTE

European University Institute



3 0001 0036 8586 6

EUI Working Paper RSC No. 98/10

Pujas/Rhodes: *Party Finance and Political Scandal
in Latin Europe*

The Robert Schuman Centre was set up by the High Council of the EUI in 1993 to carry out disciplinary and interdisciplinary research in the areas of European integration and public policy in Europe. While developing its own research projects, the Centre works in close relation with the four departments of the Institute and supports the specialized working groups organized by the researchers.

EUROPEAN UNIVERSITY INSTITUTE, FLORENCE

ROBERT SCHUMAN CENTRE

WP
321.0209
4 EUR



**Party Finance and Political Scandal
in Latin Europe**

VÉRONIQUE PUJAS
and
MARTIN RHODES

EUI Working Paper RSC No. 98/10

BADIA FIESOLANA, SAN DOMENICO (FI)

**All rights reserved.
No part of this paper may be reproduced in any form
without permission of the authors.**

**© Véronique Pujas and Martin Rhodes
Printed in Italy in March 1998
European University Institute
Badia Fiesolana
I – 50016 San Domenico (FI)
Italy**

INTRODUCTION*

Political scandals connected to the illegal financing of political parties have proliferated throughout Latin Europe in recent years. Although the Italian *tangentopoli* (bribe-city) scandals provides the most dramatic case, scandals have also badly damaged the reputation, credibility and legitimacy of the political class in Spain and France. This phenomenon raises three sets of questions. First there is the specific issue of party finance and its connection with corruption. Second, there are general issues concerning the nature of scandal and the perception of illegality: for while far from new, illicit funding has only recently been the subject of public disapproval, media investigation and judicial prosecution. Third, exploring the connection between party finance and political corruption raises questions about the nature of democracy in the Latin countries. Is the Italian case simply the most acute example of a wider spread Latin European phenomenon; are the political cultures of the region predisposed towards 'illicit governance'¹; is there a 'southern syndrome' that separates these countries from their northern neighbours?

This paper explores these issues via three case studies. Italy - where corruption and party finance scandals have removed a whole tier of the governing class in recent years - provides our main case, for it is there that the most extensive and systemic use of corrupt practice has been revealed in recent years, and where the wielding of 'scandal' as a political weapon by opposition forces (often key actors themselves in *tangentopoli*) has been most evident and of greatest consequence. But the inclusion of Spain and France, where parallel, if less calamitous developments, have occurred, allows for some comparative reflections on our two key hypotheses: that the emergence and expansion of corrupt forms of political finance are linked to particular 'political opportunity structures' rather than a 'cultural' predisposition towards corruption - and that there is indeed an opportunity structure which is common to the Latin European countries; and that the appearance of scandal - and of scandalized public opinion - after many years in which corrupt practices were considered, if not desirable, then at least a routine and unremarkable feature of the political landscape, has been driven by the 'competitive mobilization' of actors in the judiciary, politics and the media. Although unique in many respects, the Italian case also has much in common with other countries of the region, in terms both of the practice of corrupt finance and its origins in weakly institutionalized party systems, interlocking elites and, the central topic of this inquiry, inadequate regulations for political party

* We would like to thank Yves Mény and Eduardo Posado-Carbó for their comments on an earlier version of this article. Forthcoming in C. Malamud and E. Posado-Carbó (eds.), *Financing Party Politics in Europe and Latin America*, London: Macmillan 1998.

funding. Section one therefore considers the existence of a 'southern syndrome' and introduces the concept of 'political opportunity structure' - a term coined by Herbert Kitschelt for the analysis of situations far removed from corruption, but which is useful for explaining national variations in the intensity and methods of corruption². Section two analyses the specific contribution made to corruption opportunity structures by party finance regulation. Section three shifts focus and considers why long acknowledged - although illicit - forms of political finance have only recently become 'scandalous'.

A CULTURAL SYNDROME? CORRUPTION AND PARTY FINANCE IN LATIN EUROPE

Norms, Institutions and Perceptions of Corruption

Our two hypotheses - that there is indeed a southern 'pattern' of political opportunity for corruption, and that the mobilization of opinion against it has been the result, in large part, of élite competition - require some initial justification. First, what is 'illegal' or 'corrupt' in some societies may be considered acceptable practice in others. What would be seen as nepotism or shameless patronage by the British, for example, might not only be considered fair but even a moral duty elsewhere. In many parts of southern Europe such norms of behaviour still persist. It is the *perception* of the practice that makes it corrupt and scandalous. Heidenheimer distinguishes between three types of perception: 'white corruption' is accepted and tolerated, 'black corruption' is widely rejected, while 'grey corruption' is accepted and/or rejected in a sort of moral limbo or by different groups³. Societies that modernize and democratize tend to move, albeit unevenly, from one phase to the next. Thus, the recent corruption scandals in Italy, France and Spain do not reveal that these societies have suddenly become corrupt (although corrupt practice certainly proliferated in the 1980s): but rather that the accepted and routine had become unacceptable and illicit; and that certain social actors have been instrumental in defining them as such - and not always for altruistic reasons⁴. Corruption scandals can therefore be a secondary and or unintended consequences of a process of ethical and democratic transition; or the outcome of a clash between élites and the use of denunciation for political ends. In reality, it is frequently both.

How do we explain the nature of this transition? Is it primarily one of cultural transformation or institutional change?⁵ In fact, the two are inseparable. In most categorizations of countries by degrees of corruption, a distinction tends to be drawn between the northern Protestant countries (e.g. Britain and Scandinavia) and the Latin catholic countries, with others ranged somewhere in between⁶.

This division is usually accounted for in terms of political culture or national character: the presence in Spain of *'amiguismo'*⁷, *'l'arrangement à la française'* or *'l'arrangiarsi'* of the Italians. But do these social practices alert us to a different or specific southern mentality or culture or rather to differences in socio-political development and organization? Institutional settings breed certain types of relationship and social practice. For example, the notion of 'conflict of interest' as an antidote to corruption is much stronger in northern Protestant than in Latin and Catholic countries and this can be attributed to different 'political cultures' and levels of 'trust'. But it is important that both 'culture' and 'trust' are defined historically and institutionally⁸. Why is it, for example, that multiple office holding, patron-client relations across the public-private divide and informal channels for exercising political influence have been more accepted in southern Europe than in the north? We suggest that developmental factors and the 'structure of political opportunity' provide a major part of the answer.

Democratic Development and Political Opportunity Structures

Explaining the causes of corruption is a complex task. A useful alternative approach to 'culture-based' explanations is to explore the *political opportunity structures* of different societies and their historical origins. Depending on the way political and administrative power is structured, it will be more or less obscure or transparent, open or closed, sensitive or indifferent to pressure. Since, it is likely that the agents will seek to manipulate rules or exploit resources for private gain whatever the regime or organization, systems will differ mainly in their capacity for preventing such behaviour. It is this, in essence, that defines the local or national 'culture' of corruption.

Developmental factors are important in shaping these structures and can be examined in three major areas: relations between parties and the state; the effectiveness of political checks and balances; the rules and norms regulating financial and economic behaviour; and the nature of party finance regulation. Since the latter is the subject of section two, we will only examine the first three briefly here.

The relationship between parties and the state is critical. A clear contrast can be drawn between Britain - whose civil service has long had a reputation for integrity and where patron-client relations are rare (although recent years have witnessed a decline in public standards in that country) - and Italy where patronage and favouritism have long been central to relations between parties, bureaucracy and the public sector. Unlike in most continental countries, Britain

consolidated its parties and party system long before it institutionalized bureaucracies. This meant that the political penetration of bureaucratic structures was declining in Britain as it was increasing in Italy and France. Especially in Italy and Spain, while the state has taken on the appearance of modernity, its late development alongside the emergence of parties meant that it was founded on particularistic, personalized social structures⁹. Authoritarian rule did not eliminate these practice but institutionalized them: indeed, the Francoist state saw the proliferation of networks of personal influence, involving large numbers of badly paid bureaucrats and the expansion of black market practices (*estraperlo*)¹⁰. In some cases, democratic reform has compounded the problem. For while the strengthening of British democracy in the nineteenth century required closed borders between parties and bureaucracy,¹¹ many continental countries saw party penetration of bureaucracies and judiciaries as an essential check against anti-democratic forces. All three countries in this study have built their democracies on interlocking spheres of influence which, while absorbing anti-democratic elements within new political structures, has frequently also encouraged conflicts of interest and corruption.

In Italy and Spain, the patron-client relations that had always substituted for rational, administrative interaction were transposed into new institutional structures. As Sapelli has argued, it is precisely this collusion between clientelism, a lack of 'sense of state' and the ubiquity of clannish parties which creates the weakness of southern politics¹². But there are important differences among the countries in this respect. Whereas in Italy parties have shared power through the *lottizzazione* spoils system and dominated a weak executive, destroying any notion of 'the public interest' in the process, in both Spain and France, parties of government have been able to *use* a strong executive to dominate the administration by placing their own people in key positions¹³. Nevertheless, in all three cases, the outcome has been a confusion of powers which recent administrative reforms have only served to exacerbate: the devolution of government in Italy and Spain has created greater opportunities for corruption, while in France - where in contrast to the other two there has long been a strong sense of '*service public*' - the dominance of the local notable has always facilitated such behaviour.

The 'clannish' and weakly structured nature of southern European politics draws our attention to the *effectiveness of political checks and balances*. Italy's 'consociative democracy'¹⁴ has long seen a remarkable degree of cross-party consensus, not just in coalition governments, but between government and opposition. There has been none of the adversarial politics of Westminster-style democracies and the great majority of bills have been passed in parliamentary

committees or without significant opposition¹⁵. Although *consociativismo* cannot be reduced to clientelism or *lottizzazione*, the key to the post-war settlement was the use of state resources for building consensus under DC (Christian Democrat) hegemony. Clientelism became the essence of party power and corruption and the emulation of DC empire building the most effective means to challenge it, as demonstrated by the ascendancy of Bettino Craxi and his Socialist Party from the mid-1970s onwards¹⁶. Elsewhere in Latin Europe, the pursuit of political hegemony has been less virulent, on the part both of government and opposition parties, but checks and balances on power have nonetheless been weak, including critically the absence of a strong judiciary and press with unambiguously independent and non-partisan functions. Spain is not only known for the weakness of its political parties but for the apathy of its society, bred from cynicism and the fear of involvement after a long period of repression. Low participation and affiliation to political parties have exacerbated their oligarchic development¹⁷. When democracy was restored, a *modus vivendi* was adopted under which political parties quietly shadowed - rather than challenged - the executive to protect a difficult democratic equilibrium¹⁸. In France, the weakness of checks and balances has long been evident. On the one hand parliament is quite ineffective: it lacks opportunities to act and the President of the Republic holds most executive power. On the other, local power in the hands of notables has spawned complex clientelistic networks, reinforced by devolution in the 1980s. The resulting state of collusion has facilitated corruption and hindered its disclosure.

The *regulation of financial and economic behaviour* also shapes the corruption opportunity structure. Only in the 1980s were modern fiscal and financial systems introduced in Spain and Greece or consolidated in the case of Italy. Till then (and even now), tax evasion was considered normal practice, insider trading was legal and routine, stock market activity based on privileged information, and shareholders poorly protected - if at all - by legal regulation. Before new rules and norms could be consolidated in Spain, the country experienced a sudden spurt of growth and modernization, together with increasing state intervention¹⁹, creating an ethos of easy enrichment (*cultura del pelotazo*). High interest rates and a strong currency attracted massive investments, promoting a high level of speculation in stocks and shares. The financial deregulation which stimulated the speculative use of '*dinero negro*' was, of course, part of a much wider process of change, including the neo-liberal devaluation of the state and public service and the traditional values underpinning them. Having abandoned any pretensions to be a party of the working class, the Spanish Socialist Party (PSOE) - via Economics Minister Carlos Solchaga - called upon the people to 'get rich!'. The paradox in the south is that, while EU integration has produced a clash of regulatory cultures

and an imposition of certain 'Protestant' norms and values, financial market deregulation and the retreat of the state - as well as the proliferation of EU funds through complex and poorly monitored channels - have simultaneously provided new opportunities for the expansion of corruption and fraud. Italian corruption - *tangentopoli* - could not have been so extensive without facilitating banking practices, financial transactions and off-shore operations²⁰.

So much for the context. While democratic development and loosely regulated public and private finances have provided key elements of the corruption opportunity structure, inadequate party finance regulation, linked to the weakness of political representation in these countries, has provided the key motivation for illegal party funding which, in turn, has contributed to a wider phenomenon of 'illicit governance' across Latin Europe.

PARTY FINANCE REGULATION AND CORRUPTION

The Problematic Regulation of Party Finance

While regulation has been unnecessary to secure a legitimate system of public funding in some countries (Sweden, the Netherlands), others that have long relied on a 'culture of propriety' (e.g. Britain) have recently experienced a proliferation of corruption and new calls for tougher rules. In the Latin countries, regulation has always been a problematic issue, given the rather infertile terrain for rational-legal reform: in Italy, an inadequate system of regulation after 1974 actually contributed to the expansion of *scambio occulto* (hidden, or corrupt, exchange); while in Spain, the system introduced in 1977 to bolster its weak political parties and democracy also proved wanting. In France - where the 'rational-legal' state is well established - regulation prohibited recourse to regular sources of income, directly encouraging illicit practice. All three cases reveal the perverse results of ill-considered or incomplete regulation. In Italy and Spain, the capacity of political actors to bypass or manipulate rules also provides a clear warning that corruption cannot be defeated by regulatory reform alone²¹: the nature of political representation itself needs to be tackled.

Before looking at the details of regulation and their consequences, it is worth noting that problems of party finance and its regulation have increased in all countries in recent years, assuming a particular, rather than unique, character in Italy, France and Spain. There are numerous, interrelated, explanations for these problems, including:

- the *growing bureaucratization of party organizations*, linked to the emergence of 'cartel parties' which, from being the intermediaries of civil society have moved closer to the state²². State funding for parties has not only strengthened their oligarchic tendencies but also their capacity to resist new challenges, given that state funding is often tied to prior party performance or position²³;
- the *increasing costs of campaign expenditure*, driven in part by the new and expanded role of the media. Politicians believe strongly in the electoral effect of media messages, despite inconclusive evidence of their influence²⁴. Mythical or not, television has enhanced the conditions that allow, or compel parties to make universal appeals to voters, rather than communicate through and to their core supporters;
- a *change in the nature of political competition*. Greater use of the media helps create new rules of party competition, based on leadership-focused contests, which weakens the traditional character of parties and increases the cost of politics. This trend has also seen the emergence of individuals able to build political careers without party backing (Michel Noir in France) or control the media in their own favour (Silvio Berlusconi in Italy);
- the *decline of traditional means of party finance*. The decline in membership dues, voluntary donations, contributions by means of direct mail, fund-raising events, auctions or lotteries - as well as in contributions from business and labour as politics becomes less ideologically driven - has led parties to seek alternative, and often illegal, sources of funds.

Within this general context of change, the specificities of Italy and other Latin countries should be noted. Firstly, apart from the communist parties of Italy and France, parties in these countries have always been weakly organized or riven by factions; the southern socialist parties so prominent in recent corruption scandals have always been élite organizations with little in the way of militant base or mass membership - Felipe Gonzalez's PSOE and Bettino Craxi's PSI being the prime examples. Secondly, the proximity of parties and state has also been close:

- in Italy the extensive colonization by parties of the state and *partitocrazia*, alongside links in the south with criminal organizations (the Sicilian Mafia and Neapolitan Camorra), produced 'extortive' as well as 'transactive' corruption, although the role of organized crime in illegal party financing, as opposed to their exertion of influence on individual politicians, should not be exaggerated²⁵;

- in Spain, constitutional recognition and public financing of parties was considered a means of guaranteeing democracy. But in the absence of widespread and active public support for parties, this has made the latter almost wholly dependent on the state;
- in France, the interpenetration of élites, ministerial *cabinets* and the public sector has led to less exploitation of the state than in Italy, and less dependence on it than in Spain. But weak parties and poor funding regulation have encouraged illegality.

Finally, in all three cases, not only has party finance regulation emerged relatively late, but there has been an enormous gap between the constitutional recognition of parties as guarantors of pluralism, and the provision of the adequate and transparent public funding essential for that role.

Italy: a Case of ‘Systemic Corruption’²⁶

A seemingly endless series of corruption scandals, which have been largely linked to party finance, apparently confirm longheld suspicions that Italy is one of western Europe’s most corrupt polities. As argued above, a particular opportunity structure has provided ample scope - and necessity - for illicit political funding, although the redefinition of such widely-acknowledged practices as reprehensible and ‘scandalous’ has only occurred since the early 1990s.

Party finance in Italy was totally unregulated until 1974 when the discovery of extensive corruption produced hastily drafted legislation. Until the mid-1970s, the multiple channels of party finance of the pre-Fascist period remained in use. As occurred in Spain some thirty years later, the Italian transition to democracy in the late 1940s and early 1950s simply transposed old practices into new political structures. These channels of finance included:

- membership subscriptions;
- contributions from private organizations (including ‘kickbacks’ or bribes on contracts and supplies to central and local party administrations);
- the diversion of public money into party accounts;
- so-called ‘black’ (i.e. unofficial and illegal) contracts and interest on the accounts of state and quasi-state economic agencies;

- income from the parties' economic activities (including businesses controlled via co-operatives and other financial and trading companies);
- and donations from the party's 'flanking organizations' (e.g. trade unions) or from abroad²⁷.

Clearly, an extensive, unregulated system of this type provides ample opportunities for dubious - although not necessarily illegal - funding. Many of these were revealed and investigated in the 1960s, amid calls from various quarters for tighter regulation. But it was not until the 1973 oil scandal (the discovery that the association of oil derivatives producers - *Unione Petrolifera* - was influencing energy policy by funding all government parties) that politicians acknowledged the need for new rules. Law No. 195 of 2 May 1974 established a system of public subventions for parties receiving more than 2 per cent of the valid votes in general elections, outlawed contributions to parties from public sector companies, required the declaration of contributions from private sources in publicized party balance sheets (individuals contributing more than L1 million were to be named) and introduced sanctions against those who contributed and received funds illegally and parties which violated the rules on the annual publication of accounts. But given the nature of the 'political culture' - a blocked democratic process, dedicated to excluding the large Italian Communist Party (PCI) from power, and extensive interpenetration between parties and public agencies and corporations - the 1974 law had perverse effects which, arguably, contributed to the corruption and - in the 1980s - degeneration of the main Italian parties.

The 1974 law emerged at the intersection of the 'visible' and 'invisible' states and introduced new elements into Italy's complex corruption opportunity structure. Its regulatory flaws were many and mutually compounding. By penalizing forms of financing that were previously legal, maintaining the immunity of members of parliament from prosecution, creating procedures for the publication of party accounts that provided for neither transparency nor effective scrutiny, the law on party finance did nothing to constrain the parties in their struggle to exploit the state²⁸. Specific weaknesses included:

- strict and cumbersome regulations making *legal* contributions very difficult. The funding limits may also have detracted from the 'moral enhancement' effect of the law;
- a failure to ensure that the parties revealed their total revenues, either at the centre or the periphery²⁹;

- a failure to standardize spending categories: each party could interpret the requirements of the law in a different way and itemize spending under different categories;
- an inability to verify the income received or its source, including massive under-reporting of 'other income' (i.e. private contributions) by the larger parties;
- and an inability to impose the sanctions made available. There were actually fewer corruption prosecutions after the law was introduced than before it³⁰.

During the twenty years between the 1974 law and the abolition of public funding via referendum in 1993, the *stato dei partiti* (party-state) was strengthened by several developments: the expansion of the welfare state and a consequent extension of party and party faction influence on central and local government; the accession of Bettino Craxi to the leadership of the Italian Socialist Party (PSI) and its deployment as the vanguard for a new, modernizing and self-promoting bourgeoisie; and, with Craxi's vigorous challenge to DC hegemony, the emergence of a more intense and virulent form of party competition and collusion, in both the visible/legal and invisible/illicit realms of power. These developments deepened the divide between the party-state and civil society. Having lost the capacity to transmit group or class demands, the increasingly fragmented parties built their success on articulating particular interests. And in order to consolidate these particularistic links, party fractions (*correnti*) extended their colonization of the state³¹.

In this context, a new type of actor, the 'business politician' emerged, organizing the transfer and distribution of *tangenti* (bribes and kickbacks) and becoming the privileged intermediary of *scambio occulto*³². Whenever major public works were contracted, entrepreneurs paid pre-established percentages of the project's value - bribes then split among the parties. The prevalence of such practices led to the rise of illicit professionalism at the expense of traditional party functions. Four different types of party career became prestigious and pre-eminent in the 1980s: bosses of public-sector agencies and companies; 'party cashiers' who coordinated party funding; *portaborse* (responsible for organizing illicit activities); and 'card-carrying bureaucrats' (senior administrators faithful to party or faction bosses)³³. The ascent of these figures went hand in hand with the degradation of party sections and the exclusion of party activists from influence.

The most extreme example of degeneration was Craxi's Socialist Party. Mario Chiesa - the first major party figure to be indicted on corruption charges -

reveals in his testimonies a party fragmented into competing factions with hard core 'falanges' of faithful supporters. Party sections became dedicated to the recruitment of *falsi tesserati* (false members) and *truppe cammellate* ('camel-borne troops') who could be mobilized by party bosses in the bitter struggle for internal supremacy³⁴. At the same time, relations between the parties were transformed. Behind their surface political struggles lay an increasingly important transversal structure of collusion. The real conflicts were within the parties themselves, triggering an inflationary dynamic in the *mercato occulto*: the higher the cost of political activity, the more incentive to raise funds from *tangenti*; the more funds raised from *tangenti*, the more could be spent on electoral and factional competition³⁵.

But this form of party system developed destructive internal contradictions: for in the process, the notion of the 'public interest' was destroyed by the effective 'privatization' of the public sphere, provoking a general loss of legitimacy and the rise of anti-system parties³⁶. The collapse of the major parties in the wake of the widespread *tangentopoli* ('bribe-city') scandals was accompanied by a citizenship revolt - including the referendum vote to abolish public funding for political parties in April 1993, alongside six others restricting their role, and the injection of a strong dose of majoritarianism into the electoral system. The massive vote against state funding of parties, the collapse of the traditional parties in local elections and the accompanying haemorrhage of membership created a completely new context for legislation. As a result, the new law (Law no. 515, 10 December 1993) departed completely from the twenty-year tradition of party finance and introduced a system based primarily on the *reimbursement* of campaign spending to *candidates*, rather than *subventions* (excluded by the referendum) to *parties*. It also regulated access to the media, controlled the use of opinion polls close to the election - an absolute novelty in Italy - limited funding and spending, created a new system for monitoring the parties, and backed the new rules with tough sanctions³⁷.

The introduction of monitoring and tough sanctions helped modify party behaviour in the 1994 and 1996 general elections: in 1995, large fines were levied on major parties of both the left and right for exceeding spending limits and failing to reveal the source of funds. But the bankruptcy of most parties that followed the collapse of the covert funding system produced a new problem: finding adequate legal funds to finance their activities. An interim solution introduced in January 1997 - allowing tax payers to channel 4 in every 1000 lire of their tax payments to a fund for the parties - has completely failed: in the first six months of its operation, only 0.5 per cent of tax payers agreed to participate! Italy has still to find a satisfactory solution to the problem of party - as opposed to campaign - funding.³⁸

Spain: Corruption and 'Cartel' Parties

Italy undoubtedly represents an extreme case. For neither in Spain nor France have the scandals of the 1980s and 1990s revealed an equivalent degradation of public life or such extensive exploitation of the state's resources for private or party political ends. Nor have they experienced the sort of 'extortive' corruption, accompanied by political violence, that has sometimes emerged at the interface of organized crime and political organization, especially in the Italian south. Nonetheless, as already intimated above there are clear parallels.

We should begin, however, by pointing to the differences. The Spanish case is unusual, because of the late emergence of democracy and because it was the first country to adopt the public financing of parties *before* the emergence of a party system. After the dictatorship, political parties were seen as the guarantors of pluralism. So the law of 1977 provided state subsidies to political parties for their campaign expenses in local, regional and national elections and further funds for ordinary activities. Contributions from the public administration and from abroad were prohibited. This system was intended to help newly formed and very weak parties with scant economic resources to develop. But to receive these subsidies, parties had to obtain at least one parliamentary seat; and finance is linked only to votes obtained in the electoral districts where the party achieves parliamentary representation, and not for all the votes obtained nationally by that party. As a result - and conforming closely to Katz and Mair's 'cartel party'³⁹ - the Spanish system is one of the most discriminatory with regard to extra-parliamentary parties and the first obvious consequence of the law has been the marginalization of new or smaller parties. Since three per cent of the vote is needed to get a seat in the congress of deputies, it is very hard for a party to reach the point where it can benefit from subsidies.

However, as in Italy, the Spanish case also reveals the perverse results of incomplete or ill-planned regulation. In 1977, Spain was a country with a high level of economic development and a complex degree of social stratification. But the majority of voters were only weakly integrated into active political life, so party income from membership was amongst the lowest in Europe. On the other hand, while the amount of public subsidies is substantial, it has proven insufficient to cover the rising costs of campaigns. So as elsewhere, power élites have developed alternative techniques for funding. As elsewhere, the Socialists failed to benefit from the large sources of financing enjoyed by more conservative parties supported by industry (as in France), or controlling vast areas of the public sector (as in Italy), which partly explains their heavier involvement in new and illicit forms of finance. Other factors explaining PSOE corruption include the duration of its hold on the state, the 'monochratic'

leadership of Felipe Gonzalez (which bears considerable similarity to the hold of Craxi over the PSI and its transformation into a vehicle for furthering the often private interests of its leadership group) and the continuation of many illicit practices from the Franco years. Both 'toll-gating' - targeting international or national firms as well as local businessmen needing public permits or licences - and demands for kickbacks on government contracts became common practice.

Public funding, therefore, did not prevent extensive corruption. Its real effect was to integrate Spanish parties - and especially the Socialists - more closely into the state and distance them further from civil society. Again, the parallels with Craxi's Italian Socialist Party are clear, even if the causes are slightly different. In Spain, the system of party finance seems to have been more important even than in Italy in strengthening the oligarchic tendencies already present in party organization. The proportion of public funds going to the coffers of Spanish political parties is probably the highest in Europe - 100 per cent for the PSOE and 90 per cent for the Partido Popular (Popular Party) - and funding from membership dues the lowest: less than 1 per cent for the PSOE and 1.5 per cent for the Partido Popular. Antonio Torres del Moral concludes that Spanish parties are now completely dependent on government control: they are more the embodiment of the 'raison d'état' than independent or ideologically motivated representatives of public opinion⁴⁰. The role of the media also seems to have been more important in Spain. Expenditure by Spanish political parties in election campaigns is higher than in most European countries and the cost of electoral campaigns for the large Spanish parties increased especially between 1977 and 1982 - a period of initial apprenticeship in modern election techniques⁴¹ - when spending grew by around 200 percent. These expenses were driven in part by the central role played by the media in Spanish election campaigns. Spain, after all, was the first country in the western world to build its party and electoral system after the advent of television as the main vehicle for political communication, making the impact of the media on party leadership image, campaigns and political competition more important than elsewhere. In the case of the PSOE and its leader Felipe Gonzalez, television also helped reinforce the oligarchic tendencies at work in party organization.⁴²

But regardless of differences in the causes of corruption, both the Spanish and Italian Socialist parties developed what Sapelli has called 'a specific form of southern European *caciquismo*' - i.e., a party-leader based clientelism, linking an amoral élite with 'other actors of a widespread illegality'⁴³. The Filesa affair, uncovered in early 1993, revealed that two elected PSOE representatives ran a front company which paid party bills by charging businesses and banks for fictitious consultancy work, while other revelations showed how a Portuguese company, Rio Cocon SL and the German Siemens had both paid large kickbacks

to the PSOE or firms run by its officials.⁴⁴ This type of operation was facilitated immensely by the PSOE's monopoly of state power which, as Elorza explains, was linked to two other sources of corrupt activity: the decline of ideology and emergence of new relations between leftist political élites and business; and the legacy of Francoist bad government and administrative corruption, fuelled by the 1980's expansion of public finances⁴⁵. Thus, while the system of state funding may have encouraged corrupt practices, the real problem, as in Italy, was its reinforcement of an existing opportunity structure. For this reason, recent reform proposals - which seek to limit campaign expenditure, restrict increases in public funding, prohibit anonymous contributions and make party accounts transparent and accessible - also emphasize the need for a legal regulation and guarantee of internal party democracy, providing extensive rights for political participation.⁴⁶ A new system of party finance will only work well if party democracy is revitalized.

France: a Case of Political Hypocrisy

The French case contrasts with both Italy and Spain, in that public finance for parties was not available until relatively recently. Indeed, until the 1988 law on party finance, not only was direct public funding unavailable but donations were prohibited. As a result, French parties raised money increasingly through illegal methods⁴⁷. In refusing to confront the issue of party funding until relatively recently⁴⁸, France provides the clearest case of political hypocrisy: for while decrying illegality in public, in practice the political parties had developed multiple techniques of illegal financing and were eventually forced to regulate only by revelations of scandal and the hostility of public opinion. Thus France before 1988 bears some similarities to Italy before 1974, in that it was assumed that neither party finance regulation nor public funding were necessary. However, the historical reasons for this state of affairs were quite different from the Italian case, even if, as argued below, the political opportunity structure for corruption bears many similarities.

Thus, while in Italy the issue of party funding seemed not to feature in Italy's constitutional settlement in the late 1940s, at the foundation of the Fifth Republic some ten years later, De Gaulle's negative attitude towards political parties discouraged the framers of the constitution from creating special rules for them. As a result, parties were subjected to the law of 1901 relating to associations and all of its restrictions on funding. As a case *par excellence* of perverse - and in this case indirect - regulation, this law hindered the legal raising of funds by prohibiting parties not just from accepting donations and gifts, but also from receiving donations from legal and neutral entities such as endowments. Except for the Communist Party, which had a sizeable income from membership dues -

in addition to 'fraternal funding' from Eastern Europe and the USSR - most parties were unable to finance themselves in this way. Since the parties did not receive any direct payments from the Treasury either, they were more or less forced to obtain funds illegally.

One of the few financial subsidies granted by the treasury before 1988 was received by presidential candidates receiving more than 5 percent of the votes in the first ballot. But the intention was to ensure equal opportunity amongst the individual candidates rather than support their parties. For elections to parliament, certain campaign expenditures were also refunded by the state. But 'quasi-legal' methods of party finance have also been important. For example, Article 6 of the law relating to associations which prohibited the acceptance of donations was circumvented in various ways. There was often a resort to cash donations which was tolerated by government officials. Campaign costs which arose through opinion polls or printing costs were often paid by firms associated with the parties. One of the most important funding methods - which has also been used in Spain, to fight ETA terrorism for example - were the 'secret funds' made available to the party of government every year. These could be used to finance plans which were not to be made public on the grounds of 'raison d'état'.⁴⁹

Given these regulatory circumstances, it is not hard to understand why the illegal practices proliferated or why French parties have had a history of financial scandals. Local level politicians and officials have been particularly susceptible⁵⁰. In 1987, several scandals were revealed in the newspapers: the 'affaire Luchaire', 'Carrefour du Développement', and the 'Urba' case in Marseilles in which, similarly to the Spanish Filesa affair, a Socialist Party fund was uncovered which was fed by exchanging political favours for 'donations'. These cases pointed to the need for legislation and candidates for the presidential elections had to take a position on the issue. But, unsurprisingly, politicians were not in a hurry to introduce new laws! The crisis peaked when, under pressure from President Mitterrand, who perceived that 'something had to be done', a law on party funding was prepared by Prime Minister Michel Rocard and Minister of the Interior Pierre Joxe. Unfortunately, one article of the project was the amnesty for parliamentarians linked to political finance 'affairs'. Cases of personal enrichment and infractions qualified as corruption or were excluded, but the law was morally questionable and its timing bad: the public saw it only as a means of absolving corrupt politicians.

Nevertheless, reforms since the late 1980s have imposed a strong regulatory system, setting campaign spending limits, preventing political campaigning on television apart from that organized by the state, limiting private and corporate

contributions and introducing strict rules of disclosure on income and spending⁵¹. While these rules will not prevent abuses, they are a step in the right direction. The objectives of the 1988 law on the 'transparency of finance in political life' are suggested by its title⁵². Article 1 required that presidential candidates disclose their financial circumstances prior to the election. Article 2 governed the public financing of the election campaigns of presidential candidates. Above and beyond the previous reimbursement of expenses, the candidates received a set sum reimbursement for campaign costs. In addition to private and public subsidies, candidates could finance their election campaign through private donations within a maximum fixed by the law. In order to encourage donations from private individuals and companies, contributions to candidates were provided with special tax privileges, amounting to an indirect form of public funding. A further source of income for candidates included the allocations guaranteed by the party: in 1988, Chirac received 40.3 per cent of his campaign funding from the RPR, and Mitterrand received 37.3 per cent from the PS, while candidates from smaller parties received less⁵³. The legislation also aimed to limit campaign expenditure. Candidates receiving public finance were not only bound by expenditure limitations but were also required to account for campaign costs. Finally, a candidate had to collect funds through a 'society for the funding of the election' or by appointing a neutral person as an 'authorized financial agent'⁵⁴. This regulation permitted, at least in theory, an easier control of their accounts.

Most of this legislation is still in place, but successive scandals made necessary further reform to defuse the increasing discontent and mistrust of public opinion. Further laws in the 1990s have sought to reduce campaign spending, make party financing more transparent and increase funding by the general public. The 1990 law limits electoral expenses and clarifies the financing of political activities. The 1993 law, which aimed to make funding more transparent, was more restrictive. Private donations were made legal and verifiable, even if it remains possible to finance a candidate secretly through donations to the party. In 1995, the 1990 law was toughened up by prohibiting the financing of parties and campaigns by organisations (*personnes morales*), except for parties and party groups. Among other minor innovations, the funds authorized for presidential campaigns were reduced by 30 per cent and the income and wealth of members of the National Assembly has now to be declared to a special commission on financial transparency rather than to the offices of the two chambers. All of these rules should contribute to reducing corruption and illicit funding.

Thus, while in Italy an inadequate and incomplete system of political funding compounded the covert forms of finance inherited from the pre-fascist period and expanded under the early years of DC rule and state colonization, in France a

more rational-legal state structure with less extensive party penetration saw, nonetheless, the emergence of illicit finance as the main source of party funding. To a large extent, it was the system of regulation - or rather the absence of one directly tailored to the needs of political parties in an era of increasing political costs - that provided the scope and necessity for dubious and illegitimate means, whereas in Italy the regulations were simply subverted by pre-existing practice. Nevertheless, what the two countries share in common is a wider political opportunity structure conducive to corruption characterized by weak checks and balances - particularly in local government which is responsible for two-thirds of public investment - and interlocking political, bureaucratic and economic elites.

POLITICAL SCANDALS AND PARTY FINANCE REFORM

Why have long-established forms of political finance only been denounced on a wide scale since the late 1980s, provoking a hostile reaction from public opinion and a strong movement in favour of reform? As discussed above, part of the explanation lies in the expansion of the opportunity structure of corruption in the 1970s, with growth of public finances, the deregulation of finance, changes in the ethics of public service and the emergence of a neo-materialism and 'get rich' ethos amongst political and business élites. In the Italian case, the *tangentopoli* revelations were part of a series of events thrown up by a structural crisis with four dimensions: a crisis of the parties, a crisis of the political class, a crisis of institutions, and a crisis of the state. The structural problems of Spain and France were less acute and certainly less system threatening. However, in all three cases, a number of *conjunctural* factors were important in creating scandals, redefining acceptable practice and driving forward the 'ethical' transition. It was the interaction of these factors - greater political competition, the role (supine or protagonistic) of the media and the intervention of prosecuting magistrates - that produced revelations of corruption, defined them as 'scandalous', secured prosecution and helped mobilize public opinion in favour of reform. But the balance of these factors is rather different in each country.

The increase in the stakes of *political competition* impelled certain groups to fan the flames of scandal and exploit it to their own advantage, illustrating Marengo's maxim that: 'corruption is corrupt behaviour involving political actors and political scandal is the use made in politics of allegations of corrupt behaviour'.⁵⁵ Party competition increased at both micro and macro levels - i.e., as much within the main political parties as between them. In Italy, the transformation of the Communist Party into the post-communist PDS removed the only justification for its exclusion from government by the DC and its allies, while a new party - the regionalist, populist, anti-Southern and anti-corruption

Lombard (later Northern) League - was seriously threatening the DC vote in the North. The League's dizzying rise tore through the fabric of the old party system. That system was itself generating more and more internal contradictions, since, as discussed above, the emergence of a transversal structure of collusion transferred the most important conflicts to the level of internal party factions⁵⁶. This kind of competition was accentuated in the early 1990s when resources in the political market place diminished, just as new competitors (the Northern League, Forza Italia) were becoming active. In Spain, the hegemony of the PSOE came under threat in the 1990s, eventually leading to the victory of the *Partido Popular* (PP) at the 1996 general elections. Disillusion grew amongst Socialist supporters when the economic boom of the 1980s turned to recession, exacerbating competition both with the opposition PP and *within* the PSOE. This is why the Filesa case in Spain became a such landmark scandal in the run up to the 1993 elections. For the early 1990s had witnessed a struggle between two tendencies - the *Guerristas* (supporters of Alfonso Guerra, the party vice-secretary and deputy Prime Minister) and the *renovadores* ('renovators'): Guerra was forced to resign in 1991 over revelations that his brother Juan had used Socialist Party premises for dubious business practices. In France, micro-competition was most important, given relative stability in the bipolar party system. When in the Botton/Noir case, a shareholder of a chemical business denounced its director, Pierre Botton, for mismanagement, the real target, in fact, was his father-in-law, Michel Noir, the mayor of Lyon for whom he acted as campaign manager. The scandal emerged in the pre-electoral period and was a means of destabilizing the position of Michel Noir. Noir had left the RPR after a fight in 1990 to be more independent after trying to create a group of 'renovators' in the party in the 1980s.

As for the *role of the media*, only in the Spanish case has it been arguably the major protagonist. In Italian broadcasting, private channels have been dominated by Silvio Berlusconi's *Fininvest* group (now *Mediaset*) while the main public channels were divided among the parties, with the DC and PSI controlling RAI 1 and RAI 2. In exchange for not obstructing the deal, the PCI (now PDS) was given RAI 3. Investigative reporting has little tradition in either television or the written press. The pursuit of corruption was therefore left to a new generation of magistrates whose investigative powers were strengthened in the struggle against terrorism and organized crime (see below). In Spain, by contrast, it seems that the role of political opposition is played increasingly by newspapers rather than parties. Nevertheless, the role of the media is difficult to evaluate because, although the Spanish appear to be more confident in their press, fewer of them actually read it than in either Italy or France. Political influence on the Spanish press is also important. Even *El Mundo*, the paper that has been most assiduous in exposing corruption and generating scandal, is suspected of being backed by

obscure economic interests and sustaining right-wing parties, particularly the PP. In France, investigative journalism is being practised by more and more newspapers, but it is still not common or routine, perhaps because they have always been close to political power. At the same time, the management of TV channels is regularly subject to political deals and pressures⁵⁷. *Le Monde*, however, occupies a special place and its prominent investigative journalist, now chief editor, Edwy Plenel, has been important as an opinion leader in defining 'affairs', such as Botton/Noir, as scandals⁵⁸.

The third key factor is the *judiciary*. Its role is linked to judicial independence and this has been greater in consensual than majoritarian polities, partly explaining its relative weakness in Spain and France⁵⁹. Nevertheless, the confidence of the general public in judicial institutions has increased in all three countries as their confidence in politicians has declined - an important, but highly problematic, transfer of legitimacy. This has been especially evident in Italy where judicial independence and ability of prosecuting magistrate's to investigate the activities of politicians is constitutionally guaranteed. Judges are not political appointees, even if their political preferences are sometimes rather evident and closer to the centre-left. Their role was strengthened in the struggle against terrorism in the 1970s and the investigative powers of public prosecutors was reinforced by the 1989 Code of Criminal Procedure and by subsequent legislation following the high-profile murders of anti-Mafia judges Falcone and Borsellino. These extensive powers were used to considerable (and controversial) effect in the prosecution of political corruption in the early-to-mid-1990s - indeed, *tangentopoli* could not have been uncovered without these powers - although in the last couple of years, the support of politicians and public opinion has begun to wane and the independence and virtual unaccountability of the public prosecutors called into question⁶⁰. In Spain, by contrast, the judiciary has long been accused of collaborating with the executive and the Socialist government tried to appoint party sympathizers to leading posts in the General Council of the Judiciary (*Consejo General del Poder Judicial*, CGPJ). Tensions were at their strongest in the mid-1980s when a law reduced the powers of the CGPJ and assigned the election of its members to parliament rather than the judicial corps. But, as in Italy, judges and investigative magistrates have become key figures in the process of struggle against political corruption. Moreover, although the judiciary is still often criticized for being slow in investigations, its role as upholder of the law and in pursuing corruption cases has steadily become more important.

The independent role of the magistracy is probably weakest in France, where political power remains quite influential. The *gardes des sceaux* (Ministers of Justice) from both the left and the right have provoked conflicts with the

judiciary when they have tried to hush up 'affairs' linked to their respective parties. Harsh debates between the judiciary and the executive are frequent. The most significant recent examples were provoked by a letter from the Minister of Justice Jacques Toubon to his Swiss counterpart, in which he asked him that diplomatic channels be used when French prosecuting judges needed information from their Swiss counterparts (in effect keeping investigations under the control of the Justice Minister), and by the attempt to narrow the legal content of criminal prosecution, such as '*abus de biens sociaux*' (use of a public organization's resources for private ends). This measure was opposed by the magistrates and reopened the debate on their independence and the prosecution of politicians. A recent attempt to resolve these problems has been made by the *Commission Truche*, which advocated, among other measures, that the intervention of the Minister of Justice be proscribed in individual cases. But the fact that its report has been widely attacked for not advocating a removal of the magistracy from ministerial tutelage suggests that the debate is far from over⁶¹.

Broadly speaking, then, although these three factors have all played a role in the revelation and prosecution of illicit party funding, the disclosure of corruption as scandal has been more influenced by the judiciary in Italy, by the media in Spain and by the use of scandal in political competition in France. What is striking about all three cases is the way in which an expansion in illicit practice in the 1980s and 1990s was only checked by the mobilization of public opinion by actors whose powers are ill-defined and potentially subject to new limitations and constraints. The role of the judiciary in both Italy and Spain is notable in this regard. In the confusion of powers that tends to characterize the Latin democracies, the absence of an unambiguous recognition of the role of checks and balances on power will continue to hamper those forces dedicated to the fight against corruption.

CONCLUSIONS

This paper began by arguing that the problem of political finance and widespread corruption in Italy and other southern European countries stems from particular developmental patterns and political opportunity structures. Despite the more dramatic nature and specific character of the Italian example, the more particular problem of party finance emerging against this background in Latin Europe derives from several common sources. Firstly, the permanent institutional weakness of political parties within the political system of these democracies; that is to say their weak or non-existent legal status, the ill-adapted or insufficient means of financing authorized by law in the past, and the current weakness of their basis in civil society - in other words their relative lack of popular support.

Secondly, the crisis of political funding was created by a number of factors, including some which have been common to all democracies in the recent period, such as the bureaucratization of parties and the escalation of political costs, but which have all taken a particular - and arguably more acute - form in Latin Europe. And thirdly, the relatively late or inadequate systems of funding regulation put in place in these countries have produced complex combinations of constraints and opportunities given the other key features of the political opportunity structure for corruption in the Latin countries - the absence of adequate checks and balances in these systems (and the weakness, with certain exceptions, of an investigative press) and the interlocking of political, bureaucratic and economic elites. In these circumstances, the objectives of regulatory reform in political funding have frequently been subverted.

In recent years, the explosion of political scandals in these countries has been the symptom simultaneously of an 'ethical transition' - which in the case of Italy took the form of a 'collective catharsis' - and the manipulation of revelations by particular interests. The resulting clash between politicians and public opinion - mediated and governed to a greater or lesser extent by the media and magistrates - has produced an ongoing struggle over the desirable extent of prosecution, the relationship between politics and the judiciary and the most appropriate mode of party finance. Nowhere in Latin Europe have these issues been fully resolved. Spain still awaits an effective set of reforms, despite numerous proposals for reregulating party funding and revitalizing party democracy. In France and Italy, the independence of the judiciary and its proper role in pursuing and prosecuting corruption is still a subject of intense daily debate; and judges and politicians are likely to remain antagonists rather than collaborators. In France, a rather detailed and effective system of regulation has been put in place over the last few years, while in Italy, the direct funding of party organizations abolished in 1993 has still to be replaced by an effective alternative system. For the time being, public opinion remains largely hostile to public support for parties as such as opposed to their legitimate electoral expenses.

This raises a more general question concerning the role of parties in democracy. While a pluralistic system of representation and mediation of interests is critical to the effective functioning of democracy, the key agents of that system - political parties - have been steadily losing legitimacy, a process actually accelerated in Italy and other Latin countries by the disclosure of scandals. One result has been widespread opposition to party funding and a transfer of support to other actors such as the judiciary - raising complex issues about judicial independence and accountability, as well as the legitimacy of the governing class. Yet while the experience of the southern European countries reveals the immense difficulties in installing an effective system of party funding, especially in a context of

widespread public mistrust, it also shows that regulation can be effective if well-designed, backed by effective sanctions and accompanied by a parallel diffusion of appropriate ethics and norms. This is important not just for the functioning of political parties as such. For effective regulation, and a dedication by key political actors to an ethical order, are essential for the health and legitimacy of democratic systems. Despite the prevalence of self-serving and materialist values in recent years, and their erosion of an often already weak support for ideals of public service, we have also witnessed in Italy, Spain and elsewhere a reaction against the degeneration of public life. There has also been a reassertion of democratic principles, underpinned by a new belief in the rule of law - thanks largely to the actions of judges and magistrates, and, in some - although an insufficient number of - cases, a crusading, investigative press. The role to be played in this new or revitalized order by systems of party finance should not be underestimated.

NOTES

¹ For a discussion of 'illicit governance' in comparative perspective, see Y. Mény and M. Rhodes, 'Illicit Governance: Corruption, Scandal and Fraud', in M. Rhodes, P. Heywood and V. Wright (eds.), *Developments in West European Politics* (London: Macmillan 1997), pp. 95-113.

² H. Kitschelt, 'Political Opportunity Structures and Political Protest', *British Journal of Political Science*, vol. 16, no. 1 (1986), pp. 57-85.

³ See A. J. Heidenheimer, 'Perspectives on the Perception of Corruption', in A. J. Heidenheimer, M. Johnston and V. T. Levine (eds.), *Political Corruption: A Handbook* (New Brunswick N.J.: Transaction Publishers 1989).

⁴ See E. Lama de Espinosa, 'Corrupción política y ética económica', in J. Tusell, E. Lama de Espinosa and R. Pardo (eds.), *Entre dos siglos. Reflexiones sobre la democracia española* (Madrid: Alianza 1996), pp. 521-555 and S. Neckel, 'Power and Legitimacy in Political Scandal: Comments on a Theoretical Framework for the Study of Political Scandals', *Corruption and Reform*, vol. 4, no. 2 (1989), pp. 147-158.

⁵ This section relies heavily on Mény and Rhodes, 'Illicit Governance', pp. 96-104.

⁶ See, for example, A. J. Heidenheimer, 'The Topography of European Scandals and Corruption', *International Social Science Journal*, no. 149 (1996), pp.

⁷ P. Heywood, 'Continuity and Change: Analysing Political Corruption in Modern Spain', in W. Little and E. Posada-Carbó, *Political Corruption in Europe and Latin America* (London: Macmillan 1996), p. 127.

⁸ There are various ways of approaching the subject, including the notion of 'political culture', or variants thereof, and attempts to define societies in terms of levels of 'trust' or 'civicness' (see F. Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity* (London: Hamish Hamilton 1995) and R. D. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, N.J.: Princeton University Press 1993)). Such approaches suffer from the fact that apparently 'high trust' societies can contain significant pockets of 'low trust' behaviour. Meanwhile, attempts to define the institutional origins of 'civicness' in the Italian case, for example, have foundered on the fact that those regions defined as 'civic' (the centre and north) have been hit as hard by corruption revelations as those traditionally considered 'amoral' in their norms of social interaction (the south). 'Political culture', moreover, is a concept that always creates the danger of tautologous explanation. On cultural versus institutional explanations, see S. Scamuzzi, 'Illegalità e neopatrimonialismo', in *idem*. (ed.), *Italia illegale*, (Turin: Rosenberg & Sellier 1996), pp. 9-22. For a survey and critique of the 'civic culture' approach, see C. M. O'Neill, 'Making Democracy Work: Putnam and His Critics', *South European Society and Politics*, vol. 1, no. 2 (1996), pp. 307-318.

- ⁹ Heywood, 'Continuity and Change'.
- ¹⁰ *Ibid.*, p. 128ff and A. Elorza, 'Tradition et modernité: la corruption politique en Espagne', *Confluences Méditerranée*, (Special issue: *Corruption et politique en Europe de sud*), no. 15 (1995), pp. 83-92.
- ¹¹ A. J. Heidenheimer, 'The Topography of European Scandals'.
- ¹² G. Sapelli, *Southern Europe Since 1945: Tradition and Modernity in Portugal, Spain, Italy, Greece and Turkey* (London: Longman 1995), pp. 17-18.
- ¹³ On Spain, see R. Cotarelo (ed.), *Transición política y consolidación democrática en España* (Madrid: CIS 1992).
- ¹⁴ See S. Guzzini, 'La longue nuit de la Première République. L'implosion clientéliste en Italie', *Revue Française de Science Politique*, vol. 44, no. 6 (1994), pp. 979-1013 and on Italian 'consociative' democracy, M. Giuliani, 'Measures of Consensual Law-Making: Italian Consociativismo', *South European Society & Politics*, vol. 2, no. 1 (1997), pp. 67-97.
- ¹⁵ Giuliani, 'Measures of Consensual Law-Making', pp. 90-91.
- ¹⁶ D. Hine, 'Political Corruption in Italy', in Little and Posada-Carbó, *Political Corruption in Europe and Latin America*, pp. 137-158 and M. Rhodes, 'Financing Party Politics in Italy: A Case of Systemic Corruption', *West European Politics*, vol. 20, no. 1 (1997), pp. 54-80. Also in M. Bull and M. Rhodes (eds.), *Crisis and Transition in Italian Politics* (London: Frank Cass 1997).
- ¹⁷ See P. Heywood, 'Sleaze in Spain', *Parliamentary Affairs* vol. 48, no. 4 (1994), p. 734.
- ¹⁸ See F. Jiménez-Sánchez, 'Posibilidades y límites del escándalo político como una forma de control social', *Revista Española de Investigaciones Sociológicas*, no. 66, 1994, pp. 7-36.
- ¹⁹ Lama de Espinosa, 'Corrupción política y ética económica'.
- ²⁰ See M. Magatti, *Corruzione politica e società italiana* (Bologna: Il Mulino 1996), pp. 20-21.
- ²¹ See G. F. Ciaurro, 'Public Financing of Parties in Italy', in H. E. Alexander (ed.), *Comparative Political Finance in the 1980s* (Cambridge: Cambridge University Press 1989), pp. 153-171 and P. del Castillo, 'Problems in Spanish Party Financing', in H. E. Alexander and R. Shiratori (eds.), *Comparative Political Finance Among the Democracies* (Boulder: Westview Press 1994), pp. 97-104.
- ²² On the concept of the cartel party, see R. S. Katz and P. Mair, 'Changing Models of Party Organization and Party Democracy: The Emergence of the Cartel Party', *Party Politics*, vol. 1, no. 1 (1995), pp. 5-28.

²³ *Ibid.*, pp. 15-16.

²⁴ See HERMES, *Communication et politique*, nos. 17-18 (Paris: CNRS Ed. 1995).

²⁵ The distinction between 'transactive' and 'extortive' corruption has been developed by S. H. Alatas, *Corruption: Its Nature, Causes and Functions* (Aldershot: Avebury 1990). Whereas the former refers to an arrangement to the mutual benefit of all involved (e.g. a simple kickback), the latter involves coercion of some kind (threats, blackmail) and may, as in some instances in Italy, involve organized crime.

²⁶ This section draws heavily on Rhodes, 'Financing Party Politics in Italy'.

²⁷ Ciaurro, 'Public Financing of Parties in Italy'.

²⁸ See A. M. Chiesi, 'I meccanismi di allocazione nello scambio corrotto', *Stato e Mercato*, no. 43 (1995), p. 153.

²⁹ E. Auci, 'Verità e problemi dei bilanci dei partiti', *Il Mulino*, no. 253 (1978), pp. 65-73.

³⁰ See F. Cazzola, *Della Corruzione: Fisiologia e patologia di un sistema politico* (Bologna: Il Mulino, 1988), p. 119, Table 4.

³¹ For an excellent analysis of this phenomenon, see Guzzini, 'La longue nuit de la Première République'.

³² A. Pizzorno, 'Lo scambio occulto', *Stato e mercato*, no. 34 (1992), pp. 3-34.

³³ See D. Della Porta and A. Vannucci, *Corruzione politica e amministrazione pubblica* (Bologna: Il Mulino, 1994), p. 429ff.

³⁴ M. Andreoli, *Andavamo in Piazza Duomo: Nella testimonianza di Mario Chiesa* (Milano: Sperling & Kupfer, 1993).

³⁵ *Ibid.*, p. 483.

³⁶ See M. Magatti, 'La modernizzazione fallita della società italiana: Tra fiducia personale e fiducia istituzionale', *Quaderni di Sociologia*, vol. 38-39, no. 8 (1994-5), pp. 33-53.

³⁷ For details see Rhodes, 'Financing Party Politics' and Ministro di Grazia e Giustizia, 'Legge 10 dicembre, n. 515, "Disciplina dell campagne elettorali per l'elezione alla Camera dei Deputati e al Senato della Repubblica"', *Gazzetta Ufficiale della Repubblica Italiana*, Supplemento Ordinario, n. 292 (14 December 1993).

³⁸ *La Repubblica*, 18 July 1997.

- ³⁹ Katz and Mair, 'Changing Models of Party Organization', p. 16ff.
- ⁴⁰ A. Torres Del Moral, 'El estado español de partidos', *Revista del Centro de Estudios Constitucionales*, no. 8 (1991), pp. 99-145.
- ⁴¹ See P. del Castillo, 'Financing of Spanish Political Parties' in Alexander, *Comparative Political Finance*, pp. 172-199.
- ⁴² See G. Colomé and L. Lopez Nieto, 'The Selection of Party Leaders in Spain', *European Journal of Political Research*, vol. 24, no. 3 (1993), pp. 349-360.
- ⁴³ G. Sapelli, *Cleptocrazia: 'il meccanismo unico' della corruzione tra economia e politica* (Milan: Feltrinelli 1994), p. 123.
- ⁴⁴ For details, see Heywood, 'Continuity and Change' and Elorza, 'Tradition et modernité'.
- ⁴⁵ Elorza, 'Tradition et modernité'
- ⁴⁶ See D. López Garrido, 'La financiación de los partidos políticos. Diez propuestas de reforma', in *La financiación de los partidos políticos. Debate celebrado en el Centro de Estudios Constitucional, Madrid, 23 de noviembre 1993* (Madrid: CEC 1994).
- ⁴⁷ On French corruption, see J. Frears, 'Not Sex, the Abuse of Power: Political Scandal in France', *Corruption and Reform*, vol. 3, no. 1 (1988), pp. 307-322, Y. Mény, *La corruption de la République* (Paris: Fayard 1992) and idem. 'Corruption French Style', in Little and Posada-Carbó, *Political Corruption in Europe and Latin America*, pp. 159-172.
- ⁴⁸ France was the last country to introduce legislation regulating political party funding (1988). Regulations with a public funding element were introduced in 1959 in Germany, 1965 in Switzerland, 1967 in Finland, 1969 in Denmark, 1970 in Norway, 1973 in Israel, 1974 in Italy, Canada and the USA, 1975 in Australia and Japan, and 1977 in Spain..
- ⁴⁹ See Y.-M. Doublet (this volume) and his 'L'argent et l'élection présidentielle', *Pouvoirs*, 70 (1994), pp. 43-52.
- ⁵⁰ An example was the revelations of investigations conducted into the affairs of 35 politicians and individuals in Marseilles in 1990. With forged invoices and several million francs, the industrialists had influenced the decision-making process of several mayors and their parties over building permits and the sites of new super-markets
- ⁵¹ T. Drysch, 'The New French System of Political Finance', in A. B. Gunlicks (ed.), *Campaign and Party Finance in North America and Western Europe* (Boulder, Co.: Westview Press 1993), pp. 155-177 and P. Avril, 'Regulation of Political Finance in France', in Alexander and Shiratori, *Comparative Political Finance*, pp. 85-96.
- ⁵² G. Carcassone, 'Du non-droit au droit', *Pouvoirs*, no. 70 (1994), pp. 7-17.

⁵³ Drysch, 'The New French System of Political Finance'.

⁵⁴ A. Urgin, 'Les recettes des candidats', *Pouvoirs*, no. 70 (1994), pp. 19-31.

⁵⁵ F. D. Marengo, 'The Linkage between Political Corruption and Political Scandal', *Corruption and Reform*, vol. 3, no. 1 (1988), p. 66.

⁵⁶ Rhodes, 'Financing Party Politics in Italy', p. 71ff.

⁵⁷ Take, for example, the resignation of Pierre ElKabach, director of French television's public channel, in May 1996. Nominated by François Mitterrand and Edouard Balladur, the present President of the Republic, Jacques Chirac, judged him much too pro-Balladur during the presidential campaign. So, after several attacks, ElKabach decided to resign. In effect, each government tries to control the public channel through the nomination of its director. This is a common - and accepted - practice in France.

⁵⁸ See V. Pujas, *Le scandale comme mobilisation: L'Affaire Botton-Noir*, Mémoire de DEA, Institut d'Études Politiques, Grenoble 1994.

⁵⁹ See P. Pederzoli and C. Guarnieri, 'Italy: A Case of Judicial Democracy?', *International Social Science Journal*, no. 152 (1997), pp. 253-270.

⁶⁰ See C. Guarnieri, 'The Judiciary in the Italian Political Crisis', *West European Politics*, vol. 20, no. 1 (1997), pp. 157-175. Also in M. Bull and M. Rhodes (eds.), *Crisis and Transition in Italian Politics* (London: Frank Cass 1997).

⁶¹ See L. Cohen-Tanguy, 'Le procureur, le juge et le journaliste', *Le Monde*, 22 July 1997.



EUI WORKING PAPERS

EUI Working Papers are published and distributed by the
European University Institute, Florence

Copies can be obtained free of charge
– depending on the availability of stocks – from:

The Publications Officer
European University Institute
Badia Fiesolana
I-50016 San Domenico di Fiesole (FI)
Italy

Please use order form overleaf

Publications of the European University Institute

To The Publications Officer
 European University Institute
 Badia Fiesolana
 I-50016 San Domenico di Fiesole (FI) – Italy
 Telefax No: +39/55/4685 636
 e-mail: publish@datacomm.iue.it
 <http://www.iue.it>

From Name

 Address

- Please send me a complete list of EUI Working Papers
- Please send me a complete list of EUI book publications
- Please send me the EUI brochure Academic Year 1998/99

Please send me the following EUI Working Paper(s):

No, Author

Title:

No, Author

Title:

No, Author

Title:

No, Author

Title:

Date

Signature

Working Papers of the Robert Schuman Centre

Published since 1997

RSC No. 97/1

Donatella della PORTA/Herbert REITER
The Policing of Mass Demonstration in
Contemporary Democracies
*The Policing of Protest in Contemporary
Democracies*

RSC No. 97/2

Robert REINER
The Policing of Mass Demonstration in
Contemporary Democracies
Policing, Protest and Disorder in Britain

RSC No. 97/3

Clark McPHAIL/John McCARTHY/David
SCHWEINGRUBER
The Policing of Mass Demonstration in
Contemporary Democracies
*Policing Protest in the United States: From
the 1960s to the 1990s*

RSC No. 97/4

Olivier FILLIEULE/Fabien JOBARD
The Policing of Mass Demonstration in
Contemporary Democracies
*The Policing of Protest in France: Towards
a Model of Protest Policing*

RSC No. 97/5

Dominique WISLER/Hanspeter KRIESI
The Policing of Mass Demonstration in
Contemporary Democracies
*Public Order, Protest Cycles and Political
Process: Two Swiss Cities Compared*

RSC No. 97/6

P.A.J. WADDINGTON
The Policing of Mass Demonstration in
Contemporary Democracies
*Controlling Protest in Contemporary,
Historical and Comparative Perspective*

RSC No. 97/7

Herbert REITER
The Policing of Mass Demonstration in
Contemporary Democracies
*Police and Public Order in Italy, 1944-1948.
The Case of Florence*

RSC No. 97/8

Oscar JAIME-JIMENEZ
The Policing of Mass Demonstration in
Contemporary Democracies
*The Policing of Social Protest in Spain:
From Dictatorship to Democracy*

RSC No. 97/9

Martin WINTER
The Policing of Mass Demonstration in
Contemporary Democracies
*Police Philosophy and Protest Policing in
the Federal Republic of Germany, 1960-
1990*

RSC No. 97/10

Rocco DE BIASI
The Policing of Mass Demonstration in
Contemporary Democracies
The Policing of Hooliganism in Italy

RSC No. 97/11

Donatella della PORTA
The Policing of Mass Demonstration in
Contemporary Democracies
*Police Knowledge and Public Order:
Some Reflections on the Italian Case*

RSC No. 97/12

Patrick A. McCARTHY
Positionality, Tension and Instability in the
UN Security Council

RSC No. 97/13

Andrea LENSCHOW
Greening the EC Regional and Cohesion
Funds. Explaining Variation Across Similar
Policy Areas

RSC No. 97/14

Richard SINNOTT/Nessa WINSTON
Farmers, the CAP and Support for
European Integration

RSC No. 97/15

Kees van KERSBERGEN
Double Allegiance in European Integration:
Publics, Nation-States, and Social Policy

RSC No. 97/16

Michael J. ARTIS/Wenda ZHANG
The Linkage of Interest Rates Within the
EMU

RSC No. 97/17

Dimitri G. DEMEKAS/
Zenon G. KONTOLEMIS
Unemployment in Greece:
A Survey of the Issues

RSC No. 97/18

Olivier FILLIEULE
«Plus ça change, moins ça change» -
Demonstrations in France During the
Nineteen-Eighties

RSC No. 97/19

Tanja A. BÖRZEL
Policy Networks - A New Paradigm for
European Governance?

RSC No. 97/20

Vladimir MIKHALEV
Poverty Alleviation in the Course of
Transition: Policy Options for Russia

RSC No. 97/21

Susan SENIOR NELLO
Applying the New Political Economy
Approach to Agricultural Policy Formation
in the European Union

RSC No. 97/22

Repatriation, Legal and Policy Issues
Concerning Refugees from the Former
Yugoslavia
*Proceedings of a Roundtable Discussion,
organised by the Working Group on
Refugees (RSC)*

RSC No. 97/23

Simon BAGSHAW
Benchmarks or Deuschmarks? Determining
the Criteria for the Repatriation of Refugees
to Bosnia and Herzegovina

RSC No. 97/24

Sven BISLEV
European Welfare States: Mechanisms of
Convergence and Divergence

RSC No. 97/25

Pascal SCIARINI/Ola LISTHAUG
Single Cases or a Unique Pair?
The Swiss and Norwegian No to Europe

RSC No. 97/26

D. LESLIE/D. BLACKABY/ S.
DRINKWATER/P. MURPHY
Unemployment, Ethnic Minorities and
Discrimination

RSC No. 97/27

Bernhard WINKLER
Maastricht Games and Maastricht Contracts

RSC No. 97/28

Horst SIEBERT
Labor Market Rigidities and Unemployment
in Europe

RSC No. 97/29

Ute COLLIER
Prospects for a Sustainable Energy Policy in
the European Union

RSC No. 97/30

John MYLES/Paul PIERSON
Friedman's Revenge: The Reform of
'Liberal' Welfare States in Canada and the
United States

RSC No. 97/31

Liesbet HOOGE/Gary MARKS
The Making of a Polity: The Struggle over
European Integration

RSC No. 97/32

Pascal SCIARINI/Simon HUG/
Cédric DUPONT
Example, Exception or Both? Swiss
National Identity in Perspective

RSC No. 97/33

Dolores O'REILLY
From State-Control to EC Competence.
Air Transport Liberalisation

RSC No. 97/34

Giuliana GEMELLI
From Imitation to Competitive-Cooperation.
Ford Foundation and Management
Education in Western Europe
(1950's-1970's)
Vol. I

RSC No. 97/35

Giuliana GEMELLI
From Imitation to Competitive-Cooperation.
Ford Foundation and Management
Education in Western Europe
(1950's-1970's)
Vol. II

RSC No. 97/36

Martin RHODES
Globalisation, Labour Markets and Welfare
States: A Future of 'Competitive
Corporatism'?

RSC No. 97/37

Jacques MÉLITZ/Axel A. WEBER
The Costs/Benefits of a Common Monetary
Policy in France and Germany and Possible
Lessons for Monetary Union

RSC No. 97/38

Jürgen R. GROTE
Interorganizational Networks and Social
Capital Formation in the
South of the South

RSC No. 97/39

Jean-Paul FITOUSSI
European Unemployment: Macroeconomic
Aspects. *Substitutabilities vs Complementarities
Between Structural and Macroeconomic Policies*

RSC No. 97/40

Ray BARRELL/James SEFTON
European Unemployment: Macroeconomic
Aspects. *Fiscal Policy, Real Exchange Rates
and Monetary Union*

RSC No. 97/41

Peter SINCLAIR/Nicholas HORSEWOOD
European Unemployment: Macroeconomic
Aspects. *Has the Phillips Curve Been
Reborn?*

RSC No. 97/42

Riccardo FAINI/Giampaolo GALLI/Pietro
GENNARI/Fulvio ROSSI
European Unemployment: Macroeconomic
Aspects. *An Empirical Puzzle: Falling
Migrations and Growing Unemployment
Differentials among Italian Regions*

RSC No. 97/43

Peter WESTAWAY
European Unemployment: Macroeconomic
Aspects. *What Determines the Natural Rate
of Unemployment? And What Does Not?*

RSC No. 97/44

Neale O. KENNEDY
European Unemployment: Macroeconomic
Aspects. *Unemployment in the EU and the
US: A Macroeconomic Perspective*

RSC No. 97/45

Bruno CHIARINI/Paolo PISELLI
European Unemployment: Macroeconomic
Aspects. *Wage Setting, Wage Curve and
Phillips Curve: The Italian Evidence*

RSC No. 97/46

Rod CROSS/Julia DARBY/Jonathan
IRELAND
European Unemployment: Macroeconomic
Aspects. *Hysteresis and Ranges or Intervals
for Equilibrium Unemployment*

RSC No. 97/47

Frank BARRY/John BRADLEY/Joanne
McCARTAN
European Unemployment: Macroeconomic
Aspects. *Unemployment in the EU
Periphery: Problems and Prospects*

RSC No. 97/48

Winfried VOGT
European Unemployment: Macroeconomic
Aspects. *High Unemployment and
Stabilisation Policy*

RSC No. 97/49

Henrik HOFMAN
European Unemployment: Macroeconomic
Aspects. *Europe as an Entity. Possibilities
and Limits in Economic Policy*

RSC No. 97/50

Claude GIORNO/Alain DESERRES/
Peter STURM
European Unemployment: Macroeconomic
Aspects. *Macroeconomic Policy and the
NAIRU in European Economies*

RSC No. 97/51

Susan SENIOR NELLO/
Karen E. SMITH
The Consequences of Eastern Enlargement
of the European Union in Stages

RSC No. 97/52

Michael J. ARTIS/Wenda ZHANG
On Identifying the Core of EMU: An
Exploration of Some Empirical Criteria

RSC No. 97/53

Gabriele TONDL
The Ups and Downs of Regional Income
Convergence in Europe.
Evidence from a Cross-Section and a Cross-
Section Time Series Analysis

RSC No. 97/54

Michael J. ARTIS/Bernhard WINKLER
The Stability Pact: Safeguarding the
Credibility of the European Central Bank

RSC No. 97/55

Paul McALEAVY/Stefaan
DE RYNCK
Regional or Local? The EU's Future
Partners in Cohesion Policy

RSC No. 97/56

Christoph KNILL
Implementing European Policies: The
Impact of National Administrative Traditions

RSC No. 97/57

Christoph KNILL/Andrea LENSCHOW
Coping with Europe: The Impact of British
and German Administrations on the
Implementation of EU Environmental Policy

RSC No. 97/58

James A. CAPORASO
Across the Great Divide: Integrating
Comparative and International Politics

RSC No. 97/59

Anne DEIGHTON
On the Cusp: Britain, Maastricht and
European Security

RSC No. 97/60

Martin RHODES/Bastiaan
VAN APELDOORN
The Transformation of West European
Capitalism?

RSC No. 97/61

Andrea LENSCHOW
Transformation in European Environmental
Governance

RSC No. 97/62

Daniel VERDIER
Domestic Responses to Capital Market
Internationalization under the Gold
Standard, 1870-1914

RSC No. 97/63

Manfred RIST
Die Europäische Union als journalistische
Herausforderung. Qualität im
Spannungsfeld zwischen Infotainment und
Sachinformation

RSC No. 97/64

Richard ROSECRANCE
Paradoxes of European Foreign Policy. *The
European Union: A New Type of
International Actor*

RSC No. 97/65

Jean-Marie GUÉHENNO
Paradoxes of European Foreign Policy. *A
Foreign Policy in Search of a Polity*

RSC No. 97/66

Christopher J. HILL
Paradoxes of European Foreign Policy.
*Convergence, Divergence and Dialectics:
National Foreign Policies and the CFSP*

RSC No. 97/67

Reinhardt RUMMEL/Jörg WIEDEMANN
Paradoxes of European Foreign Policy.
Identifying Institutional Paradoxes of CFSP

RSC No. 97/68

Karen Elizabeth SMITH
Paradoxes of European Foreign Policy. *The
Instruments of European Union Foreign
Policy*

RSC No. 97/69

Knud Erik JØRGENSEN
Paradoxes of European Foreign Policy. *The
European Union's Performance in World
Politics: How Should We Measure Success?*

RSC No. 97/70

Guido LENZI
Paradoxes of European Foreign Policy.
Defining The European Security Policy

RSC No. 97/71

Esther BARBÉ
Paradoxes of European Foreign Policy.
*Balancing Europe's Eastern and Southern
Dimensions*

RSC No. 97/72

Jan ZIELONKA
Paradoxes of European Foreign Policy.
*Policies Without Strategy: The EU's Record
in Eastern Europe*

RSC No. 97/73

Charles A. KUPCHAN
Paradoxes of European Foreign Policy.
*From the European Union to the Atlantic
Union*

RSC No. 97/74
Thomas CHRISTIANSEN
Legitimacy Dilemmas of Supranational
Governance: The European Commission
Between Accountability and Independence

* * *

RSC No. 98/1
Jonathan GOLUB
Global Competition and EU Environmental
Policy. *Global Competition and EU
Environmental Policy: An Overview*

RSC No. 98/2
Ian H. ROWLANDS
Global Competition and EU Environmental
Policy. *EU Policy for Ozone Layer
Protection*

RSC No. 98/3
Marc PALLEMAERTS
Global Competition and EU Environmental
Policy. *Regulating Exports of Hazardous
Chemicals: The EU's External Chemical
Safety Policy*

RSC No. 98/4
André NOLLKAEMPER
Global Competition and EU Environmental
Policy. *Improving Compliance with the
International Law of Marine Environmental
Protection: The Role of the European Union*

RSC No. 98/5
Thomas HELLER
Global Competition and EU Environmental
Policy. *The Path to EU Climate Change
Policy*

RSC No. 98/6
David VOGEL
Global Competition and EU Environmental
Policy. *EU Environmental Policy and the
GATT/WTO*

RSC No. 98/7
Andrea LENSCHOW
Global Competition and EU Environmental
Policy. *The World Trade Dimension of
"Greening" the EC's Common Agricultural
Policy*

RSC No. 98/8
Nick ROBINS
Global Competition and EU Environmental
Policy. *Competitiveness, Environmental
Sustainability and the Future of European
Community Development Cooperation*

RSC No. 98/9
Thomas RISSE (with Daniela
ENGELMANN-MARTIN/Hans-Joachim
KNOPF/Klaus ROSCHER)
To Euro or Not to Euro? The EMU and
Identity Politics in the European Union

RSC No. 98/10
Véronique PUJAS/Martin RHODES
Party Finance and Political Scandal in Latin
Europe

