

Haphazard Reform:
The Effects of Party Finance Regulations on Perceptions of Political Corruption
and Confidence in Electoral Processes

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ABSTRACT

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Michael Campbell

The objective of this thesis is to systematically analyze what causes variation in levels of perceived political corruption and confidence in electoral processes across countries, to better understand how the functionality of democracy can be improved. A quantitative analysis of 35 parliamentary and semi-presidential countries considers the potential effects of three mainstream explanations: the economic status of citizens; the education level of citizens; and the electoral systems under which a country operates. A fourth and original explanation for variation is also examined: party finance regulations. Arguably, these regulations can incentivize parties to participate in corrupt acts, which might have far-reaching consequences. This concerns the need for money in modern democratic elections, as well as the desire of political parties to win office. This thesis treats perceptions of political corruption and confidence in electoral processes as dependent variables, while the four explanations are treated as independent variables. Compiling data from multiple relevant sources, an entirely original dataset has been created for this project. I conclude that socio-economic development is among the most important determinants for variation, while installing a system of direct public funding alongside bans that purge all special interest money from the political sphere is the most advantageous party finance regulatory strategy.

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Introduction

Perceptions of political corruption and confidence in electoral processes have a direct effect on peoples' approval of government and political parties (Anderson and Guillory 1997, 66; Birch 2008, 305; Graycar and Prenzler 2013, 10; Pharr 2002, 848; Torcal 2003, 7). Low levels of perceived political corruption and high levels of confidence in electoral processes are vital for the functionality of democratic regimes, and variation in their levels can have far-reaching consequences (Della Porta 2000, 216; Inglehart 2003, 52; Melgar et al. 2010a, 122; Norris 2014, 17-18; Putnam et al. 2000, 13).

Democratic functionality refers to the health of a democracy and the efficient operation of its institutions (Dahl 2015; Norris 2014; Weale 2007, 3-4). When functionality is high, social capital can be built and maintained, eventually leading to the greater strength and longevity of a democratic regime (Weale 2007, 3). In the absence of democratic functionality, the legitimacy of a regime can be brought into question. If this happens, it can heighten mistrust towards the government, decrease political participation, empower political dissenters, or in extreme cases cause civil unrest and violence (Brancanti 2014, 6-7; Norris et al. 2013, 124).

This thesis will treat perceptions of corruption and confidence in electoral processes as dependent variables, systematically testing the effects that different independent variables have on them. I will also examine the link between perceptions of political corruption and confidence in electoral processes, as there are reasons to suppose that corruption is linked with confidence. Independent variables will also be drawn from the literature, and I will expand the analysis to incorporate an often-overlooked alternative: party finance regulations (Samuels 2001, 23). Using a sample set of 35 parliamentary democracies that I have assembled using data from Freedom House (2017), my goal is to determine if there is an institutional way to minimize perceptions of corruption, while increasing confidence in electoral processes.

When high, perceptions of political corruption – perceived conduct that subverts the public interest for personal gain – may be detrimental to the functionality of democracy, because they can decrease trust in political institutions and tarnish the credibility of the government and political class (Della Porta 2000, 216; Gardinier 2002, 37-38; Graycar and Prenzler 2013, 10; Pharr 2002, 848; Warren 2004, 329).¹ These problems are arguably responsible for a recent spike in democratic

¹ Due to a lack of data, this thesis examines perceptions of political corruption. There is a question of validity that arises when dealing with perceptions of corruption, rather than experiential corruption (Erlingsson and Kristinsson

decline (Freedom House 2016).² Perceptions of political corruption might also affect confidence in electoral processes, which when low can have similar effects (Birch 2008).

Confidence in electoral processes are important for increasing citizen satisfaction with democratic governance (Anderson and Guillory 1997, 66; Birch 2008, 305; Clausen et al. 2011, 212; Norris 2014, 115; Goodwin-Gill 2006, 2; Wilson and Lindberg 2016, 29-30). Crucial to the health of democratic regimes, free and fair elections represent the interests and desires of a populace, making them a fundamental indicator of the functionality of democracy (Birch 2008, 306; Goodwin-Gill 2006, viii). When confidence in electoral processes is low and satisfaction with democracy decreases, citizens will begin to disengage from the political process (Torcal 2003, 7). If this happens, citizens will grow to distrust politicians and the political class (Ibid, 7). When trust in democratic institutions is undermined, the ability of democracy to function efficiently and instill confidence in its citizens is weakened (Anderson and Tverdova 2003, 92; Torcal 2003, 7).

Considering the notable effects that varying levels of perceived political corruption and confidence in electoral processes have, this research can have important implications for democratic institutions, the democratic political system, and political participation and engagement.

Variation and the Dependent Variables

There exist three mainstream and persuasive arguments in the literature that seek to explain why we might see cross-national variation in levels of perceived political corruption and confidence in electoral processes.

2016, 4). Perceptions of corruption are understood as one's belief that corruption is occurring, regardless of whether those beliefs are accurate. Experiential corruption is: empirically observed corruption, or, corruption directly experienced by individuals in a society (Bohn 2012, 68; Ionescu 2013, 137). It is important that we remain mindful of this, as factors that affect the level of experiential corruption differ from those that alter levels of perceived corruption – in the sense that one need not experience corruption to perceive it as occurring (Ibid, 5-6). Experiential and perceptions of corruption are treated as different phenomena, but I note that a strong connection exists between the two.

² Democratic decline refers to the declining strength of democratic style governance on the world stage. This involves the decline of objective features, such as free and fair elections, freedom of the press, the rule of law, and so forth (Plattner 2015, 4-5). It also includes subjective aspects, such as the attractiveness and legitimacy of democratic regimes (Ibid, 5). If these features decline on a vast scale, and according to Freedom House (2016, 3) they have been for the past ten years straight, then we are likely to see countries move away from democracy (Plattner 2015, 4).

Some argue that the economic status of citizens is likely to increase or decrease the level of the dependent variables (Dalton 2017, 388; Newton and Norris 2000, 61-62; Pharr 2002, 839-841; Treisman 2000, 429-430; You and Khagram 2005, 153-155), while others suggest that variation is caused by the level of education a population has attained (Doring 1992; Melgar et al. 2010b, 192; Mayne and Hakhverdian 2017, 176; Norris 2014, 96-97). It is believed that these factors alter individual experiences, thereby affecting the level of corruption one perceives, or, the level of confidence one has in electoral processes (Anderson and Singer 2008, 585-586; Canache et al. 2001, 518; Milligan et al. 2004, 1668; Norris 2014, 96-97; Persily and Lammie 2004, 153-155). Both of these arguments revolve around the concept of socio-economic development: social and economic factors that allow human beings to live a life of their choosing, within a free and democratic society (Anand and Sen 2000; Welzel et al. 2003).

A third argument centers on the administrative apparatuses and overarching institutional features that govern elections. Specifically, certain authors claim that the design of a country's electoral system is the most important determinant for variation (Aarts and Thomassen 2008, 17; Birch 2008, 306; Fitzgerald and Wolak 2016, 142; King 2000, 94; Kunicová and Rose-Ackerman 2005, 597), because these systems necessarily affect electoral processes and how parties can win power (IDEA 2005, 5).

Interestingly, none of these explanations consider certain core features that govern democratic politics: political parties and their need for money, caused by increasing campaign costs and a desire to win office (Downs 1957, 137; IDEA 2014, 346; Jorion 2006, 86; Mendilow 2012b, 1).

Arguably, money is a prerequisite for success in modern democratic elections (Koss 2010, 2; Strauss 1995, 141). This is an issue that has altered the way political parties operate (IDEA 2014, 344-345). When left unchecked, money can incentivize political parties to participate in unethical or corrupt acts to secure the funds needed for electoral victory (Kouchaki et al. 2013, 54). According to Transparency International's 2013 Global Barometer Survey, political parties are perceived as the most corrupt of all political institutions (IDEA 2014, 345). When a citizenry no longer trusts political institutions, confidence in democratic style governance decreases (Hardin 2000, 35-36; Melgar et al. 2010a, 122; Smith 1996, 1090).

Uncontrolled money can also facilitate a situation in which narrow interests are favored, leading to the impartiality of electoral processes being brought into question (Alatas 1990, 113; Della Porta and Vanucci 1997, 530; Olsson 2014, 36). To be sure, to counteract behaviors triggered

by this, party finance regulations have been designed and implemented by most democratic governments (Ohman 2013, 5).

There are three overarching categories of party finance regulation: (1) regulations controlling contributions and expenditures (broadly referred to as bans and limits); (2) financial reporting regulations (otherwise known as disclosure requirements); and (3) the provision of direct or indirect public funding to political parties (IDEA 2014, 21-29; Ohman 2013, 5-8). The first two categories are regulatory tools, while the third is distributive (Johnston 2005, 8). Despite these labels, they are all recognized as forms of party finance regulation (Ibid).

Party finance regulations can have significant implications for electoral and party politics (Miller 2013, 25), and there is a strong sense that installing these regulations will curb corruption (both real and perceived) (Johnston 2005, 3; Miller 2013, 25; Ohman 2013, 2). There is no consensus across countries as to what type of party finance regulation(s) should be implemented, leading to varied regulatory models across the globe (Norris 2014, 30). Considering this, the questions this thesis asks are: (1) what type(s) of party finance regulation(s) is or are most effective at decreasing perceptions of political corruption; and (2) what type(s) of party finance regulation(s) is or are most effective at increasing confidence in electoral processes?

Until recently (Mendilow and Phélippeau 2018) systematic analyses of the effects of these regulatory and distributive tools have been rare (Norris et al. 2015). Furthermore, examination of these effects relative to other prominent alternative theories remain few and far between. Therefore, focusing on, and testing all three categories of regulation will allow me to broaden my understanding of how each affect perceptions of political corruption and confidence in electoral processes.

In an attempt to delve more deeply and systematically into this, this thesis is divided in two parts. In Part 1, I conduct a meta review of the literature on this subject, to learn from past investigations. I examine the importance of perceptions of corruption and confidence in electoral processes in relation to democracy, and I explore the potential link that exists between the dependent variables. Each of the alternative explanations – the economic status of citizens, education levels, and electoral systems – is also examined here, in relation to the dependent variables. Following this, I turn my attention to a discussion of political financing and the potential problems it can cause, as well as an exploration of party finance regulations and an investigation of their possible effects. The goal of this section is to better understand information pertaining to

the variables, and the relationships that exist between them. However, data on this subject is not easily available.

The objective of Part 2 is to compile evidence into a systematically analyzable data set and conduct an empirical analysis. I begin by explaining how I chose my country sample set and operationalized my variables. This is followed by the statistical analyses, where I assess the strength of relationships between the independent and dependent variables, while also scrutinizing the results I observe. Specifically, I test the relationship between perceptions of corruption and confidence and electoral processes, followed by bivariate regressions testing the controls and individual regulation variables. To determine which regulatory strategies are most relevant, I follow with a systematic analysis combining regulation types and regulatory categories – because countries generally implement a combination of regulatory and distributive tools. Finally, I present my conclusions, discussing my findings and the potential for future research.

PART 1:
Perceptions of Political Corruption and Confidence in Electoral Processes, Alternative Explanations, and Party Finance Regulation

1.1 Perceptions of Political Corruption and Confidence in Electoral Processes

The health of a democracy is largely affected by the levels of perceived political corruption and confidence in electoral processes (Birch 2008; Della Porta 2000, 216; Melgar et al. 2010a, 122). For instance, since the mid-1990s, perceptions of corruption have been acknowledged as an endemic problem that affects all countries – although some are worse affected than others (Hough 2013, 12-14). In response to this, the international community has made clear its desire to curb corruption (UNDC 2017). Nonetheless, the level of perceived corruption remains high in many countries (Transparency International 2017b).

There is no universal definition of corruption (Gardinier 2002). The most widespread conception of political corruption revolves around: “the abuse of entrusted power for private gain (Transparency International 2016a).³ Although broad, this definition is useful when discussing perceptions of political corruption, because it captures the general public’s sense that they are being taken advantage of by the political class (Warren 2004, 329). This exacerbates the divide between upper and lower classes, undermining the principles on which democratic states are founded (Melgar et al. 2010a, 122).

In recent history, western democratic states encountered an exponential increase in the level of perceived corruption following the end of the Cold War (Heywood 1997, 19). Many believed that democracy was much less susceptible to corruption than their communist counterparts, until it was discovered that Italy had long been infected by a complex network of political corruption (Ibid, 2). The ensuing scandal associated with this implicated businesspeople, bureaucrats, and political parties, and it was soon revealed that similar cases of impropriety were occurring in Spain, Greece, France, Germany, Belgium, and Austria (Ibid). This increased fear of corruption across democracies (Ibid).

Alongside increased fear of corruption, there has been a sharp rise in anti-corruption agencies and investigative journalism aimed at detecting corrupt acts (Elliott 2002, 925; Hough 2013, 14).⁴

³ The reason there is no universal definition of corruption concerns contending understandings of the concept across nations (Gardinier 2002, 25; Graycar and Prenzler 2013, 10-11). The definition used in this thesis is among the most recognized and accepted interpretations of the concept, and it is compatible with the objectives of this project. This is justifiable as the United Nations Convention against Corruption (UNCAC) allows flexibility when identifying the concept, assuming that investigators will know what corruption is in relation to their work (Graycar and Prenzler 2013, 10).

⁴ The media plays a role in increasing levels of perceived corruption, which might decrease confidence in political parties and politicians (Bowler and Karp 2004, 278). However, the media itself is not the root cause of perceptions of corruption; instead I see a causal chain: (1) unethical behavior, political attack ads, or rumors generate scandal;

In the early 2000s, it was evident that levels of political corruption were again on the rise, leading to global and systematic distrust of politicians, political parties, and other democratic institutions (Blind 2006, 11; Freedom House 2003; Hough 2013, 12-13).

Recently, Freedom House (2016, 3) reported that the amount of countries experiencing aggregate decline in their democratic score have outnumbered those experiencing gains for the tenth year in a row.⁵ They cite corruption in both establishing and established democracies as one of the major contributing factors (Ibid, 1). However, this is only one part of the problem.

Birch (2008, 305) argues that democratic decline is also caused by a lack of confidence in electoral processes. Electoral processes are rules and mechanisms through which elections are designed, allowing an electorate to voice their interests and secure even the most basic of human rights through the selection of their preferred politicians and political parties (King 2000, 95; Norris 2015 4-5). Today, over 90 percent of countries hold some sort of elections in which political parties participate (Norris 2015, 3; Van Ham 2015, 714).

Political parties are groups of people who seek to maximize their votes to control government and steer policy (Downs 1957, 137). Downs (1957, 137) insists that democracy necessitates: “two or more parties [competing] in periodic elections for the control of the governing of society.” This highlights the importance of campaigning and the desire to win office as key characteristics of democracy (Jorion 2006, 186; Norris et al. 2015, 6; Reardon 2005, 177).

Interpretations of proper electoral standards vary by country, meaning that some states will have differences of opinion on such issues as voter registration, compulsory voting, and the like (Norris 2015, 5). Despite this, democracies share the idea that power should be awarded to an electorate so that voters are free to decide political issues through regular free and fair elections (Schumpeter 1959, 269).

If they are trusted as genuine, elections contribute to the legitimate authority of democratic regimes, as defeated opponents must willingly accept the outcome (Norris 2014, 115). When this happens, it is an acknowledgement that the selection procedure was free and fair, thereby awarding

leading to (2) scandal that causes a spike in the perception of corruption (Costas-Perez et al. 2012, 472; Di Tella and Franchelli 2011, 122-123; Hough 2013, 60; Kunicova 2006, 140; Mayer et al. 2005, 6; Pharr 2002). There is also the possibility that the media will respond to the implementation of regulations as evidence that corruption or foul play is occurring, potentially increasing perceptions of corruption.

⁵ Aggregate scores are found in Freedom House’s annual *Freedom in the World* survey. The survey results that make up these scores measure freedom based on political rights and civil liberties (Freedom House 2017).

the victorious party legally-founded authority with which it may govern (Ibid). Alternatively, when this does not happen, democracy is threatened.

Although there was a relatively recent surge of democratic support, with the short-lived Arab Spring in 2010 (Abushouk 2016, 66), there has been a noted trend of eroding public trust in politicians, political parties, and political institutions across democracies since the mid-2000s (Freedom House 2016, 3; McFaul 2002, 212; Putnam et al. 2000, 13-21). Diamond (2016, 82) argues that we are witnessing, at the very least, the incipient stages of democratic decline across the globe.

Democratic decline and a decrease in the functionality of democracy appears to follow a certain logic with respect to perceptions of political corruption and confidence in electoral processes. According to Melgar et al. (2010a, 120) public perceptions of corruption might be more damaging than experiential corruption, because they can promote a “culture of distrust,” perpetuating and increasing perceptions of corruption. If perceptions of corruption are high, they can increase tolerance towards corruption, allowing political parties greater opportunity to participate in corrupt acts. If this happens, political parties might view corruption as a legitimate means through which they can preserve their power (Ibid 120-122). Since political power in democracies emanates from elections, parties might use corrupt means to win, thereby decreasing confidence in electoral processes (Birch 2008, 1604; Lehoucq 2003).

When it is suspected that democratic principles have been undermined by corrupt acts, real or perceived, this alters peoples’ evaluation of the government and affects the ability of a regime to function without opposition (Anderson and Tverdova 2003, 91). Furthermore, by maintaining their social positions, politicians can upset the distribution of wealth, thereby increasing economic inequality by widening the wealth gap (Transparency International 2017a). This can contribute to a negative view of the political class and political parties, which is likely to increase anti-authority attitudes (Pharr 2002, 846). When anti-authority attitudes are high, cynicism increases and distrust in government becomes commonplace (Ibid).

By weakening the legitimacy of politicians and political parties, high perceptions of corruption can feed populism, as leaders will promise to rid the system of corrupt politicians and class

privilege (Hanley and Sikk 2016, 526; Transparency International 2017b).⁶ If populists are successful, they tend to create cultural cleavages along party lines which divide a country and foster further distrust towards government (Inglehart and Norris 2016, 31). When this happens, portions of the citizenry are likely to disengage from the political process, because they will no longer view elections as viable instruments of democracy (Persily and Lammie 2004, 128; Stockemer et al. 2011, 76). Therefore, there appears to be a direct relationship between high perceptions of corruption and low levels of confidence in electoral processes.

When a populace believes that electoral processes are perverted, the functionality of democracy suffers (Birch 2008). Birch reminds us that low levels of confidence in Eastern European electoral processes gave rise to the ‘Colored Revolutions’, events in which mass mobilization led to the reversal of several elections.⁷ This is of crucial importance, because Dalton (2017, 376-381) notes that contemporary levels of confidence in North American representative institutions is dangerously low. Similarly, low levels of confidence have been observed in Northern and Southern Europe, Asia, and Latin America (Torcal 2006, 159). Continued low-confidence is worrisome, because both established and establishing democracies are at risk if such problems persist over extended periods (ACE 2013, 10; Norris 2014, 17-18).

Conversely, I emphasize that several countries across the globe benefit from high levels of confidence in electoral processes. For example, in 2015 the citizens of Myanmar, Argentina and Sri Lanka all confidently participated in free and fair elections, successfully ousting unpopular incumbent governments (Freedom House 2016, 6). This revealed that popular confidence in electoral processes bolsters faith in the rule of law, secures the legitimacy of a regime, and strengthens support for democratic governance by instilling citizens with a sense of satisfaction and acceptance that might otherwise be absent (Ibid, 7).

Populations tend to support democracy, because multiparty elections allow citizens the freedom to participate politically and voice their discontent (Norris 2014, 19). It is in the best

⁶ Populism: “a philosophy that emphasizes the faith in wisdom and virtue of ordinary people (the silent majority) over the ‘corrupt’ establishment.” (Inglehart and Norris 2016, 6) Populism is symptomatic of resentment towards upper-class authorities, who come to be seen as arrogant and privileged (Ibid).

⁷ The low-levels of confidence in electoral processes that caused the Colored Revolutions were not necessarily a bad thing, as they ousted parties that took power in what were considered fraudulent elections (Birch 2008, 305). However, low-levels of confidence in electoral processes persisted post-revolution and has had adverse effects with respect to building strong democracies in the region (Ishiyama and Pechenina 2016). It is important that confidence in electoral processes across democracies be bolstered so that the results of genuine elections are not viewed as invalid.

interest of democratic governments to minimize the appearance of political corruption and strengthen the legitimacy of elections (Persily and Lammie 2004, 128). If they do not, a distrust between a citizenry and their government will grow, and democratic principles will be recognized as undermined. Distrust and a belief that elections are corrupt can lead to a decrease in confidence in electoral processes, resulting in a degradation of democratic functionality.

Based on this research, there appears to be a link between perceptions of political corruption and confidence in electoral processes. Therefore, to determine if this is true, empirical evidence must be systematically analyzed. However, the dependent variables must also be examined relative to the most common alternative explanations – economic status of citizens, education level of citizens, electoral systems in place – to ascertain if they are responsible for variation.

1.2 Alternative Explanations

A) Economic Status

The argument that economic status affects perceptions of political corruption and confidence in electoral processes might be traced back to Lipset's (1959) study of linkages between democracy and economic development (Helliwell 1994, 227). His work showed that per capita GDP and democratic stability were directly associated, but he was unable to determine which came first (Helliwell 1994, 227). Overtime, this argument was further developed. Listhaug and Wiberg (1995, 310-311) suggest that economic conditions are amongst the most important indicators of voter confidence. Likewise, Canache et al. (2001, 518) argue that if an economy is considered strong, people will have a higher opinion of politicians and political institutions.

Ringen (2007, 64-65) states that economic inequality has become commonplace in many democracies, because the richest sectors of society hold too much capital. This is problematic, because money can translate into undue political influence (Ibid). He argues that the impoverished sectors of society lack the freedom – in terms of material resources – to effectively participate in the political process (Ringen, 124-125). In this respect, financial equality might be understood as a means through which citizens can bypass political equality.⁸

⁸ Political equality refers to the notion that the interests of all citizens, regardless of affluence or social class, be given equal consideration (Broadbent 2001, 3; Dahl 2015, 37-35; De Luca 2007, 166; Vermeren 2008, 219).

Central to the notion of free and fair elections, the level of political equality can affect confidence in electoral processes by effectively disenfranchising those without wealth (Dahl 2006, 11-12; De Luca 2007, 166; Rothstein 2009, 326). When a country performs better economically, a population will be more likely to trust their government, because they will have a greater level of economic freedom (Saha et al. 2009, 174-175; Závacs 2017, 443).⁹ Melgar et al. (2010a, 129) suggest that an individual's first-hand experiences will be altered by a country's aggregate level of economic freedom, which can then determine the level at which a populace perceives corruption (Newton and Norris 2000, 60; Peyton and Belasan 2012, 31; Putnam et al. 2000, 9).

Perceptions of corruption are usually higher in low-income countries, and lower in countries with greater levels of economic development and per capita GDP (Ionescu 2013, 137-138). In 2015, the Heritage Foundation downgraded Hong Kong's economic freedom score by five per cent (Miller and Kim 2015, 2).¹⁰ When the level of economic freedom decreased, there was an immediate increase in the level of perceived corruption (Ibid). This might be the result of experiences that accompany a deteriorating economic situation. When people are part of the 'outgroup' – that is: when individuals have low levels of economic freedom – they might feel insecure and alienated from the rest of society (Ringen 2007, 37; Persily and Lammie 2004, 153-155; Zakaria 2016, 419).

These feelings can cause increased cynicism and higher perceptions of corruption, as the public begin to understand their misfortune as caused by the government (Persily and Lammie 2004, 128). If economic inequality becomes high, it will further affect judgments of government efficiency and highlight potential failings of democracy (Anderson and Guillory 1997, 67). This can result in critical views of democracy and the processes through which it perpetuates itself – that is: negative impressions of electoral processes (Ibid).

Those who consider themselves 'winners' – that is: those satisfied with their economic position in society – are likely to have a more trustworthy view of the system (Anderson and Guillory 1997, 72). Anderson and Singer (2008, 585-586), in studying macro-level attitudes in association with income inequality and trust in political institutions, find a direct correlation between personal

⁹ Economic freedom is the ability of a populace to engage in voluntary economic transactions, so long as they do not harm other individuals or their property (Gwartney et al. 2016, 1). It is typically measured through an assessment of one's personal wealth (Gwartney et al. 2016, 25; Saha et al. 2009, 174).

¹⁰ The Heritage Foundation determines economic freedom scores based on a country's level of economic growth, per capita GDP, health care, education, protection of the environment, reduction of poverty, and overall well-being. In 2015, Hong Kong was ranked first among 178 countries (Miller and Kim, 2015, 1-2).

economic status and confidence electoral processes.¹¹ Alternatively, Persily and Lammie (2004, 153-155) find that those who are part of the ‘outgroup’ are more likely to blame the government for their ills, and tend to view politicians and political parties as corrupted.

These findings are endorsed by Dalton (2017, 388) who argues that individuals’ judgments on economic performance – especially as experienced through one’s personal level of wealth – are strongly related to citizen trust in government. From a rationalist viewpoint, these results are expected, because some people might associate unsatisfactory economic conditions with poor government performance (Maybe and Hakhverdian 2017, 181). When a citizenry’s economic security is threatened, it can tarnish their belief that the government is acting in their best interests. This leads people to conclude that political parties are self-interested and focused on using wealth to preserve the status quo (Dalton 2017, 388; Della Porta 2000, 216; Nekola 2006, 9).

B) Education

When a large percentage of a population has a high level of education (tertiary, for example), a citizenry will likely have basic understandings of democratic society, including knowledge of: electoral processes, the roles and responsibilities of citizens, governmental responsibilities, media coverage, and special interests (ACE 2012, 15). This information presents citizens with the tools necessary to navigate their way through the political system, but also gives them the capacity to recognize electoral failings and instances of corruption among elected officials (Milligan et al. 2004, 1668; Norris 2014, 96-97).

Education alters the way that one experiences the world by broadening analytical and cognitive thinking and affecting one’s ability to process information (Melgar et al. 2010b, 192; Norris 2014, 96-97). It helps people better understand the electoral processes and political institutions that affect their daily lives by providing them with political insight that does not come naturally (Melgar et al. 2010b, 192; Norris 2014, 96-97).

All of this said however, many modern universities have a liberal orientation that focuses on post-materialistic values (Dalton 2014, 98).¹² Dalton (2014, 99) argues that because of this, several university educated students will participate in electoral processes, but also have very different

¹¹ These findings were determined using evidence from Western Europe, where it was observed that an increase in either one of these variables necessarily caused an increase in the other (Anderson and Singer 2008, 585-586).

¹² Post-materialism: priorities shift from those focused on physical sustenance and safety towards values centered in self-expression and the quality of life (Dalton 2014, 98; Inglehart 1981, 880).

expectations from non-materialists. Although they will be more critical of democratic leaders, they will view elections as a means through which they can enact change. In turn, confidence in electoral processes should increase among the higher educated (Dalton 2000, 267; Milligan et al. 2004, 1668).

For similar reasons to those stated above, many scholars also believe that the level of perceived corruption will decrease alongside an increase in the aggregate level of education attained by a citizenry (Cheung and Chan 2008; Ionescu 2013, 140; Melgar et al. 2010b, 192; Montoya and Orcés 2014, 2).

According to Cheung and Chan (2008, 235) gross enrollment in tertiary education adequately predicts the level of perceived political corruption in a country. When enrollment rates are higher, corruption rates – measured using the Corruption Perception Index (CPI) – are lower (Ibid). They surmise that this is the result of larger masses of people being taught social responsibility, ethics, and morality, all of which lower levels of actual corruption (Ibid). This decreases instances in which citizens participate in corrupt acts, ultimately lowering perceptions of political corruption (Ibid).

Countries with higher aggregate levels of education are also said to have greater political participation and social trust (Newton and Norris 2000, 60). Both are indicators of increased confidence in electoral processes (Newton and Norris 2000, 60; Schlozman et al. 2012, 463) and lower levels of perceived political corruption (Ionescu 2013, 140). This suggests that citizens with a higher level of education approve of democracy and free-and-fair elections (Anand and Sen 2000; Dalton 2014, 98-99; Welzel et al. 2003).

In a 2010 cross-national study, Melgar et al. (2010b, 192) found a negative relationship between the level of education one attained and their level of perceived corruption. They suggest with education comes access to information and the capacity to process information. This means that the more educated one is, the better they will be at determining what is (and what is not) corruption, reducing their ability to be swayed by sensationalism and alleged corruption accusations (Ibid). However, gross enrollment in tertiary education has increased across all regions of the world since 2000 (Roser and Ortiz-Ospina 2018), which is contrary to high levels of perceived political corruption across certain regions (Ortiz-Ospina and Roser 2017).

Noting the inconsistency between theory and data, some authors argue that perceptions of political corruption and confidence in electoral processes are negatively affected by higher levels

of education. For instance, in studying Croatia, Zakaria (2016, 420) finds that higher levels of education are associated with increased perceptions of corruption. She argues that political figures are more likely to commit grand corruption – as opposed to petty corruption – which increases instances in which political corruption is reported (Ibid, 429). The more educated one is, the more likely they are to read the newspapers and follow stories of corruption (Ibid). Consequently, those with higher levels of education will be more likely to perceive corruption – meaning that countries with higher aggregate levels of education may have higher levels of perceived corruption.

Others, such as Anderson and Tverdova (2003, 102) completely refute the notion that education affects perceptions of corruption, instead arguing that economic performance is the driving cause for variation. In the same vein as this, Huure et al. (2006, 41) suggest that education is important, but in the sense that it helps shape one's future economic opportunities. If this is the case, education might instead be treated as an intervening variable, one that is responsible for getting people better paying jobs. This would result in a higher household income, which one could then use to purchase the material possessions people desire. According to this logic, perceptions of political corruption would decrease and confidence in electoral processes would increase, because people would be content and have positive judgements on the institutional processes that awarded them such a life (Mayne and Hakhverdian 2017, 181-182; Norris 2014, 15; Zmerli and Newton 2011, 69).

While the majority of the above stated arguments point towards education decreasing perceptions of political corruption and increasing confidence in electoral processes, there are some that say otherwise. Therefore, I expect education to have a favorable effect, but I am aware that some countries might experience a different relationship between education and the dependent variables, because that relationship is entirely dependent upon the context in which a citizenry is nested (Hakhverdian and Mayne 2017, 745). We might then consider an important contextual factor of every democratic society, the electoral system under which citizens live.

C) Electoral Systems

Determining an electorate's political preferences begins with the simple act of voting and counting votes (Birch 2003, 55). Electoral systems are an arrangement by which votes are counted in a certain way, translating them into legislative seats won by political parties (IDEA 2005, 5). They are an outside constraint, mechanisms that establish how elections will be conducted

(Endersby and Kriekyhaus 2008, 602; IDEA 2005, 5). Electoral systems necessarily affect who will win power (IDEA 2005, 5). Some of these systems lay the groundwork for fair competition and the development of strong political parties, while others can force politicians to act in their own self-interest to win elections (Rose-Ackerman 1999, 127). The type of electoral system a country chooses is said to be among the most important decisions for a democratic state, because these systems are crucial for the functioning of democracy (IDEA 2005, 1).

There are twelve types of electoral systems, which can be categorized into three main families: (1) majoritarian/plurality; (2) proportional (PR); and (3) mixed (IDEA 2005, 28).¹³ Majoritarian/plurality systems are characterized by their use of single member districts, and winners are declared based on the majority of votes cast in their favor (Ibid). PR systems are designed to minimize the discrepancy between the share of votes for a party and the number of seats they win in parliament (Ibid, 29).¹⁴ Mixed systems incorporate elements from both majoritarian/plurality and PR systems (Massioctte and Blais 1999, 345).

Depending on the electoral system, perceptions of political corruption may increase (Anderson and Tverdova 2003, 92; Dzionek-Kozłowska 2014, 86; Melgar et al. 2010a, 122; Newton and Norris 2000, 61-62; Norris 2015, 121), or confidence in electoral processes decrease (Dow 2011, 111; Kostadinova 2002, 24; Boix 1999, 610; Warren 2017, 50). The overarching reasons for this variation concerns: the adversarial nature of competition that each system fosters; the number of parties able to secure seats in government; and the avenues that parties can follow to win office (ACE 2017; Brooks et al. 2013, 50; Norris 2004, 68; Rose Ackerman 1999, 142; Young et al. 2005, 2).

Majoritarian/plurality systems are the oldest and most widespread type of electoral system, and they tend to give the winning party a majority of seats in government (ACE 2017; Norris 2004, 68). They are often criticized for the promotion of antagonist style politics, arguably turning democracy into a zero-sum game (Norris 2004, 74). For example, FPTP Westminster

¹³ The twelve specific types of electoral systems are: (1) Majoritarian: First Past the Post (FPTP), Two Round System (TRS), Alternative Vote (AV), Block Vote (BV), and Party-Block Vote (PBV); (2) Proportional: List PR, and Single Transferrable Vote (STV); (3) Mixed: Mixed Member Proportional (MMP), and Parallel; (4) other: Single Non-Transferrable Vote (SNTV), Limited Vote (LV), and Borda Count (BC) (IDEA 2005, 27-28). While the sample set does not contain every single type of electoral system, it does contain systems from the three main families. Therefore, I focus my discussion on the overarching electoral families, rather than each individual system.

¹⁴ For example: if a party receives 40 percent of the vote under a PR system, this should translate into roughly 40 percent of the seats in parliament (IDEA 2005, 29).

parliamentary systems preserve adversarial relationships and high-levels of competition (Young et al. 2005, 2). In such systems, it is argued that incumbent parties will be favored, if the opposition will be fragmented (Norris 2004, 74). If this happens, minority interests might be ignored, thereby decreasing the aggregate level of confidence in electoral processes (Kim 2007, 514; Norris 2004, 74). Furthermore, when an electoral system is antagonistic in nature, parties will likely do their best to make opponents seem untrustworthy (Melgar et al. 2010a, 122). As a result, such systems should increase levels of perceived corruption, as the reputation of political actors is more likely to be tarnished (Pharr 2002, 848).

Majoritarian/plurality systems are also said to incentivize political malpractice, and even corruption among parties (Dzionic-Kozłowska 2014, 86). This happens because parties desire public office and understand it as a means to implement their policies (Downs 1957, 137). In majoritarian systems it has been noted that ‘pork barreling’ and unethical policy output has been used by parties to target localities to win seats (Chang and Golden 2006, 120).¹⁵ This can be construed as corrupt behavior, as incumbent parties will be using their office to secure personal gain (Ibid). When politicians are viewed as acting opportunistically, perceptions of corruption increase (Melgar et al. 2010b, 184). This affects the way people view politicians and elections and can decrease confidence in electoral processes (Birch 2008, 309; Birch 2010, 1602; Pharr 2002, 846).

PR and mixed systems can possibly fix some of the above stated problems (Norris 2015, 121; Kostadinova 2002, 25 & 32; Masicotte and Blais 1999, 361). Both PR and mixed systems are said to be characterized by greater levels of political representation and accountability as they remove political barriers, allowing more competitors to participate in the electoral process (Norris 2015, 121). This can generate higher levels of confidence as more parties will be present in the electoral system, potentially fostering greater levels of political participation (generally in the form of voter turnout), and greater interest representation (Birch 2008, 308; Ladner and Milner 1999, 249; Moser and Scheiner 2004, 577). For example, Lijphart (2012, 285) finds that voter turnout is seven per cent higher in PR systems than it is in Majoritarian systems. Likewise, he also finds that political equality in PR systems is stronger, as women and minorities are better represented (Ibid, 287). Therefore, PR and mixed systems should decrease perceptions of corruption and increase

¹⁵ **Pork Barreling:** the allocation of government funds for targeted projects.

confidence in electoral processes by representing the interests of more people and convincing them that they are ‘winners’ (Norris 2015, 121).

On the other hand, an increased amount of effective parties under PR and mixed systems might have negative effects on the dependent variables (Alfano et al. 2013, 1; Newton and Norris 2000, 61-62). Specifically, both PR and mixed systems are likely to increase the number of viable parties in an election and the number effective parties in the legislature; this can foster an atmosphere defined by bargaining and compromise (Boix 1999, 610; Norris 2004, 50; Warren 2017, 50). As a result, one might see political deadlock occur if power becomes diffused among many parties that are equal in strength (Kostadinova 2002, 24). This might lead to slow progress or policy implementation as partisan negotiation would become constant (Ibid). This would be detrimental, potentially resulting in perpetual electioneering (Ibid).

In such instances, the public might withdraw their support for the system and lose confidence in the electoral process as elections would seem useless for enacting meaningful change (Kostadinova 2002, 31). Furthermore, when power is equally diffused, it might force parties to enter coalitions which would minimize material losses, while still maintaining fierce competition (Ibid, 25). To ensure incumbency, parties might collude with one another to maximize their share of votes (Katz and Mair 1995, 16-17). This could potentially create a false sense of competition, which could further increase perceptions of political corruption (Katz and Mair 1995, 16-17; Della Porta 2004, 49).

Noting the stark contrast between certain authors’ arguments, there is potential for mixed effects with respect to the dependent variables. I point to Hakhverdian and Mayne’s (2017, 745) contextually dependent argument, and suggest that there might be other factors at play here. None of the three explanations discussed thus far have paid considerable attention to the desire of parties to assume office, and their need for money to campaign and win elections (Strauss 1995, 141).

In the previous section, I noted that political parties are considered the most corrupted political institution (IDEA 2014, 345). Moving forward, I must acknowledge the incentives that elections and campaigns create, since they might possibly force parties to participate in corrupt acts, which can in turn alter levels of perceived political corruption and confidence in electoral processes. Therefore, let us turn our attention towards political finance and party finance regulations so that we may understand how they affect behavior and why they might be responsible for variation in the dependent variables.

1.3 Party Finance Regulations

Due to the high costs of campaigning and elections, party finance regulations are extremely important in contemporary politics (IDEA 2014, 346; Mendilow 2012b, 1). In Western Europe, the cost of campaigning is comparable to that of a budget needed to run a large bureaucratic structure. Likewise, the 2012 and 2016 US presidential elections both cost upwards of five billion US dollars (IDEA 2014, 346; Ingraham 2017). The driving factors behind these costs involve the professionalization of politics, the popularization of new and expensive opinion polling techniques, an increased reliance on television advertisements, and a decline in the number of political volunteers (Heywood 1997, 14; IDEA 2014, 346; Mendilow 2012b, 1). Therefore, a substantial amount of funds is needed if a party wishes to purchase political advertisements, hire campaign staff, travel, and so forth (IDEA 2014, 346; Fisher and Eisenstadt 2004, 619). Consequently, money is a highly sought-after commodity in politics.

As the previous sections have highlighted, there has been a concerted effort within the academic community to explain why we might see variation in cross-national levels of perceived corruption and confidence in electoral processes. Each of these variables is vital to the functionality of democracy, because they represent a citizenry's approval of a government regime and the political class (Anderson and Guillory 1997, 66; Birch 2008, 305; Graycar and Prenzler 2013, 10; Pharr 2002, 848; Torcal 2003, 7). Seldom discussed is the role that party finance regulations have in affecting variation. Perhaps the reason so few people consider the effects of party finance regulations concerns the oft-cited belief that their implementation will necessarily decrease perceptions of corruption and increase confidence in electoral processes (Johnston 2005, 13; Ohman 2013, 5; Smith 1996, 1090; Thurlow 2008, 31; Warner 2005, 7). But is this axiom accurate?

Money can be understood as a tool to use in campaigns: one that will help increase the chances of winning office and fulfilling political ambitions (Jorion 2006, 186). Such an understanding of money is problematic, because perceiving money as a route to victory risks triggering a business decision frame in a candidate's mind (Kouchaki et al. 2013, 54).¹⁶ This can lead a party to pursue self-interest, rather than considering the needs or wants of the public (Ibid). The desire to win office can consume parties, incentivizing them to adopt whatever means are necessary to

¹⁶ A business decision frame is a mental state in which social relationships are objectified in a cost-benefit analysis (Kouchaki et al. 2013, 54).

implement their policies (Downs 1957, 137; Strom 1990, 575). This can alter a politician's mental state, causing them to deemphasize social relations, obscure moral considerations, and seek out self-help at the expense of others (Kouchaki et al. 2013, 54; Lea and Webley 2006, 165). These traits, occurring in unison, can persuade an individual to participate in corrupt acts (Kouchaki et al. 2013).

When left uncontrolled money can influence the democratic process in ways that might bias political competition, entrench incumbents, incentivize corruption, and so forth (Behrendt 2006, 179; Hobolt and Klemmensen 2008, 312; IDEA 2015, 1). It is insisted that there is a crucial need to implement party finance regulations to control the origin and destination of campaign funds, despite the argument that money is necessary for success in politics (IDEA 2015, 1; Norris 2015, 30). In spite of this, there is no consensus as to what type of party finance regulation(s) is or are most effective (Johnston 2005; Norris et al. 2015; Ohman 2013; IDEA 2014).

If left unchecked, the collection and spending of money risks polluting the credibility of democratic regimes, because it can undermine the notions of electoral integrity and fairness (Norris et al. 2015, 10; Ohman 2013, 2; Wertheimer and Manes 1994, 1159). This is especially true for new and establishing democracies that are encountering the complexity of party finance for the first time (Pinto-Dushinsky 2002, 85). For example, when money is uncontrolled, fund parity between parties is likely to be low because larger parties will not have a cap on the amount they can spend or raise (Pinto Dushinsky 2002, 70; Potter and Tavits 2013, 75). This means that smaller parties or those not tied to corporate interests will be unable to compete against their better funded and well entrenched adversaries.

There are two primary views of party finance regulation: (1) money corrupts and will negatively affect democracy, thereby necessitating stringent regulations be imposed on political parties (Strauss 1995, 158-160); and (2) the restriction of money, specifically limits or bans on contributions to political parties, will undermine freedom and incentivize parties to participate in corrupt acts to secure funds (Smith 1996).

To date, there are five party finance strategies that have been employed: (1) *laissez-faire*, an absence of regulation; (2) implementing only regulations that control contributions and expenditures – that is: bans and limits; (3) implementing only financial reporting requirements – that is: disclosure; (4) implementing only public funding provisions, direct or indirect; or (5) implementing any combination of the regulations from each of the aforementioned categories

(Johnston 2005, 8-11; Ohman 2013, 5-8). Although laissez-faire strategies are basically non-existent in contemporary democracies, they are worth mentioning since the absence of regulation is synonymous with the influence of uncontrolled money. Furthermore, some countries use a combination of these strategies when trying to control the negative effects of money.

Regulations can be further classified into two groups: (1) regulatory; and (2) distributive. Regulations that fall into the ‘regulatory’ category are those that constrain the resources present in electoral finance. These include all bans and limits, as well as disclosure regulations (Johnston 2005, 8-9). Regulations that fall into the ‘distributive’ category are those that reflect the provision of direct and indirect forms of public funding to parties (Ibid).¹⁷

These regulations affect two key-characteristics present in all democratic elections: campaigning; and the desire to win office (Jorion 2006, 186; Norris et al. 2015, 6; Reardon 2005, 177). While the negative repercussions associated with the excessive costs of campaigns and elections are often discussed (IDEA 2014, 346; Mendilow 2012b, 1; Pinto-Dushinky 2002, 83-84; Wertheimer and Manes 1994, 1132), rarely do scholars recognize the connection between one’s thirst for victory and the role money has in helping achieve this (Strauss 1995, 141). Even less discussed is how far politicians will go to acquire the money they see as vital to their success.

Downs (1957, 137) considers the possibility that political parties follow the economic axiom that it is always rational to perform an action so long as the return is higher than the cost. He suggests that parties are motivated by their desire for income, prestige, and power – all of which can be attained by winning public office (Ibid). This is a crucial argument, because depending on the type or types of party finance regulation in place, parties might see corruption as their best option for success. This helps when trying to understand why regulating political finance can cause variation in the dependent variables.

I highlight the five most common types of corruption associated with party finance regulation, to emphasize how they might affect the dependent variables. Specifically, they are: *quid pro quo*; an evasion of party finance regulations; the acceptance of funds from illicit sources; the abuse of public resources; or collusion between parties.

Quid pro quo is political bribery (Noveck 2010, 83; Strauss 1994, 1370; Warner 2005, 4). In situations where this presents itself, an individual, corporate entity, or union will donate money to

¹⁷ While the provision of public funding might not seem to fit the traditional definition of ‘regulation,’ they are still considered such (Johnston 2005, 8).

a party with the sole intent of influencing their decision-making if the party they donated to wins office (Noveck 2010, 83). In such cases, the party will promise favors in return for the money they feel they need to succeed. This undermines the democratic principle of political equality, but it also turns democracy into a struggle among special interests by awarding the highest bidder influence over future policy-making (Strauss 1994, 1370).

The presence of quid pro quo corruption is likely to increase perceptions of corruption and decrease confidence in electoral processes, because it signals to a populace that narrow interests wield power. However, proving quid pro quo is difficult and several countries attempt to deter it through the implementation of party finance regulations (Noveck 2010, 86-87).¹⁸ It is also entirely possible that the mere existence of these regulations will signal to a populace that corruption already exists, further exacerbating levels of perceived political corruption.

If corruption does persist following the implementation of party finance regulation, it tends to be the evasion of laws by parties to bypass contributions and expenditure limits (IDEA 2014, 22). Party finance can be understood as an ‘arms race’, with each side attempting to outraise and outspend their opponents (Warner 2005, 4). Regulatory design tends to ignore this ‘arms race’ mentality, causing some donors or parties to step outside the lines of legality to acquire money (Ibid, 4-5). For instance, the Canadian province of Quebec is known for having incredibly stringent party finance regulations with regards to bans and limits (Pelletier 2014, 65-66).¹⁹ Between 2006 and 2011, an investigation by the Directeur general des élections du Quebec (DGEQ) revealed that over 534 firms had broken the law when donating to provincial and municipal parties (Ibid, 66). Therefore, it is vital that party finance regulations not be so strict as to incentivize even more corrupt acts (IDEA 2014, 22; Rose-Ackerman 1999, 139). If this happens, both of the dependent variables will be negatively impacted, because elections might be considered illegitimate, while parties can be viewed as corrupted (Heywood 1997, 5; Norris 2014, 115).

If a party fails to secure desired funds through legitimate donations they might also accept donations from illicit sources (IDEA 2014, 347). This is one of the most severe threats to the democratic process, as it allows organized crime to enter the political sphere and advance their

¹⁸ For example, in Canada private dinners could be purchased with former Prime Minister Jean Chrétien for a price of \$10 000 (McMenamin 2012, 26). While there is no way to prove that quid pro quo was occurring, there are reported instances in which the Prime Minister failed to show up to the dinner. This raised suspicions that the money was nothing more than a quid pro quo type transaction (Ibid).

¹⁹ It is the belief of the Quebec government that party financing should come from “modest and diversified” sources, to avoid special interests from influencing the political process (Pelletier 2014, 66).

interests (Ibid). This type of corruption is often found in countries located in drug-trafficking corridors (Ibid). For example, Colombian drug gangs contribute illicit funds to Colombian political parties to obtain such things as business permits; in return the party receives campaign money and can use the gangs for municipal protection (Rubio 2013, 103). While such relationships are reminiscent of quid pro quo, this type of corruption requires that the contributor be a criminal entity (IDEA 2014, 347).

When illegality of this type is suspected by the public it will increase perceptions of political corruption and decrease confidence in electoral processes, because parties will be considered tied to criminal elements (IDEA 2014, 347; Norris 2015, 4-5; Norris et al. 2015, 50). Arguably, this type of corruption might be avoided if regulatory systems are less stringent, because it will remove the need for parties to seek out illicit funding (Norris et al. 2015, 50).

If these forms of corruption – that is: quid pro quo, an evasion of the laws, and an acceptance of funds from illegal sources – are avoided, there remains two additional types of corruption associated with political finance: the abuse of state resources by political parties (Ohman 2013, 4; Pinto-Duschinsky 2002, 71); and collusion between parties to maximize their share of public funding; both are representative of corruption (Katz and Mair 1995, 17; Koss 2010, 23).

The abuse of government resources is often perpetrated by incumbent parties attempting to maintain their place in government (IDEA 2014, 349; Ohman 2013, 4). Incumbent parties can utilize state funds, state owned media, personnel, and similar political tools to their advantage (Ohman 2013, 4). For instance, while mayor of Paris, former French President Jacques Chirac once used hundreds of government officials to save money for his party (Pinto-Duschinsky 2002, 71). Abusing state resources in this way undermines democracy by providing an incumbent party a much greater competitive edge (IDEA 2014, 40). Moreover, it might also cause variation in the dependent variables, because it diverts money from certain government institutions, reduces the amount and quality of certain government services, and therefore affects judgements of government performance (Ibid).

Collusion between parties, unlike the abuse of state resources, requires explicit cooperation between or amongst parties (Katz and Mair 1995). This is known as the *cartelization hypothesis* and is most expected when a system of public funding is in place (Katz 2011, 60; Katz and Mair 1995, 16; Koss 2010, 23). In these cases, corruption occurs when ‘cartel parties’ agree to run capital intensive campaigns, focused on maximizing their share of the subsidies, rather than

winning (Katz and Mair 1995, 20; Scarrow 2004, 656). Take the 2004 amendments to Canadian electoral finance law, for example, which ushered in a system of public funding. Under this system, multiple and consecutive minority governments were voted into office, which seems to have necessitated opposition parties working together to maintain their presence in government – thereby maintaining a status quo (Katz 2011).

These forms of corruption pose a serious threat to the functionality of democracy. Therefore, many democratic countries have agreed that action must be taken (Norris 2014, 30). This includes efforts such as Article 7(3) of the United Nations Convention Against Corruption (UNCAC), which states that all countries should implement, at the very least, some sort of financial reporting requirements to enhance the transparency of political finance (Ibid). Too often, though, the design and haphazard implementation of new party finance regulations are reactionary responses to corruption scandals, rather than an organic and well-thought out process that considers the broader needs of political parties and society (IDEA 2014, 14). In the absence of natural institutional development, we are likely to see negative effects. This is due to the unnecessary pressure that will be placed on political parties (Ibid, 15).

When well designed and implemented, I believe that party finance regulations can have a positive impact. Regulations can constrain unlawful behavior through accountability or discourage political parties from participating in unethical malpractice through deterrence (Kurer 2005, 236; Primo and Milyo 2006, 2; Scarrow 2004, 669). While there is a widely accepted theory that money is necessary for success in modern politics (Strauss 1995, 141), oftentimes uncontrolled money can increase perceptions of political corruption and decrease confidence in electoral processes, because it can facilitate an uneven playing field, bolster the influence of special interests, and so forth (Behrendt 2006, 179; Hobolt and Klemmensen 2008, 312; IDEA 2015, 1). A well-regulated system of political finance, on the other hand, might have the opposite effect, by decreasing special interest influence, removing unnecessary financial pressure on parties, promoting healthier competition between parties, and strengthening political equality (Strauss 1995, 142-15, 156-161).

As I have thus far discussed, countries may attempt to control political finance through the implementation of party finance regulations. But, it is unclear whether these regulations will have positive or negative effects. As we have seen, political finance ushers in the possibility for multiple types of corruption. Likewise, political parties' behavior might also be affected by the regulations in place. Regulations, or the lack of regulations, might therefore alter levels of perceived political

corruption and confidence in electoral processes, but we do not know for sure. It is important that the repercussions such regulations potentially have be considered, to understand how they might be impact the functionality of democracy. To do this a large-N systematic analysis is required. Before I conduct these tests, though, it is vital to review the theoretical and expected effects that party finance regulations may have.

A) Regulations Controlling Contributions and Expenditures (Bans and Limits)

Regulations controlling contributions and expenditures are rules imposed on political parties that control their ability to raise and spend money. The majority of democratic countries in the world have at least one ban or limit imposed with regards to political financing (IDEA 2014, 21). These regulations function by restricting the total amount a party can spend and limiting or completely banning contributions that can be donated to political parties by average citizens, businesses, trade unions, government contractors, foreign individuals, or anonymous individuals (Johnston 2005, 10; Ohman 2013, 6-7). These types of regulations can overlap, meaning that there are several possibilities for regulatory design (Johnston 2005, 10).

The stated purpose of these regulations is to prohibit certain actions, most commonly quid pro quo transactions between donors and parties (Norris et al. 2015, 11; Ohman 2013, 5). It is argued that controlling or deterring such behaviors will halt the detrimental effects of uncontrolled money in politics (IDEA 2014, 21; Johnston 2005, 13; Thurlow 2008, 31; Warner 2005, 7). Arguably, these regulations will then lower negative impressions of political parties and government, which can in turn decrease anti-authority attitudes (Melgar et al. 2010a, 120; Pharr 2002, 846). This would likely have a positive effect on the dependent variables (Johnston 2005, 10; Norris et al. 2015, 6; Ohman 2013, 7). In spite of this, it is rare that private donations will be banned altogether, the rationale being that raising money keeps a party tied to its electorate (IDEA 2014, 21-22).²⁰

There are targeted bans and limits, such as regulations intended to limit corporate or union influence over political parties (Norris et al. 2015, 17). Between 1953 and 1993, Japan's Liberal Democratic Party continuously changed party finance rules to maintain its incumbency (McElwain 2008).²¹ Decades of unethical rule alteration brought constant scandal, an illegal fundraising

²⁰ This thesis considers contributing to political parties a form of political participation.

²¹ The rules were altered 47 times between 1960 and 1990, all of which were intended to strengthen incumbency advantage (McElwain 2008, 33).

structure, and structural corruption which were responsible for hurting public perceptions of the government (Norris et al. 2015, 28). In 1994, public outcry led to rule changes that included spending limits and yearly contribution ceilings set at \$4000 (\$US) for corporate donations, and \$12 500 (\$US) for individual donations (Ibid). Scandal continued over the next decade-and-a-half and these regulations were changed again in 2003 and 2005 (Ibid). By 2007, the country finally saw increased competition, lower corruption, and a reduced cost of elections (Ibid, 28). Today, Japan these reforms have made the country a competitive two-party system (Ibid).

Similarly, in 2003 Canadian Liberal Prime Minister Jean Chretien introduced amendments to the Canada Elections Act (CEA), including spending limits and a cap on all corporate and union donations to political parties of \$1000 (Boatright 2011, 75). This had major repercussions, as over 51 percent of party fundraising came from corporate and labor contributions in the years before the bans were introduced (Ibid). What the Liberals did not consider when these rules were introduced was the fundraising power of the newly formed Conservative Party of Canada (Jansen and Young 2011, 97). The Conservatives, then under the leadership of Stephen Harper, had a strong grassroots fundraising apparatus (Ibid, 99). The Liberals were much more reliant on donations from business elites and corporations (Ibid, 97). In the years following the introduction of the CEA amendments, there was a marked rise in the level of competition in Canadian elections – with the Green Party and New Democratic Party (NDP) gaining major support – and a long dip in the Liberals ability to raise money and votes (Ibid, 101-102).²²

In both above stated examples, the introduction of regulations concerning contributions limits appears to have strengthened competition (Jansen and Young 2011, 101-102; Norris et al. 2015, 28). Regulations of this type can increase confidence in electoral processes, because the influence of special interests will be curbed, and the parties will be more responsive to public opinion (Hobolt and Klemmensen 2008, 310; Rose Ackerman 1999, 142). However, these regulations might simultaneously increase perceptions of corruption, because avenues to secure large contributions will be closed and parties will be incentivized to seek out illegal means to raise money (Rose-Ackerman 1999, 139).²³ Furthermore, while increased competition might deter

²² It must be noted that a system of direct public funding was implemented during this same period, and any changes seen here may be affected by that (Jasen and Young 2011). However, the massive effects that limits had cannot be discounted, because they completely altered the decades old political finance system in Canada.

²³ Greece, Spain, and Portugal are among the European countries with the more stringent party finance regulation in place, and their citizens perceive their political parties as the most corrupt (IDEA 2014, 208). Denmark, Switzerland, and Sweden, on the other hand, have much less stringent regulation, and they enjoy the lowest levels

parties from participating in corrupt acts – so that they are not caught in scandal – it might also incentivize them to make their opponents seem corrupt through use of negative advertisements (Melgar et al. 2010b, 185).

Both Japan and Canada also introduced spending limits. Like regulations controlling the amount or source of contributions to a political party, spending limits are designed to improve the democratic system. Spending limits dictate the maximum amount of money that a party can spend in relation to an election campaign (Warner 2005, 5). These can be imposed to level the playing field between parties with access to large amounts of money and those without (IDEA 2014, 24; Ohman 2013, 7). When uncontrolled, party spending can cause each party to try and outspend one another, resulting in expensive campaigns and elections (Clift and Fisher 2004, 692).

If fund parity is upset, and one party exponentially outspends their opponent, it will likely bias competition (Potter and Tavits 2013, 75). If a wealthy party has the unobstructed means to spend, this gives them the ability to run negative ad campaigns – something parties often do when they have the money (Hiebert 1998, 100). Therefore, the more money that is spent, the more likely the public will be to view parties in a negative light, elections as ineffective, and competition as lopsided (Ohman 2013, 2; Pinto-Dushinsky 2002, 82). Therefore, the introduction of spending limits might decrease perceptions of corruption and increase confidence in electoral processes.

There are additional bans that might also be imposed to help reduce the negative effects of uncontrolled money. Countries implement bans on foreign or anonymous donations, the rationale being that they will decrease perceived corruption and increase confidence in electoral processes by: removing the possibility of undue influence, promoting the principle of self-determination, and instilling the notion of political equality into the minds of individuals (De Luca 2007, 164; IDEA 2014, 21). Furthermore, regulations banning the use of state resources – including: public media, meeting places, and so forth – can be introduced to remove an incumbent party’s advantage, which would help level the playing field between opponents (Ohman 2013, 4).

If adequately designed and strategically introduced, it appears that regulations controlling contributions and expenditures can level the playing field between parties (Ohman 2013, 6). They can encourage healthy competition, improve policy responsiveness, and remove the threat of undue influence; each of which should have a positive effect on the dependent variables (Brock

of perceived corruption (Ibid). However, these findings are regional and do not take other explanations into consideration.

and Jansen 2015, 65; Hobolt and Klemmensen 2008, 310; Rose Ackerman 1999, 142). The effectiveness of these regulations relies on their design and implementation, meaning that it is important that regulatory strategies are neither too stringent, nor should they award one party an advantage over the other (IDEA 2014, 27).

Based on the evidence I have presented here, there is a strong possibility that regulations controlling contributions and expenditures have the ability to decrease perceptions of political corruption and increase confidence in electoral processes. However, if the regulations are too stringent, meaning that they are so intrusive to the money raising process that they bias competition, or incentivize parties to use corrupt methods to raise money, then it is likely that they will both increase perceptions of political corruption and decrease confidence in electoral processes. Likewise, these regulations might also have negative effects, not because they are inherently defective, but because they might signify to the public that something nefarious is going on.

B) Financial Reporting (Disclosure)

Financial reporting refers to the availability of information about a party's political finance activities (Ohman 2013, 6-7). When a system of disclosure is in place, parties are obligated to release all requested information concerning their collection and spending of campaign related funds (IDEA 2014, 28). The purpose of disclosure requirements is to ensure that illegal transactions are avoided and that illicit funds are removed from electoral processes (Ibid, 65). To date, most countries have instituted some sort of financial reporting requirements, but the requirements for disclosure vary by state (IDEA 2014, 65; Ohman 2013, 6). For example, the amount that can be spent or contributed in Canada before it must be submitted for financial reporting is \$100 (CAD), whereas it is \$1500 (AD) in Australia, and €10 000 in Germany (McMenamin 2012, 14).

Disclosure is the most common type of reform to be introduced in recent years, because it is supposedly an efficient way to bolster transparency and deter corruption (IDEA 2014, 28; Norris et al. 2015, 7). The United States Supreme Court is of the opinion that disclosure educates voters on the financial situation and dealings of political parties, which can incentivize parties to act according to the rule of law (Dowling and Wichowski 2013, 969; La Raja 2013, 3). The ability of disclosure to supplement citizens knowledge on the financial dealings of political parties is one

way that these regulations can affect the dependent variables (Ansobalehre 2007, 164; Dowling and Wichowski 2013, 972; Primo and Milyo 2006, 19).

Financial reporting regulations can remove the anonymity of donors and expose potentially improper relations that exist between political parties and politically related entities – be they corporations, unions, or wealthy individuals (Ansobalehre 2007, 164). Providing voters with this type of information better equips them to make confident judgements on the political parties they wish to vote for (Dowling and Wichowski 2013, 972). This includes determining whether a party is under the influence of special interests, or if a party is willing to accept funds from questionable sources (Ibid). For example, when voters were shown which party was behind a negative ad campaign, or when a party was being donated to by anonymous sources, voters were more likely to throw their support behind the opposite party (Ibid, 983).

Arguably, since parties' actions become transparent when financial reporting regulations are in place, they will become more responsive to voters' needs, and citizens should feel that their interests are being represented (Primo and Milyo 2006, 17). This can be illustrated by looking at groups like the National Rifle Association (NRA) in the United States. When the NRA contributes to a party, and when a system of disclosure is in place, voters who support the second amendment will know that party also supports a similar cause (Gagnon and Palda 2011, 357). This allows voters to vote for, or to abstain from voting for parties with similar values (Ibid).

As a consequence of being informed which party is most ideologically aligned with an individual, voters can choose to volunteer and vote for parties that they feel most represent their interests (Dowling and Wichowski 2013, 969). An increase in political participation may reflect the broader concept of political equality, which is an indicator of satisfaction with electoral processes (Persily and Lammie 2004, 128; Schlozman et al. 2012, 16; Stockemer et al. 2011, 77-78). As such, a system of disclosure should increase confidence in electoral processes. However, making public relationships between parties and donors might also increase perceptions of political corruption (Gagnon and Palda 2011, 357).

Financial reporting risks unveiling questionable relationships between political parties and special interests (Ibid). Proof of such an alliance can seriously damage the reputation of political parties, possibly revealing malpractice at the highest levels of government (Warner 2005, 7). This can decrease trust in government and increase perceptions that political parties are participating in corrupt acts. For instance, consider the Quebec Charbonneau Commission, which was an

investigation into party finance donations. This led to a scandal that uncovered systemic party finance corruption (Saint-Martin 2015, 4). Scandals concerning political donations are among the reasons that Quebec is considered the most corrupt Canadian province (Ibid, 1). Although uncovering corruption is the goal of most party finance regulations, the introduction of disclosure regulations might also publicize scandal, which would then increase perceptions of political corruption (Pharr 2002, 847-848; Warner 2005, 22-23).

Beyond simply publicizing it, disclosure regulations might also cause scandal in the sense that such regulations might force parties to participate in corrupt acts. Individuals might be dissuaded from contributing to political parties if they fear that their political preferences are going to be made public (La Raja 2013, 16). In turn, parties might have to circumvent laws to secure the funds needed to remain competitive (Johnston 2005, 9-10; Warner 2005, 6). Take for instance Proposition 8 in California, a bill designed to make gay marriage illegal. Many who donated to the “yes” side of the campaign were met with severe backlash, including: business boycotts; vandalism against their property; or dismissal from their place of employment (Gagnon and Palda 2011, 369). This highlights reasons why voters might distance themselves from parties when those parties hold certain contentious positions. In situations such as this parties may have to pursue larger donations from special interests, or from illicit sources, which would increase the level of perceived political corruption (De Paola and Scoppa 2011, 547-548; Stigler 1972. 95).

In some cases, disclosure not only dissuades voters, but it might also convince parties to drop out of a race if it is revealed that their opponents have significantly outtraised them (Johnston 2005, 28). This transforms disclosure into a form of incumbent protection, which might increase perceptions of political corruption and decrease confidence, because people will begin to withdraw their support for a system that appears to work solely for the purpose of maintaining the status quo (Johnston 2005, 28; La Raja 2013, 16; Warner 2005, 6).

It is not entirely clear how disclosure should affect the dependent variables; again, the relationship appears to be reliant on the context in which a citizenry is nested. Specifically, disclosure requirements are designed to educate voters on the source of parties’ funds, which should ideally stop parties from participating in corrupt acts (Dowling and Wichowski 2013, 963; La Raja 2013, 3). Disclosure should equip voters with the means necessary to make confident judgements about which parties are more in line with their ideological views (Dowling and Wichowski 2013, 972; Gangnon and Paldo 2011, 357). If this is the case, perceptions of political

corruption should be low and confidence in electoral processes high, because voters will be confident in their choice and there will be a higher level of transparency.

On the other hand, if suspicious relationships are revealed between special interests and parties, due to the existence of financial reporting regulations, it is likely that the dependent variables will be negatively affected (Gagnon and Palda, 357). This would tarnish the reputation of political parties, and signal that elections were not free and fair (Warren 2005, 17). Furthermore, the dependent variables might also be affected if the regulations reveal the name of donors, since regulation might potentially dissuade voters from contributing; this might then incentivize parties to participate in corrupt acts (De Paola and Scoppa 2011, 547-548; Stigler 1972. 95).

C) The Provision of Public Funding

The provision of public funding involves state delivery of direct financial assistance, or the indirect provision of free/subsidized goods and services to political parties (Johnston 2005, 11; Ohman 2013, 8). Quite simply, direct public funding refers to the delivery of money to a political party (IDEA 2014, 22). Indirect public funding, on the other hand, includes such goods and services as: free or subsidized access to media, tax breaks, interest free loans, premises for campaign meetings, free phone services, and other campaign related resources (ACE 2017; IDEA 2014, 394; Johnson 2005, 8). The overriding objective of this distributive regulation is to reduce the negative impact that private money can have on the democratic process, while simultaneously promoting healthy competition and debate (Johnston 2005, 11; Ohman 2013, 8).

Public funding helps parties overcome financial barriers that might have otherwise prevented them from running. It is argued that introducing a system of public funding can encourage pluralism within the party system by increasing the amount of parties that can raise suitable campaign funds (IDEA 2014, 22-23; Miller 2013, 12-13), which may limit perceived political corruption.

Providing parties with the money needed to launch effective campaigns can foster a political atmosphere in which the playing field is equal (Mayer et al, 2005, 3-4), and financial disparities between older and newer parties is minimized (Fisher 2011, 22). This will likely remove the advantage of entrenched parties and reinforce the principle that all citizens can participate politically (IDEA 2014, 22), which will limit perceptions of political corruption and strengthen the

principle of democratic equality. When this happens, confidence in electoral processes should also increase (Dahl 2006, 11-12; De Luca 2007, 166).

Confidence in electoral processes might also be increased by ensuring that public funds are used for specific purposes. For instance, there may be restrictions that dictate how public funds are to be spent, including: promoting civic education, mobilizing youth, and developing more effective campaign communications (Norris et al. 2015, 13). These programs can help improve confidence in electoral processes by increasing the level of voter education, while simultaneously inviting more people into the political process (Newton and Norris 2000, 62; Rose Ackerman 1999, 140-142).

Parties might be offered indirect public funding in the form of subsidized or free access to media (IDEA 2014, 24). This would significantly offset costs for parties, as advertisement time would be paid for with public funds and resources (Johnston 2005, 14). As a result, subsidized or free access to media can increase confidence in electoral processes by removing the advantage of richer parties, while also decreasing campaign costs (Ohman 2013, 7).

In spite of its potential benefits, increased media time for parties might prove a double-edged sword, because it can possibly augment the number of negative advertisements run on television or in print media. If this happens, it is likely that perceptions of political corruption would increase and confidence in electoral processes would decrease (Melgar et al. 2010b, 185). However, subsidized media is not the only form of indirect public funding.

As stated, indirect public funding includes any resource, aside from money, that can be provided to political parties. This is especially important in poorer countries, with smaller government budgets, where neither the population nor the state can provide all parties with adequate funds to run an effective campaign (IDEA 2014, 356). In these cases, providing parties with these goods can offset campaign expenses, thereby reducing financial pressures that might have pushed vulnerable parties into corrupt dealings for money (Mendilow 2012, 185). Consequently, this can broaden the party system in countries that might have otherwise maintained single party dominance (IDEA 2014, 54; Johnston 2005, 7-8). Alongside expanded competition, there should be a decrease in perceptions of political corruption and an increase in confidence in electoral processes, because elections will be considered free and fair, and a citizenry will feel their interests are being represented (Johnston 2005, 7-8).

It is important that any gains accomplished through the provision of public funding not be offset by the potentially damaging influence of special interests. As I discussed, in recent decades the cost of campaigning has increased dramatically alongside the cost of elections, and parties have become increasingly dependent on money (IDEA 2014, 346; Mendilow 2012b, 1). It is important that public funding keep pace with these increasing costs if it is to remain effective (Briffault 1999, 586), otherwise wealthy donors will be able to maintain their ability to exert undue influence over political parties (Nassmacher 2009, 240).

If the influence of private donors and special interests is reduced, through the provision of public funds that breaks such a dependency, more parties will have a fair opportunity to compete in elections (Hobolt and Klemmensen 2008, 311). This happens because funds become more equally dispersed within the party system, which leads to broader policy representation (Ibid). For many, this creates a system that is free and fair, as well as legitimate governing parties, which is likely to reduce perceptions of political corruption while simultaneously bolstering confidence in electoral processes (Hobolt and Klemmensen 2008, 311; Ionescu 2013, 140).

Public funding can also improve the reputation of representative institutions by influencing party behavior and incentivizing them to follow whatever rules are in place (IDEA 2014, 22). This is done by pressuring parties to act within the confines of the law, or risk losing out on state funding (Ibid). Since this will assure a citizenry that funding recipients are vetted as non-corrupt by the state (Miller 2013, 65), this should have a positive effect on the dependent variables. Likewise, a similar effect could also be experienced if taxpayer money is equally distributed among competing parties, which will help attain the principle of democratic equality (Dahl 2006, 11-12; Fisher 2011, 21).

In most cases, the amount of direct public financing a party will receive is based on their performance in a previous election (Ibid, 39). Other ways direct public funding is delivered to parties includes fielding a minimum number of candidates, or, having a threshold for money raised through fundraising before funds are matched (Nassmacher 2009, 311). These demands will alter parties' choices and behaviors in the party system, potentially transforming political finance into performance-based activity. This can be described as: a system in which parties compete on a level playing field in a free and fair manner, while following political finance laws to obtain their share of public funding (IDEA 2014, 24-25; Nassmacher 2009, 311; Ohman 2013, 8).

Based on the arguments presented above, I suspect that public funding will have a positive effect on the dependent variables. With its potential ability to level the playing field between parties – by offering them comparable tangible and intangible resources – the provision of direct and indirect public funding should increase equality and participation. The influence of special interests is also likely to be diminished, because parties will be provided the means to run effective campaigns (Seidle 2011, 38). This should strengthen political representation, which will likely improve citizens’ judgements on political institutions, which can lead to a decrease in perceptions of political corruption and an increase in confidence in electoral processes. However, in spite of these expectations, public funding does have its critics.

As I mentioned earlier, a system of public funding – both direct and indirect – leaves the door open for cartel parties (Katz and Mair 1995). This happens because the state and parties are brought into a closer relationship, which can lead to collusion between parties who can survive politically if they receive a certain share of the public resources and subsidies (IDEA 2014, 24; Katz and Mair 1995, 17).

If cartel parties become the norm, it is likely to increase perceptions of corruption, but also make parties completely dependent on state funds for survival - potentially petrifying the party system (Fisher 2011, 24; Katz 2011, 61).²⁴ In this situation, competition would be stamped out as certain parties would participate in inter-party corruption (Fisher 2011, 24). As a result, the public would withdraw from the political process, and understand their tax dollars as supporting a system that does not represent their interests (Evans 2007, 454; Fisher 2011, 24). As I have discussed, when a citizenry believe that their interests are not being represented, confidence in electoral processes is likely to decline (Norris 2015, 121). If Katz and Mair’s (1995) cartelization hypothesis is in fact correct, I suspect that public funding will have a negative impact on the dependent variables.

D) Mixed Strategies

Aside from instituting laws from a single category of party finance regulations, states can also combine and overlap them. According to Norris et al. (2015, 8), there is no single regulation that can adequately prevent money from disrupting politics, and they argue that mixed strategies are

²⁴ Some European political parties rely on direct and indirect public funding for up to 80 per cent of their income (IDEA 2014, 354).

ideal. It has been suggested that this is the best way to root the influence of special interests, while still providing parties with the funds necessary to function effectively (Ohman 2013, 7).

There are three categories of party finance regulation (IDEA 2014, 21-29; Ohman 2013, 5-8), but there is a multitude of strategies that might be developed. Unlike an overlapping of regulations from a single regulatory category, mixed strategies include any combination of bans and limits; and/or disclosure; and/or public funding (Johnston 2005, 8-11; Ohman 2013, 5-8). Depending on the strategy used, I expect the dependent variables to be affected differently.

A common regulatory strategy is the combination of bans or limits and disclosure regulations (Johnston 2005, 19). In a 2010 cross-national analysis of 111 countries, Lindstedt and Naurin (2010) analyzed the effects that transparency measures had. These were not limited to party finance regulations, but instead considered all laws that concerned the release of information about political institutions (Ibid). They found that transparency measures alone did not reduce corruption and stressed that transparency regulations must be complemented by additional laws if they were to be successful (Ibid 2010, 316).

In the realm of political finance, implementing disclosure regulations alongside bans or limits helps identify who is contributing to political parties and the amount they are contributing (IDEA 2014, 28; Ohman 6-7). This should help with the enforcement of bans and limits, because it becomes more difficult for parties to hide any unethical dealings (La Raja 2013, 2). In this ideal situation, parties would follow the rules and we would likely see positive effects reflected in the dependent variables. However, oftentimes political parties and large donors are well educated on the electoral laws in place and might be able to avoid them.

When a system of bans/limits and disclosure is in place, donors can use complicated financing schemes to their advantage by skillfully portioning off their donations to avoid violating any laws (Dowling and Wichowski, 966). Furthermore, donors can also use timing lags, so that any illegal activity that might hurt a party's image will not be released until after an election (Ibid). This can lead to an increase in perceptions of corruption and a decrease in confidence in electoral processes, because the game will be considered rigged (Norris 2014, 17-19). Activities such as this were witnessed during the 2013 Ontario provincial elections, where yearly limits are set at \$10 000 (CAD). However, during leadership races, there are no limits. This allowed a few large special interests to donate massive sums - \$250 000 plus – to the Ontario Liberal party. When this information became public, the backlash was immediate (Cohn 2016).

Noting these issues, it might be wise to look at strategies that implement a system of disclosure alongside public funding. This is normally done so that the government and citizens are aware of what public funds are being spent on. Again, the presence of transparency can act as leverage, encouraging parties to obey whatever rules are in place (Johnston 2005, 15). Beyond this, however, disclosure does not substantially alter a system of public funding, be it direct or indirect financial assistance (Ibid). Since public funding basically provides parties with the funds or resources necessary to compete, I expect a system of disclosure and public funding to have very similar effects to that of a system of public funding without disclosure – that is: I assume perceptions of political corruption will decrease and confidence increase.

While disclosure might not significantly alter the way that a system of public funding performs, implementing a system of bans and limits alongside a system of public funding could have significant effects (IDEA 2014, 354; Norris et al. 2015, 8). For instance, when regulations controlling contributions and expenditures are in force at the same time that a system of public funding is also implemented, it limits the amount of uncontrolled money and still provides parties with adequate funding. Likewise, spending limits would keep the cost of elections lower, which would decrease the need for parties to seek out huge donations, while also increasing public support for elections (IDEA 2014, 346; Ohman 2013, 2; Pinto-Dushinsky 2002, 82). In turn, this could limit, drastically reduce, or completely remove the negative influence of special interests, while fostering a party system that offers multiple viable options (Briffault 1999, 565; Miller 2013). Since large special interest donations are often associated with corruption, reducing these, while maintaining healthy competition, would likely have a positive impact on the perception of political corruption dependent variable (Briffault 1999, 565; Miller 2013, 12-13).

Since more established parties will no longer be able to rely on massive donations alone, and less established parties will receive money from the state, the strategy of coupling bans/limits and public funding can also reduce funding discrepancies between parties (Briffault 1999, 565). Consequently, this would reduce economic inequalities in electoral processes and reduce the need for constant fundraising (Ibid). This could increase confidence in electoral processes by levelling the playing field (IDEA 2014, 24; Ohman 2013, 7). Therefore, I imagine that implementing regulations controlling contributions and expenditures, alongside a system of public funding, will have positive effects on the dependent variables.

The last strategy to be discussed here is one in which all regulatory categories are implemented. When all types of political finance regulation are brought into question, it creates a spectrum. On one side there is very little regulation from each category imposed, and on the other all regulations are imposed (Norris et al. 2015, 42). Again, I do not anticipate disclosure having a large effect on the way that public funding affects the dependent variables. However, it might negatively affect them if only certain bans or limits are in place. This concerns the ability of disclosure to dissuade small donors from contributing to political parties (Dowling and Wichowski 2013, 972). Likewise, disclosure can also highlight potentially questionable relationships between parties and donors (Ibid). If it does this, it might remove any positive effects that are the result of public funding. Therefore, I suspect that the best strategy would be one in which only bans/limits and public funding are introduced.

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There are several theoretical implications that the alternative explanations might have on the dependent variables; the same is true for party finance regulations. The literature suggests that perceptions of political corruption and confidence in electoral processes have a profound effect on the functionality of democracy, but it is empirically unclear what drives variation in the level of the dependent variables (Melgar et al. 2010b; Birch 2008, 305). Noting this, I recognize the potential link that exists between perceptions of political corruption and confidence in electoral processes. Part 2 of this analysis will be dedicated to quantitative analyses that might help clarify these issues. I examine variation in the levels of the dependent variables across countries, investigate the link between the dependent variables, and systematically analyze the potential effects of economic status, education levels, electoral systems, and party finance regulations.

PART 2:
Data, Methods, Analysis, Conclusions

2.1 The Dataset

I encountered a number of difficulties when compiling the necessary data for this thesis. Data was not available for all democratic countries, meaning that I had to limit the sample size and choose certain indicators based off their compatibility with the dependent variables. In some cases, this meant merging multiple indicators so that I could best capture the essence of the concept I was trying to explain. Furthermore, all party finance regulation data is from 2012, which meant that all other available data that had to be collected had to be from that year, or, the year closest to it. While this was challenging, it allowed me to incorporate countries and indicators that are rarely examined in the literature – at least with respect to this topic. As a result, I have developed a completely original dataset that does not exist anywhere else in the literature. What follows is an explanation of how I constructed it.

2.2 Country Selection

This thesis tests the effects of party finance regulations, as well as the control variables (the economic status of citizens, the education level of citizens, and electoral systems) across thirty-five parliamentary democracies. I decided upon a targeted study of specific countries, due to the large amount of data that has yet to be compiled in any other work.

To ensure uniformity of national party finance regulations in elections, as well as to simplify this for explanatory study, I chose to examine only national Lower House elections. This means that the countries selected had to be multiparty, bicameral parliamentary or semi-presidential states. I am omitting unicameral parliamentary systems or federal presidential systems, such as the United States, where different sub-national party finance regulations can apply in national elections (Boatright 2011, 17).

Focus is primarily placed on political parties, rather than individual politicians, because this study concerns the fundamental importance of political institutions. Political parties are relevant to this thesis, not only for their key role in campaigning and politics, but also for their reputation as the most corrupted political institution (IDEA 2014, 345).

Norris's (2011) *Democratic Deficit: Critical Citizens Revisited*, and Lijphart's (2012) *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries* are the main sources I used to devise the country selection methodology. Both are comparative works that analyze the effects of democratic institutions, democratic disaffection, and democratic performance across

multiple states. Moreover, each focuses on the effects of confidence in government, socio-economic development, electoral processes, and corruption in democracies.

Norris's (2011, 6) work includes a sample set of 93 countries and uses the Freedom in the World score to help determine which countries are democratic. Noting this, I also used the score, because it is an aggregate of seven sub-categories concerning political rights and civil liberties. These are drawn from the Universal Declaration of Human Rights and represent components essential for freedom and democracy (Freedom House 2017). The components considered are: (1) the ability to vote in legitimate, free and fair elections; (2) the ability to participate in the political process; (3) the right to have representatives that are accountable to the populace; (4) the freedom to expression and belief; (5) the freedom to assemble and associate; (6) access to an established and equitable rule of law; and (7) the ability to enjoy social and economic freedoms, including access to opportunity and the right to hold private property (Ibid).

The Freedom in the World report is valuable, because it systematically categorizes countries into: (1) free; (2) partly-free; and (3) not free (Norris 2011, 6). According to Freedom House (2017) free and partly-free countries are said to have: legitimate and fair electoral processes, a respectable level of political participation and pluralism, strong rule of law, and the necessary requirements to be classified democratic (Norris 2011, 6). The countries compiled in my dataset have been drawn from the free and partly-free categories, because studying non-democratic countries would negate the objective of this thesis.

I also use the free and partly-free categories to determine whether a country demonstrates legitimate dedication to democratic principles. This concept is drawn from Lijphart's (2012, 48) sample set selection criteria, and is relevant for the analysis because I am interested in countries that are implementing party finance regulations to improve the functionality of democracy. Since Freedom House (2017) ranks countries based off their commitment to democratic principles, I again opted to use countries that are considered democratic from the report.

It was also important that any countries selected had data available with respect to the dependent and independent variables in this thesis. As such, the following criteria were taken into consideration when I chose the countries I would use in my dataset: (1) government system (was the country a multi-party parliamentary, or semi-presidential system with a bicameral house?); (2) level of freedom and dedication to democratic principles (was the country ranked free or partly-

free by Freedom House?); and (3) data availability (was there sufficient data available with respect to the variables?).

After taking these specifications into consideration, I was left with a sample set of 35 countries. One case, Malta, only had data that applied to perceptions of political corruption. I decided to include the country, meaning that analyses concerning confidence in electoral processes omit Malta. Therefore, in my analyses for confidence in electoral processes N=34, whereas N=35 in analyses concerning perceptions of political corruption (See **Table 1**).

Table 1 – Countries Selection for Analysis

COUNTRY SAMPLE SET	
1. Albania	19. Jamaica
2. Australia	20. Japan
3. Austria	21. Latvia
4. Barbados	22. Lesotho
5. Belgium	23. Malta (perceptions of corruption only)
6. Botswana	24. Mauritius
7. Canada	25. Montenegro
8. Croatia	26. Netherlands
9. Czech Republic	27. New Zealand
10. Denmark	28. Norway
11. Finland	29. Slovakia
12. Germany	30. South Africa
13. Greece	31. Spain
14. Iceland	32. Sweden
15. India	33. Serbia
16. Ireland	34. Trinidad and Tobago
17. Israel	35. United Kingdom
18. Italy	

Interestingly, this sample-set varies a great deal in terms of geographic representation. It includes countries from Europe, North America, South America, Asia, Africa, and Oceania. This means that any potential patterns that reveal themselves in the analysis will be representative of global, rather than regional trends.

I also note that twenty per cent of the countries in the sample set transitioned to democracy following 1990. Age is a very important factor with respect to our dependent variables for a few reasons. First, Freedom House (2016, 1) cites corruption in both establishing and established democracies as a main driver for democratic decline. Likewise, it is argued that continued low-

confidence over extended periods of time can have severe repercussions (ACE 2013, 10; Norris 2014, 17-18). Finally, many establishing democracies are encountering political finance regulations for the first time in their histories (Pinto-Dushinsky 2002, 85).

The presence of these countries will help reveal if patterns exist across both established and establishing democracies, as well as across the globe. This means that any findings will be more robust and generalizable. I will also be able to say with greater confidence what is, and what is not, responsible for variation in the dependent variables. Although both age and geography could have been used as control variables, the lack of sufficient data on this thesis' subject led to problems concerning collinearity. It appears that both age and region are tightly connected to the party finance regulations. With better data, these two variables could be examined as separate concepts and measures. Having said that, I did not want the analysis to be stopped by imprecise measures. I opted to explore the viability of the data that was available and hope to incorporate age and region as controls in future research on this subject.

2.3 Variables and Operationalization

Below are descriptions of this thesis' variables and their operationalization. These include the DVs (confidence in electoral processes and perceptions of corruption); the controls (the economic status of citizens, the education level of citizens, and electoral systems); and the IVs (party finance regulations). Due to a lack of up-to-date data concerning party finance regulation variables, I used data from IDEA's (2014) political finance handbook, which lists all party finance regulations across countries for the year 2012. In addition to this, all other data used is drawn from 2012 or the year closest to it – ranging from 2010 to 2014. I did this because I am unsure if all the party finance regulations are still in force. By using the same year, or that closest to it, I can be more confident that any effects observed are the due to the IVs. This also creates consistency throughout the analysis.

DEPENDENT VARIABLES

A) Confidence in Electoral Processes:

Confidence in electoral processes is measured by combining two indicators: (1) the perceived freeness and fairness of elections by a population; and (2) a citizenry's trust in politicians. Both

use country aggregate scales. The first indicator was chosen for its ability to represent citizen satisfaction with democratic elections in their country (V-DEM 2016). Birch (2008, 1602) tells us that when elections are considered free and fair, it indicates that people recognize the existence of electoral integrity. High levels of electoral integrity represent confidence in electoral processes because it necessitates that there is very little to no political malpractice, that elections are not manipulated, legal mechanisms are followed, global norms are upheld, and democratic principles are protected (Norris 2014, 8-9).

The second indicator, public trust in politicians, represents how well a citizenry rates the ethical standards of their politicians (QOG 2017). Trust in politicians' ethical standards is key to citizen confidence in electoral processes, because individual politicians make up conglomerates that control political parties and the decisions they make (Pharr 2000, 192). When political parties become ethically perverted, and trust in politicians decreases, citizens will be less likely to have confidence in the electoral processes because they will not trust the mechanisms that brought untrustworthy, or even corrupt officials to power (Pharr 2000, 192). Likewise, citizens might also be disheartened by the possibility that electoral processes have been undermined by politicians seeking political gain (Ibid) (See **Appendix DV1**).

B) Perceptions of Corruption

To measure the level of perceived political corruption across countries, Transparency International's (2016b) *Corruption Perception Index* (CPI) was used. First launched in 1995, the CPI is a tool that aggregates the scores of several corruption related surveys (Abramo 2007, 8). Other datasets measuring levels of perceived corruption exist, but none are as comprehensive as the CPI (Abramo 2007, 8; Anderson and Tverdova 2003, 95-96; Lambsdorff 2005; Sandholtz and Gray 2003, 775; Treisman 2007, 220). Basically a 'poll-of-polls', the CPI combines multiple international organizations' surveys and reports (Anderson and Tverdoiva 2003, 96).²⁵ Participants include: country experts, international business people, and average citizens (Sandholtz and Gray

²⁵ The CPI quantifies perceptions of corruption in the public sector by aggregating the data from: Global Corruption Barometer (GCB), Bribe Payers Index (BPI), Global Corruption Report (GCR), National Integrity System Assessment (NIS), and Transparency in Corporate Reporting (TRAC) (Transparency International 2012). According to Transparency International (2012), country scores are decided by: "subtracting the mean of the data set and dividing by the standard deviation and results in z-scores, which are then adjusted to have a mean of approximately 45 and a standard deviation of approximately 20 so that the data set fits the CPI's 0-100 scale."

2003, 775). This allows for a more complete understanding of how perceptions of political corruption manifest themselves across states and within all sectors of society.

The CPI was chosen to measure perceptions of political corruptions in this thesis for three reasons. First, this thesis uses their definition of corruption: “the abuse of entrusted power for private gain.” (Transparency International 2016a). Second, the distribution of its scores – 0 representing very high levels of perceived corruption and 100 representing very low levels of perceived corruption – allows for strong variation in the cross-national analysis.²⁶ Finally, the CPI offers data for all countries in the sample set, including data for 2012 (See **Appendix DV2**).

ALTERNATIVE EXPLANATIONS/CONTROL VARIABLES

A) Economic Status

To measure the economic status of citizens, the *GDP per capita, PPP (Current International \$)* 2012 World Bank indicator was chosen. This indicator measures the gross domestic product of citizens across states and converts it to international dollars using the purchasing power parity rates of each country (World Bank 2018).²⁷ This indicator was selected to demonstrate the economic status of a populace (Ringen 2007, 124-125; Schlozman 2012, 74-75). When purchasing power is higher it may translate into lower levels of perceived corruption and higher confidence in electoral processes (Dalton 2017, 388; Newton and Norris 2000, 60; Peyton and Belasan 2012, 31; Putnam et al. 2000, 9) (See **Appendix IV1**).

B) Education Level

Aggregate education levels are represented using World Bank’s (2018) *Gross Enrollment Ratio, Tertiary, both sexes (%)* 2012 indicator. This indicator is calculated by: “dividing the number of students enrolled in tertiary education regardless of age by the population of the age

²⁶ To make the CPI data compatible and uniform with my other data – that is: 0 = low; 1 = high – the scale has been reverse coded. This means that a score of 0 represents very low corruption in this thesis, while a score of 100 represents very high corruption.

²⁷ According to World Bank (2017a): “An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP at purchaser’s prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current international dollars based on the 2011 ICP round.”

group which officially corresponds to tertiary education, and multiplying by 100.” (World Bank 2018) Tertiary education was favored for this analysis, over adult literacy rates, or, total high school enrollment, because it is argued that the higher one’s education the more likely they will be to process information related to corruption and electoral processes (Diamond 2016, 37; Ionescu 2013, 140; Mayne and Hakhverdian 2017, 176; Melgar 2010b, 192; Norris 2014, 96-97; Zakaria 2016, 421). If theory is correct, this should have an effect on the level of the DVs (See **Appendix IV2**).

C) Electoral Systems

All electoral system information has been gathered using IDEA’s (2015) *Global Database on Elections and Democracy*. Not all electoral systems are present within the sample set; the only ones that appear are: STV, List PR, AV, FPTP, MMP, Parallel, and BV. Each system type has been categorized into its rightful electoral family – majority/plurality, proportional, or mixed. While this limits my ability to test specific electoral systems, it does allow me to observe what effect(s) electoral system families might have on the DVs.

To further narrow the scope of this variable, I considered the highly antagonistic and competitive nature of majority/plurality systems. Since the main goal of politics is to win office, majority/plurality systems are more likely to completely exclude parties from the political process if they lose (Downs 1957, 153; Norris 2014, 68). The adversarial nature of these systems can affect political behavior in ways that might alter peoples’ perceptions of corruption (Dzionek-Kozłowska 2014, 86) and confidence in electoral processes (Kim 2007, 514; Norris 2004, 74). Therefore, I combined both proportional and mixed systems into a single, standardized variable that omits majority/plurality systems. This works well for sample sizes, as well as the distribution of cases. By doing this, all systems are accounted for and the control IV reveal if less adversarial systems have a negative or positive effect on the DVs (See **Appendix IV3**).

INDEPENDENT VARIABLES – PARTY FINANCE REGULATIONS

All party regulation data has been collected using IDEA’s (2014) *Funding of Political Parties and Election Campaigns: Handbook on Political Finance* report. In this document, all countries’

political finance regulations from the year 2012 are outlined. Sixteen regulations are coded in this thesis and are assigned to the countries they correspond with.²⁸

Table 2 – Party Finance Regulations for Analysis

Regulation Type	Regulation Description
Bans	Is there a ban on donations from foreign interests to political parties?
	Is there a ban on corporate donations to political parties?
	Is there a ban on donations from corporations with government contracts or partial government ownership to political parties?
	Is there a ban on donations from trade unions to political parties?
	Is there a ban on anonymous donations to political parties?
	Is there a ban on state resources being given to or received by political parties or candidates (excluding public funding)?
	Is there a ban on any other form of donation?
Limits	Is there a limit on the amount a donor can contribute to a political party over a time period (not election specific)?
	Is there a limit on the amount a donor can contribute to a political party in relation to an election?
	Are there limits on the amount a political party can spend?
Direct Funding	Are there provisions for direct public funding?
Indirect Funding	Are there provisions for free or subsidized access to media for political parties?
	Are there any other provisions for any other form of indirect public funding?
Disclosure	Do political parties have to report regularly on their finances?
	Do political parties have to report on their finances in relation to election campaigns?
	Is information in reports from political parties to be made public?

The sixteen regulations are chosen for their compatibility with the objectives of this analysis (See **Table 2**). All regulations, except for indirect public funding, are coded into dichotomous variables – the regulations are either in place, or they are not. With respect to indirect public funding, an ordinal amount has been coded and standardized in relation to the amount of indirect provisions that are made available (See **Appendix IV4-IV19**). By doing this, I can determine the

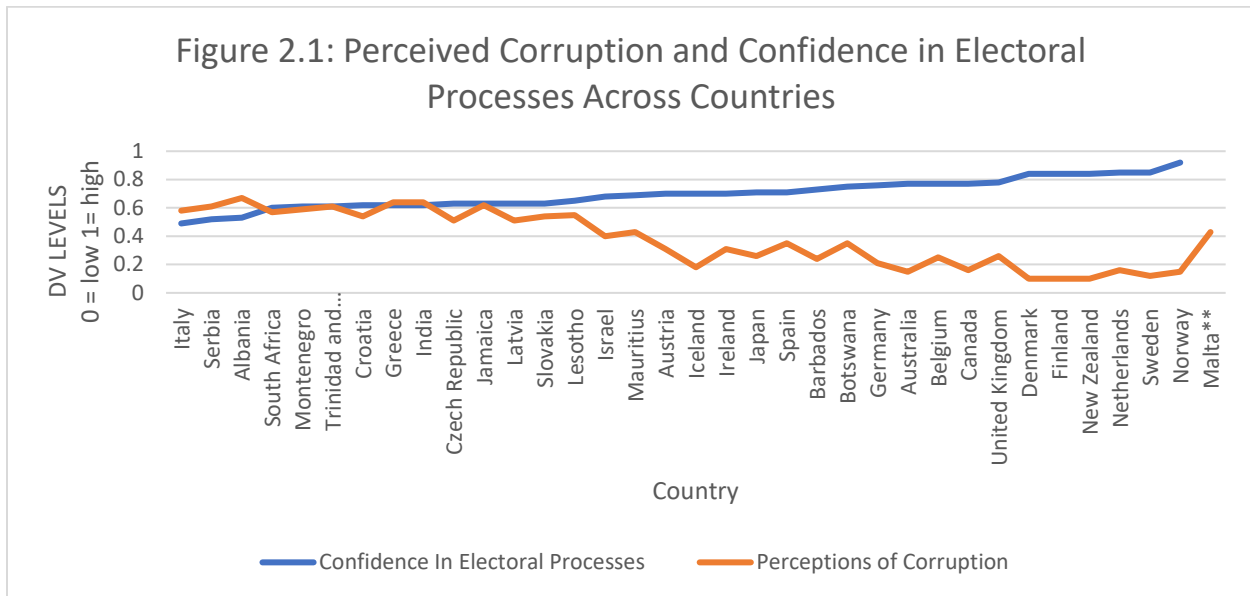
²⁸ There were several additional regulations that were inconsistent with the overarching objectives of this thesis; as such, they were omitted. These includes regulations such as: all individual candidate regulations; provisions of direct public funding to political parties related to gender equality; specifications for which institutions will receive disclosure reports; and so forth (IDEA 2014, 368-369). Since this is the first study of this kind, it is hoped that any omitted data can be incorporated into future research.

potential effects of indirect public funding, especially as the types of indirect funding increase in number.

To accurately capture what might happen when regulations overlap, the individual regulations have also been combined into additional multidimensional variables. These include variables that combine multiple regulations from the same regulatory categories, or variables that represent different regulatory strategies (See Appendix IV20 to IV29).

2.4 Analysis and Finding

My analysis begins by examining the level of perceived political corruption and confidence in electoral processes across countries. Figure 2.1 shows significant cross-national variation in levels of perceived corruption, as well as in levels of confidence in electoral processes. The lowest level of perceived corruption is found in Denmark (.10), the highest in Albania (.67). Alternatively, the highest level of confidence in electoral processes is found in Norway (.92), the lowest in Italy (.43).



****Data for Malta does not apply to tests that concern confidence in electoral processes**

Sources: V-DEM. 2016. Varieties of Democracy (V-DEM Project); QOG. 2017. "Quality of Government Standard Dataset, version jan17." The Quality of Government Institute.; Transparency International 2012. "Corruption Perception Index." Transparency International.

I followed this by grouping each dependent variable into separate dichotomous variables, to test the significance of variation across countries. I separated countries into high and low levels of

perceived corruption and confidence in electoral processes.²⁹ Running independent sample T-tests, I noted that the difference of means between groups is significant for both dependent variables. For perceptions of corruption, the mean difference between groups is -.34. Alternatively, the mean difference for groups in the confidence in electoral processes variable is -.18. This tells us that the variation seen between countries is not a random occurrence.

Noting this significant variation, I proceeded to examine if there was a significant correlation between the two dependent variables. Evidence of this could highlight additional strategies that might be used to improve the functionality of democracy. Testing the two variables in a bivariate analysis, I note a very strong and significant correlation exists between them ($b = -.9$).³⁰ It appears that confidence in electoral processes increases when perceptions of corruption decrease. I infer that the relationship operates this way – that is: confidence increases when perceived corruption decreases – based on corroborating discourse in the literature.

As noted in Section 1, high perceptions of corruption might increase tolerance towards corruption, leading politicians to participate in corrupt acts (Melgar et al. 2010a, 120). This can create a “culture of distrust” (Melgar et al. 2010a, 120), but it might also promote negative impressions of political actors (Pharr 2002, 846). If this happens, confidence in electoral processes is likely to decline, because citizens will begin to distrust politicians and political institutions (Ibid). Perceptions of corruption translate into public disaffection and a sense that the political class is using political institutions for their own personal gain (Warren 2004, 329). This fosters anti-authority attitudes (Pharr 2002, 846) and convinces citizens that they are being taken advantage of (Warren 2004, 329). In turn, this breeds cynicism, weakens accountability and transparency, and ultimately erodes the legitimacy of political parties and elections (Anderson and Tverdova 2003, 91; Warren 2004, 329). The data are in line with these theories and demonstrate

²⁹ The Perceptions of Corruption variable was divided as follows: anything above .50 was considered a high level of corruption, while anything below was considered low. This is consistent with Transparency International’s (2012) suggestion that scores below 50 represent a serious corruption problem. Please note that the scale was reverse coded for the purposes of this project. Therefore, while scores below .50 on the CPI represent greater levels of perceived corruption, scores below .50 on my scale represent lower levels of perceived corruption. Confidence in electoral processes was also dichotomously grouped: anything below .69 represented low confidence, while anything above .70 represented a high level of confidence. This grouping was done according to sample size, as roughly half the confidence in electoral processes sample fell into what I labelled the high category, and the other the low.

³⁰ Significant at the 99th confidence interval.

that rising perceptions of corruption correlate with decreasing levels of confidence in electoral processes.³¹

No one is entirely sure what produces variation in levels of perceived corruption or confidence in electoral processes (Melgar et al. 2010b; Birch 2008, 305). Arguably, variation is caused by: the economic status of citizens (Anderson and Guillory 1997, 67; Anderson and Singer 2008, 585-586; Saha et al. 2009 174-175; Zàvecs 2017, 443), aggregate levels of citizen education (ACE 2013, 15; Newton and Norris 2000, 60; Schlozman et al. 2012, 463), or electoral systems (Birch 2008, 309; Birch 2010, 1602; Ladner and Milner 1999, 249; Moser and Schneider 2004, 577; Pharr 2002, 846).

Looking at Table 3, we see that the first two of these arguments – those that revolve around the concept of socio-economic development (high economic status and high education levels) – are in fact significantly correlated with lower levels of perceived corruption and higher levels of confidence in electoral processes. It appears that electoral systems do not have a significant relationship with the dependent variables. I note that both economic status and education levels have a stronger effect on perceptions of corruption than they do on levels of confidence in electoral processes.

**TABLE 3 – Bivariate Analysis, Pearson Correlation:
Controls and Dependent Variables**

IV	Perceptions of Corruption	Confidence in Electoral Processes
Economic Status (1 = high)	-.768** (1 = high) .000	.687** (1 = high) .000
Education Level (1 = high)	-.550** (1 = high) .001	.415* (1 = high) .015
Electoral System	-.023 .898	-.040 .822

*Significant at P<.05; **Significant at P<.01

See: Appendix for variable coding

Sources: V-DEM. 2016. Varieties of Democracy (V-DEM Project); QOG. 2017. "Quality of Government Standard Dataset, version jan17." The Quality of Government Institute.; Transparency International 2012. "Corruption Perception Index." Transparency International; World Bank. 2017. "Indicators," The World Bank; World Bank. 2012. World Bank, International Comparison Program database; UNESCO Institute for Statistics; IDEA. 2017. "Global Database on Elections and Democracy," International Institute for Democracy and Electoral Assistance (International IDEA).

³¹ This is illustrated in Figure 2.1. the bivariate analysis highlights the strong divergence between high perceptions of corruption and low confidence in electoral processes.

The favorable relationship seen between higher economic status, decreased perceptions of corruption, and increased confidence in electoral processes might be the result of a higher GDP per capita convincing a country's citizens that they are 'winners' (Anderson and Guillory 1997, 2). This generates greater trust in government and representative institutions (Dalton 2017, 388). The better a country's economic status, the more likely citizens will feel that the political class is acting in the public's best interests, which should foster greater trust and confidence among a populace (Ibid). Furthermore, higher education – in this case tertiary enrollment - also has a significant relationship and favorable effect on the dependent variables. This may suggest that education has the ability to provide citizens the tools necessary: to adequately recognize actual signs of corruption; to avoid panic associated with sensationalism (Melgar et al. 2010b, 192; Milligan et al. 2004, 1668; Norris 2014, 96-97); and to better comprehend electoral processes and political institutions (Melgar et al. 2010b, 192; Norris 2014, 96-97).

I also infer that the reason economic status and education levels, rather than electoral systems, have a significant effect on the dependent variables regards their status as socio-economic development indicators (Anand and Sen 2000; Welzel et al. 2003). Arguably, when people make more money, or attain a higher education, they become happier (Zmerli and Newton 2011, 69). In turn, these countries are more likely to have better impressions of the government, politicians, and the electoral processes that helped them secure their position in society (Ibid).

Interestingly, the socio-economic development controls have a stronger effect on perceptions of corruption (economic status: $b = -.76$; education levels: $b = -.55$). Greater levels of wealth among a populace and higher levels of education are indicative that a citizenry is more equal to the ruling class. When countries have populations with low levels of wealth and education, citizens will suspect that the political classes are corrupt and interested only in maintaining their power (Huntington 2002, 255; Persily and Lammie 2004, 128). This is in accordance with the argument that those in the 'outgroup' will be more likely to perceive corruption (Ringen 2007, 37; Persily and Lammie 2004, 153-155; Zakaria 2016, 419). Therefore, when socio-economic development is lacking, especially in terms of GDP per capita, people may assume that a corrupt government is to blame. However, these results do not consider the effects of party finance regulations.

To determine the direct effects that party finance regulations might have, I use bivariate analysis of the regulations and dependent variables. Recognizing that decreasing the level of perceived corruption is likely to increase confidence in electoral processes, I suspect that

decreasing perceptions of corruption using party finance regulations might also be an effective, albeit indirect, method to increase confidence.

In Table 4, only four regulations out of the total 16 have a direct and significant relationship with the dependent variables. Each of the significant relationships, aside from the provision of direct public funding, show that regulations have adverse effects (that is: they increase levels of perceived corruption, or decrease confidence in electoral processes). This is very interesting, because these results are at odds with the intended purpose of regulations.

Three notable findings stand out here. First, some regulations do significantly correlate with variation in the dependent variables. Second, bans and limits have an adverse effect. Third, the provision of direct public funding has a significantly correlated negative relationship with perceptions of corruption, indicating that its presence can decrease perceived corruption. This is extremely important for this research, as it appears to be the only individual regulation with the potential to improve the functionality of democracy.

**TABLE 4 – Bivariate Analysis, Pearson Correlation:
Individual Regulations and Dependent Variables**

IV	Perceptions of Corruption	Confidence in Electoral Processes
Ban on anonymous donations	.398* .022	-.327 .068
Additional bans on contributions (individual or civil society)	.346* .049	-.447* .010
Limit on amount one can donate in relation to election	.227 .189	-.372* .030
Provision of direct public funding	-.382* .024	.307 .077

*Significant at P<.05; **Significant at P<.01

Analysis also controlled for all other individual regulations – presents only those with significant correlations

Sources: V-DEM. 2016. Varieties of Democracy (V-DEM Project); QOG. 2017. "Quality of Government Standard Dataset, version jan17." The Quality of Government Institute.; Transparency International 2012. "Corruption Perception Index." Transparency International; IDEA. 2014. "Funding of Political Parties and Election Campaigns: A Handbook on Political Finance," Institute for Democracy and Electoral Assistance.

Taking a closer look at the effects of bans and limits, these results are both expected and unexpected. I was wrong when I suspected that regulations would serve a valuable purpose in bolstering confidence in electoral processes. I believed this because regulations controlling contributions and expenditures are intended to reduce the threat of uncontrolled money, lopsided competition, or runaway spending (IDEA 2014, 21; Johnston 2005, 13; Norris et al. 2015, 11; Ohman 2013, 5). However, I did accurately anticipate that bans and limits would increase perceptions of corruption, potentially because they force parties to seek out illegal funding methods (Hobolt and Klemmensen 2008, 310; Rose-Ackerman 1999, 142).

The advantageous effect that direct public funding has on perceptions of corruption ($b = -.38$) was also expected, because I presumed that an influx of clean money into the party system would offset problems associated with political financing. This is likely because direct public funding can level the playing field between parties, thereby reducing the need for parties to participate in corrupt acts to match competitors' funds (IDEA 2014, 22-23; Johnston 2005, 1; Miller 2013, 12-13; Ohman 2013, 8).

It is important to note that correlation does not equal causation. I am interpreting the results as such: party finance regulations impact perceptions of political corruption and confidence in electoral processes. But, it is entirely possible that the relationship operates in the opposite direction – that is: high levels of perceived political corruption and low levels of confidence in electoral processes precede the implementation of regulation. While I can discuss this issue of possible endogeneity, the lack of comprehensive data on the subject makes it difficult to fully address this problem. To do so would require additional data from multiple years and in-depth case studies – something that should be incorporated in future works.

To push these findings further, I follow with multivariate regressions of individual regulations. This allows for more rigorous tests, because I will consider additional possibilities for variation. Since the economic statuses, education levels, and electoral systems vary across countries, these results will highlight the possible effects that regulations have in the presence of the alternative explanations.

I use OLS regression to test perceptions of corruption with the controls and each individual regulation type to determine if there is a single regulation that can decrease or increase peoples' belief that corruption was occurring. The same process is used to analyze how confidence in electoral processes is affected by individual regulations.

The results in Table 5 further substantiate my bivariate findings and reiterate that individual regulations either have no effect or are met with dysfunction. Concern over the ineffectiveness of individual regulations is rarely expressed in the literature (IDEA 2014, 356-357; Norris et al. 2015, 8; Ohman 2013, 7), but it is argued that regulations are more likely to succeed if they are mixed with other, complementary regulations (Norris et al. 2015, 8). This is associated with the inability of individual regulations to completely control the negative effects of political finance.³²

Of the individual regulation variables, four affect the level of perceived corruption, while five affect the level of confidence in electoral processes. Of these, only two regulations – (1) bans on donations from corporations with government contracts; (2) additional bans from individuals or civil society – affect both dependent variables.³³ Like we saw in the bivariate analyses, regulation controlling contributions and expenditures have a consistently negative effect on the dependent variables.³⁴

As we can see, bans have a significant correlation with perceptions of corruption and appear to increase their levels. I thought that targeted bans and limits could decrease perceptions of corruption, because they are intended to lower the negative effects of special interest money (IDEA 2014, 21; Johnston 2005, 13; Norris et al. 2015, 17). This gives further credibility to the theory that blocking certain contributions pressures parties to participate in behavior that is perceived corrupt by the public; specifically, corrupt behavior that seeks to secure the funds necessary to compete (Melgar et al. 2010b, 185; Rose-Ackerman 1999, 139). I speculate that the very

³² Please note that throughout this analysis, all individual, as well as multidimensional disclosure variables were tested alongside the dependent variables, the controls, as well as the other party finance regulations. This testing exceeded 300 possible regressions, and there was not one instance in which disclosure regulations had a discernible effect on the dependent variables. Furthermore, when these tests were run, all other IVs maintained a similar relationship that they had with the dependent variables, regardless of whether disclosure was included. Therefore, it appears that disclosure has little, if any effect on perceptions of corruption or confidence in electoral processes (at least with respect to the indicators and country samples I used). In the section that follows, disclosure will not be widely discussed, for the reasons listed above, and because the results do not affect the main findings.

³³ IDEA (2014) is vague in their description of what additional bans are. By compiling all regulatory possibilities and using the process of elimination, it is likely that this refers to bans on small or large contributions from individuals; as well as bans on donations from civil society groups (Johnston 2005, 18).

³⁴ Specifically, the dependent variables are negatively affected by bans on donations from corporations with government contracts; bans on anonymous donations; additional bans from individuals and civil society; and limits on donations that are or are not election specific.

Table 5 – Linear Regression: Individual Regulations and Alternative Explanations

Regulation Category	Regulations Type	D.V.	Control IVs			R	D.V.	Control IVs			R
		Per. Of Corrupt	Economic Status	Education Levels	Elect. System	R Square	Confidence in Elect.	Economic Status	Education Levels	Elect. System	R Square
BANS	Ban on donations from corporations w/ govt contracts	B: .118* S.E: .054	B: -.442** S.E: .140	B: -.355* S.E: .136	B: .101 S.E: .067	.549	B: -.075* S.E: .031	B: .256** S.E: .080	B: .117 S.E: .078	B: -.054 S.E: .038	.491
	Ban on anonymous donations	B: .150** S.E: .050	B: -.353* S.E: .138	B: -.411** S.E: .131	B: .071 S.E: .064	.612	B: -.055 S.E: .033	B: .219* S.E: .091	B: .143 S.E: .086	B: -.062 S.E: .042	.444
	Additional bans (individual or civil society)	B: .130* S.E: .048	B: -.467** S.E: .138	B: -.320* S.E: .132	B: .093 S.E: .063	.592	B: -.090** S.E: .027	B: .260** S.E: .077	B: .104 S.E: .077	B: -.055 S.E: .036	.561
LIMITS	Limit on donations (not election specific)	B: .080 S.E: .052	B: -.357* S.E: .143	B: -.453** S.E: .138	B: .106 S.E: .065	.496	B: -.064* S.E: .030	B: .205* S.E: .080	B: .178* S.E: .078	B: -.057 S.E: .036	.447
	Limits on donations in (election specific)	B: .098 S.E: .052	B: -.322* S.E: 1.43	B: -.471** S.E: .137	B: .097 S.E: .064	.514	B: -.077* S.E: .029	B: .180* S.E: .079	B: .187* S.E: .076	B: -.047 S.E: .036	.484
PUBLIC FUNDING	Provision of subsidized media	B: .118 S.E: .059	B: -.330* S.E: .141	B: -.473** S.E: .136	B: .113 S.E: .062	.520	B: -.078* S.E: .034	B: .190* S.E: .080	B: .186* S.E: .078	B: -.064 S.E: .035	.459
	Provision of indirect p. funding	B: .386* S.E: .153	B: -.472** S.E: .137	B: -.425** S.E: .135	B: .130* S.E: .041	.586	B: -.185 S.E: .093	B: .271** S.E: .083	B: .149 S.E: .082	B: -.076 S.E: .037	.461

*Significant at P<.05; **Significant at P<.01

Sources: V-DEM. 2016. Varieties of Democracy (V-DEM Project); QOG. 2017. "Quality of Government Standard Dataset, version jan17." The Quality of Government Institute.; Transparency International 2012. "Corruption Perception Index." Transparency International; World Bank. 2017. "Indicators," The World Bank; World Bank. 2012. World Bank, International Comparison Program database; UNESCO Institute for Statistics; IDEA. 2017. "Global Database on Elections and Democracy," International Institute for Democracy and Electoral Assistance (International IDEA); IDEA. 2014. "Funding of Political Parties and Election Campaigns: A Handbook on Political Finance," Institute for Democracy and Electoral Assistance.

presence of these regulations might indicate a problem with political parties, which can increase the level of perceived corruption.

Both bans and limits have a negative effect on confidence in electoral processes, again opposite my expectations. I was under the impression that limiting or removing the ability of special interests to donate to political parties, would create stronger ties between parties and the electorate (Hobolt and Klemmensen 2008, 310; Rose-Ackerman 1999, 142); in turn, this was supposed to increase confidence in electoral processes. Instead, it seems that the opposite is true. I theorize two potential reasons for this. Imposing limits does not necessarily cut ties between questionable donors and political parties, but the laws will signal that there is something worth regulating. This can negatively affect confidence in electoral processes because citizens might understand the contest as rigged (IDEA 2014, 133). Second, I also consider that bans may be having an indirect negative effect on confidence in electoral process, due to their negative relationship with perceptions of corruption.

While I note that regulations controlling contributions and expenditures have a negative effect on the dependent variables, we also see that the provision of subsidized access to media significantly correlates with a decrease in confidence in electoral processes. Arguably, this might concern parties using the media to run negative ad campaigns, a problem that is associated with lower levels of confidence in electoral processes across countries (Hiebert 1998, 180; Melgar et al. 2010a, 122; Smith 1996, 99-100). Furthermore, the provision of indirect public funding (aside from subsidized media), when implemented with no other regulations, is significantly correlated with an increase in levels of perceived corruption.

Provisions of indirect public funding refer to tax breaks, interest free loans, and other similar aid to parties (ACE 2017, Johnston 2005, 8). This can help parties compete, but there is no indication that indirect public funding will remove the threat of special interests, nor will it significantly increase a party's opportunity to connect with voters (IDEA 2014, 25; Jansen and Young 2011, 86). Interestingly, the proportional/mixed electoral systems variable becomes significantly correlated with an increase in perceived corruption when the indirect public funding is provided. This might concern the possibility that provision of indirect forms of funding increase the zero-sum competitiveness of electioneering by offsetting cost and filling the war chests of established parties who have the ability to raise more private money. This can augment the need for smaller or less affluent parties to tarnish their competitors' reputation and is especially

conceivable in electoral systems where more parties have a viable opportunity to gain seats (Melgar et al. 2010a, 122).

Of all the individual regulations tested alongside the controls, indirect public funding has the strongest relationship with perceived corruption: its correlation coefficient being .38 (compared to the controls in the same model: economic status = -.47; education levels = -.42; electoral system = .13).

Table 5 also reveals the viability of the alternative explanations. In all but one case – that is: the provision of indirect public funding and perceptions of corruption – the correlation coefficients indicate that at least one of the socio-economic development controls has a stronger relationship with the dependent variables. This is especially true of economic status, as it is significantly correlated with a decrease in levels of perceived corruption and increases of confidence in electoral processes across all models. This suggests that while some party finance regulations are important, socio-economic development is the most crucial factor determining how much corruption a populace perceives and how much confidence they have in electoral processes.

Thus far, beyond the controls, the provision of direct public funding is the only independent variable that has shown any beneficial results. Since the overarching objective of this thesis is to determine what type of regulation or combination of regulations will have a positive effect on the dependent variables, I move forward with my analysis. As I discussed earlier, many countries use a combination of regulations to try and halt the negative effects of uncontrolled money. Noting that most of the individual regulation variables have negative effects, I now test the multi-regulation variables (**see appendix IV 20 to 28**) and control variables against the dependent variables. To do this, I first examine overlapping regulations from the same regulatory categories.

Based on the literature I expect multiple regulations to have a positive impact, because the more one purges special interest money from the political realm, through robust regulatory strategies, the more successful that regulatory strategy should be (IDEA 2014, 356-357; Norris et al. 2015, 8). Nevertheless, I recognize that very stringent regulatory strategies that include too many bans or limits will likely have a negative effect, because they may force parties to seek out illicit funding methods (Norris et al. 2015, 50).

Turning attention to Table 6, an observation can immediately be made. When multiple regulations are implemented at the same time, the socio-economic development indicators remain significantly and highly correlated with both dependent variables. Both a higher GDP per capita

Table 6 – Linear Regression of Multiple Party Finance Regulations

Regulation Category	Regulation Type	D.V.	Control IVs			R	D.V.	Control IVs			R
		Per. Of Corrupt	Economic Status	Education Levels	Elect. System	R Square	Confidence in Elect.	Economic Status	Education Levels	Elect. System	R Square
BANS AND LIMITS	All bans on corporate donations	B: .136 S.E: .073	B: -.377* S.E: .140	B: -.450** S.E: .136	B: .094 S.E: .064	.513	B: -.075 S.E: .042	B: .519** S.E: .054	B: .221* S.E: .082	B: -.055 S.E: .054	.421
	Bans on corporate and union donations	B: .152* S.E: .072	B: -.359* S.E: .138	B: -.448** S.E: .134	B: .091 S.E: .063	.526	B: -.078 S.E: .043	B: .212* S.E: .082	B: 1.65* S.E: .079	B: -.054 S.E: .038	.426
	Total bans	B: .184* S.E: .073	B: -.351* S.E: .135	B: -.453** S.E: .130	B: .069 S.E: .064	.550	B: -.093* S.E: .044	B: .208* S.E: .080	B: .168* S.E: .078	B: -.044 S.E: .038	.447
	All limits on contributions	B: .095 S.E: .054	B: -.339* S.E: .142	B: -.464** S.E: .137	B: .100 S.E: .064	.507	B: -.073* S.E: .030	B: .193* S.E: .079	B: .183* S.E: .077	B: -.052 S.E: 0.36	.468
	All limits	B: .132 S.E: .065	B: -.350* S.E: .139	B: -.469** S.E: .136	B: .103 S.E: .062	.457	B: -.096* S.E: .036	B: .203* S.E: .078	B: .185* S.E: .076	B: -.055 S.E: .035	.482
	All bans and limits	B: .187* S.E: .075	B: -.347* S.E: .135	B: -.463** S.E: .130	B: .075 S.E: .063	.551	B: -.107* S.E: .043	B: .204* S.E: .079	B: .175* S.E: .076	B: -.043 S.E: .037	.471
PUBLIC FUNDING	Total indirect public funding	B: .401* S.E: .151	B: -.376** S.E: .133	B: -.514** S.E: .133	B: .094 S.E: .060	.501	B: -.208* S.E: .090	B: .221** S.E: .079	B: .200* S.E: .079	B: -.056 S.E: .036	.460
	Total public funding	B: -.062 S.E: .679	B: -.374* S.E: .148	B: -.400* S.E: .148	B: .143 S.E: .073	.459	B: .030 S.E: .098	B: .219* S.E: .086	B: .142 S.E: .092	B: -.082 S.E: .098	.362
DISC.	All disclosure	B: .153 S.E: .124	B: -.407** S.E: .147	B: -.450** S.E: .140	B: .089 S.E: .072	.483	B: -.092 S.E: .073	B: .240** S.E: .085	B: .167* S.E: .082	B: -.049 S.E: .042	.393

*Significant at P<.05; **Significant at P<.01

Sources: V-DEM. 2016. Varieties of Democracy (V-DEM Project); QOG. 2017. "Quality of Government Standard Dataset, version jan17." The Quality of Government Institute.; Transparency International 2012. "Corruption Perception Index." Transparency International; World Bank. 2017. "Indicators," The World Bank; World Bank. 2012. World Bank, International Comparison Program database; UNESCO Institute for Statistics; IDEA. 2017. "Global Database on Elections and Democracy," International Institute for Democracy and Electoral Assistance (International IDEA); IDEA. 2014. "Funding of Political Parties and Election Campaigns: A Handbook on Political Finance," Institute for Democracy and Electoral Assistance

and higher levels of education are correlated with a decrease in perceptions of corruption, as well as an increase in the level of confidence in electoral processes. Considering this, I conclude that the literature is correct in its assertions: higher levels of socio-economic development have a positive effect on the level of perceived corruption and confidence in electoral processes (Zmerli and Newton, 69). On the other hand, I see no substantial empirical evidence that suggests electoral systems meaningfully affect the dependent variables.

Examining the effects of the multiple regulation variables, we again observe overwhelmingly unfavorable results. As before, the multi-regulation variables maintain a stronger relationship with perceptions of corruption than they do with confidence in electoral processes. Even when they are combined with one another, regulations appear to have negative repercussions. Most notably, we see negative effects magnify as the number of bans implemented increase. For instance, bans on all forms of corporate donations are not significantly correlated with variation in either of the dependent variables. But, as the number and types of bans implemented increase, we see them significantly and adversely affecting levels of perceived corruption and confidence in electoral processes.

Notably, the total bans variable – that is: the implementation of every type of ban – has a negative effect on both dependent variables ($b = .18$ for perceptions of corruption; $b = -.09$). In each case, the relatively higher levels of the socio-economic development indicators appear to have the ability to offset the problem; but like before, their relationship with confidence in electoral processes is weaker. This supports the notion that the dependent variables will be more positively affected when governments deliver results – in the form of socio-economic development – than they will be if haphazard political finance reforms are installed.

Generally speaking, theory says that regulations designed to control money in politics should have positive effects, because they are supposed to prohibit or deter unethical behavior among parties and donors (IDEA 2014, 21; Norris et. al 2015, 11; Ohman 2013, 5). As I anticipated and noted in Section 1: if a regulatory regime is too stringent, it will be detrimental to the dependent variables. My results support this theory and reveal that if too many regulations controlling contribution and expenditures are implemented at the same time, that they will likely fail. Alternatively, less stringent regulatory strategies concerning bans and limits, contrary to my expectations, appear to have no effect.

Again, there are some explanations support my empirical findings. Regulatory strategies that are too stringent can incentivize parties to participate in corrupt acts (IDEA 2014, 22; Rose-Ackerman 1999, 139). Furthermore, as previously mentioned, the introduction of bans and limits might not sever the ties between parties and special interests, rather they may work to push relationships deeper into the shadows (IDEA 2014, 133). In turn, this risks scandal.

Increasing limits can shut people out of the political process, augmenting perceptions that elections are closed, unfair, and corrupt (Johnston 2005, 25). Oftentimes corporations and unions are reliant upon political support and regardless of the law, and they might be forced to maintain financial ties to parties to ensure their survival (IDEA 2014, 21-22 & 133). Moreover, regulations that are imposed solely to reduce corruption will probably not build greater ties between a party and the electorate, making them unlikely to benefit the dependent variables (IDEA 2014, 22; Johnston 2005, 4).

Table 6 also reveals that the provision of all forms of indirect public funding – that is: subsidized access to media and all other forms of indirect public funding (see appendix IV26) – is significantly correlated with an increase in perceptions of corruption and decrease in confidence in electoral processes. It appears this can be avoided with a higher GDP per capita and increased aggregate levels of education. Again, the provision of all forms of indirect funding has relatively more serious repercussions on perceptions of corruption. According to the results, the provision of all forms indirect public funding is the most damaging of all regulatory types.

These results are not representative of broader theoretical expectations associated with party finance regulations, and instead are in line with findings that suggest bans and limits undermine individual freedoms and force parties to act illegally to secure needed funds (IDEA 2014, 22; Rose-Ackerman 1999, 139; Smith 1996). Even if corruption is not necessarily occurring, the very presence of these types of regulations might instill a sense of distrust among a citizenry, which has the potential to increase perceptions of corruption, while decreasing confidence in electoral processes (Melgar et al. 2010b). We have seen that the control variables – namely a higher economic status and level of education – can offset these problems. This indicates that it is the best interest of democratic governments to augment citizens' quality of life, rather than waste their time developing convoluted and oftentimes fruitless party finance regulations.

The issues highlighted here are especially important for new and transitioning democracies where elections and regulations are being introduced for the very first time (Pinto-Dushinsky 2002,

85). In these countries, socio-economic development might not be as high as it is in established democracies, meaning that the introduction of stringent regulatory regimes might have adverse effects that can threaten the stability and longevity of a democratic regime.

Before moving forward, I note that Table 6 shows us that the total public funding variable, although not significantly correlated, has a positive relationship with the dependent variables. If it were significantly correlated, this variable could decrease perceptions of corruption and increase confidence in electoral processes. The only difference between the total indirect public funding and the total public funding variable is the addition of direct public funding. Earlier, the bivariate analysis revealed that the provision of direct public funding was the only party finance regulation that had a positive effect on one of the dependent variables, as it appeared to decrease perceptions of corruption when it was installed.

I expected direct public funding to have a positive impact, because it provides more parties a fair and equal opportunity to participate in the democratic process (Fisher 2011, 21-22). It does this by providing parties the money with which they can use to run effective political campaigns (Seidle 2011, 39). This alters political behavior and should level the playing field between parties. Likewise, the provision of direct public funding can also incentivize parties to adhere to whatever laws are in place, as a means to receive their share of public subsidies (IDEA 2014, 22). These theories support my findings thus far, and are in alignment with Miller's (2013, 65) suggestion that direct public funding will reduce perceptions of political corruption.

Aware that the previous OLS regressions showed no significant correlation between direct public funding and the dependent variables, I recognize that those tests only considered the provision of direct public funding as an individual regulation, or in addition to indirect public funding. Therefore, I consider the bivariate findings and the theories that suggest that direct public funding can serve to improve the functionality of democracy when it is mixed with other regulatory categories. Specifically, I point to the notion that implementing a system of direct public funding alongside a system of bans and limits can reduce the influence of special interests, while maintaining strong cross-party competition (IDEA 2014, 346; Ohman 2013, 2; Pinto-Dushinsky 2002, 82). Arguably, this should have a positive effect on the perception of corruption variable (Briffault 1999, 565; Miller 2013).

A large amount of the results indicates a stronger relationship between the controls, party finance regulation variables, and the perceptions of political corruption dependent variable.

Furthermore, the bivariate analysis showed that direct public funding significantly correlates with lower levels of perceived corruption but has no direct relationship with confidence in electoral processes. Since my findings reveal that reducing the level of perceived corruption can increase confidence in electoral processes, I suspect direct public funding can indirectly bolster levels of confidence by lessening perceptions of corruption. Therefore, my final multivariate tests only analyze the effects that the independent variables have on the level of perceived corruption. Specifically, I question what would happen if direct public funding were introduced alongside regulations that control contributions and expenditures?

Table 7 – Linear Regression Direct Public Funding and Regulations Controlling Contributions and Expenditures

	D.V.	Regulation IV	Control IVs		R	
Regulation	Percept. Of Corruption	Direct Public Funding	Economic Status	Education Level	Elect. System	R Square
All limits	B: .124 S.E: .064	B: -.123 S.E: .075	B: -.347* S.E: .136	B: -.386* S.E: .141	B: .148 S.E: .067	.562
Corporate bans	B: .139 S.E: .070	B: -.137 S.E: .074	B: -.371* S.E: .135	B: -.360* S.E: .139	B: .142 S.E: .067	.564
Corporate and union bans	B: .171* S.E: .069	B: -.156* S.E: .073	B: -.351* S.E: .131	B: -.347* S.E: .135	B: .141 S.E: .064	.591
Total bans	B: .205** S.E: .069	B: -.160* S.E: .030	B: -.342* S.E: .126	B: -.349* S.E: .130	B: .119 S.E: .064	.618
All bans and limits	B: .198** S.E: .071	B: -.146* S.E: .074	B: -.340* S.E: .128	B: -.340** S.E: .132	B: .124 S.E: .064	.609

*Significant at P<.05; **Significant at P<.01

See: Appendix for variable coding

Sources: V-DEM. 2016. Varieties of Democracy (V-DEM Project); QOG. 2017. "Quality of Government Standard Dataset, version jan17." The Quality of Government Institute.; Transparency International 2012. "Corruption Perception Index." Transparency International; World Bank. 2017. "Indicators," The World Bank; World Bank. 2012. World Bank, International Comparison Program database; UNESCO Institute for Statistics; IDEA. 2017. "Global Database on Elections and Democracy," International Institute for Democracy and Electoral Assistance (International IDEA); IDEA. 2014. "Funding of Political Parties and Election Campaigns: A Handbook on Political Finance," Institute for Democracy and Electoral Assistance.

Examining the removal of special interest money coupled with a system of direct public funding, Table 7 provides a remarkable finding: as the number of bans increases, so too does the strength of the correlation between the provision of direct public funding and decreasing levels of perceived corruption. Furthermore, the socio-economic development indicators maintain a strong and significant relationship with the dependent variable (each maintain a correlation coefficient between -.34 and -.38).

The results of Table 7 also highlight that direct public funding has no effect if only limits are considered; the same is true when only corporate bans are implemented. However, when corporate and union bans are implemented together, alongside a system of direct public funding, we see perceptions of corruption decrease. The correlation coefficient is strongest at when all bans are in place (Direct Public Funding = -.16). This relationship becomes weaker as limits are introduced, and it reduces the strength of the correlation coefficient to -.14. Therefore, it appears that mixed regulatory strategies work best, but that some are better than others.

I suspect that these results reflect the interaction between purged special interest money and the influx of clean money. Though bans might prove disadvantageous when implemented on their own (IDEA 2014, 22; Rose-Ackerman 1999, 139; Smith 1996), the provision of direct funding to political parties appears to counteract this. By providing parties the money that would have otherwise been lost from the implementation of stringent bans, the provision of direct public funding should remove parties' reliance on private sources of wealth (Mendilow 2012b, 2; Miller 2013, 12-13). As a result, more parties will have adequate funding to effectively run a campaign, broadening the party system and levelling the playing field (IDEA 2014, 22-23; Johnston 2005, 1; Miller 2013, 12-13; Ohman 2013, 8). These findings also refute the notion that public funding will necessarily create cartel parties, or at least signals that the public is unaware of collusion, since we are seeing a decrease in perceptions of political corruption (Katz 2011; Katz and Mair 1995).

Although correlation does not necessarily indicate causation, I cannot dismiss the fact that of the regulations tested, only one strategy has shown any indication that it can improve the functionality of democracy. My best results were seen when all types of political donations were banned, and direct public funding was offered to political parties. It is important to note that this is a mixed-regulatory strategy. By purging all private funds from the political sphere, and replacing them with public funds, I infer that democratic regimes and the functionality of democracy will be strengthened.

Conclusion

The objective of this thesis was to determine the causes for variation in a country's level of perceived of political corruption, as well as the causes for variation in a country's level of confidence in electoral processes. I understood these components necessary for the functionality

of democracy and I treated each as a separate dependent variable. By doing this, my goal was to discover a method with which I could improve the functionality of democracy.

I began by researching potential explanations for cross-national variation in the dependent variables. The literature contained three widely discussed explanations: the economic status of citizens, the education level of citizens, and the electoral systems under which citizens live. The first two of these arguments center on the concept of socio-economic development, while the third is focused on the institutional underpinnings of a country's electoral practices.

I believed that these explanations lacked explanatory power, because they overlooked certain core features that are prevalent in democratic politics; namely: campaigning, the need for parties to acquire money, and the desire of parties to win office. Since party finance regulations have a significant effect on these things, this led me to consider the potential role regulations have in affecting the dependent variables. This prompted my research questions: (1) what type(s) of party finance regulation(s) is or are most effective at decreasing perceptions of political corruption; and (2) what type(s) of party finance regulation(s) is or are most effective at increasing confidence in electoral processes?

Noting a lack of empirical evidence on this subject, I decided that the best way to accomplish my objective was through systematic quantitative analysis. In contrast to the dependent variables, I treated the economic status of citizens, the education level of citizens, the electoral system of a country, and party finance regulations as independent variables. I followed this with multiple bivariate and multivariate regression tests. Through these, I observed several notable findings.

First, we see that there is in-fact strong cross-national variation of perceived corruption and confidence in electoral processes. I also found that the two dependent variables are highly correlated. I infer that the lower the level of perceived political corruption, the higher the level of confidence in electoral processes. This concerns the systemic problems associated with perceptions of corruption (Alatas 1991, 181; Heywood 1997, 2); namely that it makes corrupt acts acceptable (Melgar et al. 2010a, 120) and likely erodes public trust and confidence in representative institutions and electoral processes (Pharr 2002, 846). As a result, I suspect that it might be preferable to lower perceptions of political corruption to increase confidence in electoral processes.

I also confirmed that socio-economic development has a great deal of explanatory power. The economic, as well as the education level of a population appear to benefit the functionality of

democracy. When these are higher, they give citizens better impressions of the government, political institutions, and political parties (Zmerli and Newton 2011, 69). Unlike the socioeconomic development indicators, the results also tell us that electoral systems do not have a significant relationship with the dependent variables.

With respect to the party finance regulation variables, my results indicate that some regulations have a significant correlation with perceptions of political corruption and confidence in electoral processes. However, for the most part, I find that the relationships are contrary to wider theoretical expectations and the mandated purpose of these regulations. The purpose of party finance regulation is to help prevent corruption, while bolstering confidence and legitimacy (IDEA 2014, 3; Johnston 2005, 3). The results show that most individual party finance regulations have an overwhelmingly negative effect, or no effect at all. I am inclined to believe this is caused by the inability of individual regulations to adequately offset the problems associated with political finance. This proved true of indirect public funding as well, which also has a significant and negative correlation with both dependent variables.

Other notable finding suggests that stringent regulatory strategies – those that incorporate too many regulations controlling contributions and expenditures – are likely to damage the functionality of democracy by increasing perceptions of political corruption and decreasing confidence in electoral processes. Party finance regulations are supposed to deter parties from participating in illegal acts to raise money (Noveck 2010, 86). When regulations are imposed that impede the ability of a party to raise the funds needed to compete in elections, parties might be incentivized to use illegal means to acquire money (Norris et al. 2015, 50).

Interestingly, one major finding indicates that the negative issues associated with stringent party finance regulations might be counterbalanced. I found that the provision of direct public funding to political parties correlates with a decrease in perceptions of political corruption. This relationship becomes stronger as additional bans and more stringent regulatory strategies are imposed alongside direct public funding. It is my opinion that the complete purge of special interest money – be it from corporations, unions, individuals, and so forth – allows the benefits of public funding to fully materialize. I surmise that this occurs because the provision of direct clean funds to political parties replaces whatever funds might be lost due to other party finance regulations. Not only does this reduce the need for parties to participate in corrupt or unethical acts to secure funds (IDEA 2014, 22; Rose-Ackerman 1999, 139), it removes funding discrepancies between

parties and is conducive to a more equal playing field (Briffault 1999, 565; Fisher 2011, 22; Mayer et al. 2005, 3-4).

Although this strategy only works with respect to decreasing levels of perceived political corruption, I reiterate that low levels of perceived corruption are highly correlated with an increase in the level of confidence in electoral processes. I conclude that providing direct public funding to political parties, when provided in simultaneity with a purge of all private money, is empirically supported as the best method to increase the functionality of democracy. Ultimately, however, socio-economic development is crucial for state support. While implementing mixed strategies can work, it is not as simple as introducing party finance regulations and hoping that they improve democracy.

In spite of this thesis' findings, I recognize that there remains much work to be done with respect to this topic. This study supports the notion that certain regulatory strategies can be implemented to decrease perceptions of political corruption and increase confidence in electoral processes, but I have only examined a sample set of thirty-five parliamentary and semi-presidential democracies. Future research on this subject would benefit from the casting of a wider net. Keeping in mind the potential for endogeneity, future works should consider a nested-analysis mixed methodological approach, which would allow for multiple in-depth case studies (Lieberman 2005). I also believe that the best analysis would incorporate all 125 democracies, national as well as sub-national elections across multiple years, and political finance regulations that are imposed on both political parties and individual candidates.

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APPENDIX

DV1

<p>INDICATOR: Elections Free and Fair (2012)</p> <p>QUESTION: “Taking all aspects of the pre-election period, election day, and the post-election process into account, would you consider this national election to be free and fair?” (V-DEM 2016)</p> <p>RESPONSES/SCALE:</p> <p>0: No, not at all. The elections were fundamentally flawed and the official results had little if anything to do with the 'will of the people' (i.e., who became president; or who won the legislative majority).</p> <p>1: Not really. While the elections allowed for some competition, the irregularities in the end affected the outcome of the election (i.e., who became president; or who won the legislative majority).</p> <p>2: Ambiguous. There was substantial competition and freedom of participation but there were also significant irregularities. It is hard to determine whether the irregularities affected the outcome or not (as defined above).</p> <p>3: Yes, somewhat. There were deficiencies and some degree of fraud and irregularities but these did not in the end affect the outcome (as defined above).</p> <p>4: Yes. There was some amount of human error and logistical restrictions but these were largely unintentional and without significant consequences.</p> <p>Source: V-DEM. 2016. Varieties of Democracy (V-DEM Project)</p>	<p>INDICATOR: Public Trust in Politicians (2012)</p> <p>QUESTION: “Public Trust in Politicians: How would you rate the level of public trust in the ethical standards of politicians in your country?” (QOG 2017)</p> <p>RESPONSES/SCALE:</p> <ol style="list-style-type: none">1. Very Low2.3.4.5.6.7. Very High <p>Source: QOG. 2017. “Quality of Government Standard Dataset, version jan17.” The Quality of Government Institute.</p>
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Combined into Multidimensional Dependent Variable 1 (DV1)



INDICATOR: Confidence in Electoral Processes (2012)

CODING:

Both indicators A and B were standardized and transformed into a single multidimensional variable. This was standardized again, dividing the variable in 2.

RESPONSES/SCALE:

.00 (lowest)

0.49 (lowest level of confidence in electoral processes)

0.92 (highest level of confidence in electoral processes)

1 (highest)

DV2

INDICATOR: Perceptions of Political Corruption

CODING:

“The Corruption Perceptions Index (CPI) 2012 is an aggregate indicator that brings together data from a number of different sources. Each data source must fulfil the following criteria to qualify as a source for the Corruption Perceptions Index:

- Quantifies perceptions of corruption in the public sector
- Be based on a reliable and valid methodology, which scores and ranks multiple countries on the same scale
- Performed by a credible institution and expected to be repeated regularly
- Allow for sufficient variation of scores to distinguish between countries” (Transparency International 2012).

SCALE:

The CPI ranges on a scale from 0 to 100, with 0 being the highest level of perceived corruption and 100 being the lowest level of perceived corruption (Transparency International 2012). To ensure that the data was uniform with the rest of the dataset – meaning a lower score represents a negative result – I reverse coded the data so that 0 represents the lowest level of perceived corruption and 100 represents the highest level of perceived corruption.

0 (lowest level of perceived corruption)

100 (highest level of perceived corruption)

Source: Transparency International 2012. “Corruption Perception Index.” Transparency International.

INDEPENT VARIABLES (Controls)

IV1

INDICATOR: Economic Status of Citizens (*GDP per Capita, PPP (Current International \$)* (2012)

CODING:

“PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2011 international dollars.” (World Bank 2017a)

SCALE:

There is no maximum number with respect to GDP per capita, meaning that I had to rescale the data to standardize it, using the numbers from the sample set. Lesotho has the lowest GDP per capita, ppp at 2766.99, while Norway has the highest at 67019.81. Using these numbers, I standardized the numbers between 0 and 1 – with 0 representing the lowest GDP per capita, ppp and 1 representing the highest.

To ensure uniformity with the other Socio-Economic Development independent variable (Education Levels), I then recoded the standardized variable into a ten-point scale (**see below**).

0 to 0.1 = 1 (lowest GDP per capita, PPP)	0.501 to .06 = 6
0.101 to 0.2 = 2	0.601 to 0.7 = 7
0.201 to 0.3 = 3	0.701 to 0.8 = 8
0.301 to 0.4 = 4	0.801 to 0.9 = 9
0.401 to 0.5 = 5	0.901 to 1 = 10 (highest GDP per capita, PPP)

Following this, I recorded variable again, dividing into a three-point scale for the sake of clarity:

0 to 3 = 1 (low-level GDP per capita, PPP)

4 to 7 = 2 (mid-level GDP per capita, PPP)

8 to 10 = 3 (high-level GDP per capita, PPP)

Source:

(1) World Bank. 2017. “Indicators,” The World Bank

(2) World Bank. 2012. World Bank, International Comparison Program database.

IV2

INDICATOR: Level of Education (*Gross Enrollment Ratio, Tertiary, both sexes (%)*) (2012)

CODING: “Total enrollment in tertiary education (ISCED 5 to 8), regardless of age, expressed as a percentage of the total population of the five-year age group following on from secondary school leaving.” (World Bank 2017 2017b)

Scale:

From sample set:

10.82 = lowest

110.26 = highest

Standardized and recoded into ten-point scale:

0 to 0.1 = 1 (lowest Enrollment %)	0.501 to .06 = 6
0.101 to 0.2 = 2	0.601 to 0.7 = 7
0.201 to 0.3 = 3	0.701 to 0.8 = 8
0.301 to 0.4 = 4	0.801 to 0.9 = 9
0.401 to 0.5 = 5	0.901 to 1 = 10 (highest Enrollment %)

Recoded into three-point scale:

0 to 3 = 1 (low-level education %)

4 to 7 = 2 (mid-level of education %)

8 to 10 = 3 (high-level education %)

Source:

(1) World Bank. 2017. "Indicators," The World Bank

(2) UNESCO Institute for Statistics

IV3

INDICATOR: Less Competitive Electoral Systems

CODING:

"This data shows electoral system for national legislature." (IDEA 2017)

Types of system found in sample set:

- First Past the Post = Plurality/Majority
- Alternative Vote = Plurality/Majority
- Block Vote = Plurality/Majority
- List PR = Proportional
- Single Transferable Vote = Proportional
- Parallel = Mixed

Each electoral system was categorized into their respective electoral family type:

Plurality/Majority: 1 = yes; 0 = no

Proportional: 1 = yes; 0 = no

Mixed: 1 = yes; 0 = no

Following categorization, a multidimensional variable was created: one that combined Proportional and Mixed systems together. This led to the creation of a new indicator: *all systems, except plurality/majority systems*

Indicator: all systems, except plurality/majority systems

Scale:

1 = proportional or mixed system

0 = not proportional or mixed system (that is: majority/plurality)

Source:

IDEA. 2017. "Global Database on Elections and Democracy," International Institute for Democracy and Electoral Assistance (International IDEA).

INDEPENDENT VARIABLES (Party Finance Regulations)

The following independent variables are the party finance regulation indicators. IVs 4 through 19 represent the variables on their own, whereas IVs 20 through 31 are multidimensional variables that incorporate multiple regulations into single indicators.

The following variables (4 to 19) are categorized according to: ban, limit, public funding, and disclosure.

IV4 (ban)

CODING:

Is there a ban on donations from corporations with government contracts or partial government ownership to political parties? (0 = no; 1 = yes)

IV5 (ban)

CODING:

Is there a ban on corporate donations to political parties? (0 = no; 1 = yes)

IV6 (ban)

CODING:

Is there a ban on donations from corporations with government contracts or partial government ownership to political parties? (0 = no; 1 = yes)

IV7 (ban)

CODING:

Is there a ban on donations from trade unions to political parties? (0 = no; 1 = yes)

IV8 (ban)

CODING:

Is there a ban on anonymous donations to political parties? (0 = no; 1 = yes)

IV9 (ban)

CODING:

Is there a ban on state resources being given to or received by political parties or candidates (excluding public funding)? (0 = no; 1 = yes)

IV10 (ban)

CODING:

Is there a ban on any other form of donation? (0 = no; 1 = yes)

IV11 (limit)

CODING:

Is there a limit on the amount a donor can contribute to a political party over a time period (not election specific)? (0 = no; 1 = yes)

IV12 (limit)

CODING:

Is there a limit on the amount a donor can contribute to a political party in relation to an election? (0 = no; 1 = yes)

IV13 (limit)

CODING:

Are there limits on the amount a political party can spend? (0 = no; 1 = yes)

IV14 (public funding)

CODING:

Are there provisions for direct public funding? (0 = no; 1 = yes)

IV15 (public funding)

CODING:

Are there provisions for free or subsidized access to media for political parties? (0 = no; 1 = yes)

IV16 (public funding)

CODING:

Are there any other provisions for any other form of indirect public funding? (0 = none; .014 = 1 type; .029 = 2 types; 0.43 = 3 types; 0.57 = 4 types; 0.71 = 5 types; .85 = 6 types; 1 = 7 types (max))

IV17 (disclosure)

CODING:

Do political parties have to report regularly on their finances? (0 = no; 1 = yes)

IV18 (disclosure)

CODING:

Do political parties have to report on their finances in relation to election campaigns? (0 =no; 1= yes)

IV19 (disclosure)

CODING:

Is information in reports from political parties to be made public? (0= no; 1 = yes)

IV20 (bans - multidimensional)

INDICATOR: All corporate bans

CODING:

Combines all regulations concerning corporate bans. Total of two regulations: (1) bans on corporate donations in general; and (2) on corporations with government contracts. Standardized by adding sum of original variables together and dividing by two.

SCALE:

.00 = none (min)

0.5 = 1 type

1 = 2 types (max)

IV21 (bans – multidimensional)

INDICATOR: All corporate and union bans

CODING:

Combines all regulations concerning corporate and union donation bans. Total of three regulations: (1) banning corporate donations in general; (2) banning corporate donations on companies with government contracts; and (3) banning donations from unions. Standardized by adding sum of three original variables and dividing by three.

SCALE:

.00 = none (min)

.33 = 1 type

.67 = 2 types
1 = 3 types (max)

IV22 (bans – multidimensional)

INDICATOR: Total Bans (all bans)

CODING:

Combines all bans together into single multidimensional variable. Total of seven regulations (see **IV4 to IV10**). Standardized by adding sum of all original variables and dividing by seven.

SCALE:

.00 = none (min)
.14 = 1 type
.29 = 2 types
.43 = 3 types
.57 = 4 types
.71 = 5 types
.86 = 6 types
1 = 7 types (max)

IV23 (limits – multidimensional)

INDICATOR: Limits on Contributions

CODING:

Combines all contribution limits together. Total of two regulations: (1) limits on contributions in general; and (2) limits on contributions in relation to an election. Standardized by adding the sum of each variable and divided by two.

SCALE:

.00 = none (min)
1 = 1 type
2 = 2 types (max)

IV24 (limits – multidimensional)

INDICATOR: All limits

Coding:

Combines all limit regulations into single variable. Total of three regulations (see **IV11 to IV13**). Standardized by adding the sum of all limit variables and dividing by three.

SCALE:

.00 = none (mind)
.33 = 1 type
.67 = 2 types
1 = 3 types (max)

IV25 (bans and limits - multidimensional)

INDICATOR: All regulations concerning contributions and expenditures

CODING:

Combines all regulations concerning contribution and expenditure limits (that is: all bans and limits). Total of ten regulations (see **IV4 to IV13**). Standardized by combining sum of all regulations from these categories and dividing by ten.

SCALE:

.00 = 0 types (min)
.10 = 1 type
.20 = 2 types
.30 = 3 types
.40 = 4 types
.50 = 5 types
.60 = 6 types
.70 = 7 types
.80 = 8 types
.90 = 9 types
1 = 10 types (max)

IV26 (public funding – multidimensional)

INDICATOR: Total indirect public funding

CODING:

Combines all indirect public funding variables. Total of two variables: (1) subsidized access to media; and (2) provision of indirect public funding. Max of provision of indirect public funding is 7; standardized by adding the sum of both variables and dividing by 8.

SCALE:

.00 = none (min)
.13 = 1 type
.25 = 2 types
.38 = 3 types
.50 = 4 types
.63 = 5 types (max)³⁵

IV27 (public funding – multidimensional)

INDICATOR: Total public funding (direct and indirect)

³⁵ Within my sample set, the maximum number of indirect public funding provisions offered in a country is 5 – meaning that the maximum is .63 for this variable.

CODING:

Combines all regulations concerning public funding (both direct and indirect). Total of three variables: (1) direct public funding; (2) free or subsidized access to media; (3) provision of indirect public funding. Standardized by adding sum of three variables and dividing by nine. Total range of 0 to 6 types (considering maximum of total indirect public funding is 5).

SCALE:

.00 = none (min)
.11 = 1 type
.22 = 2 types
.33 = 3 types
.44 = 4 types
.56 = 5 types
.67 = 6 types (max)

IV28 (disclosure – multidimensional)

INDICATOR: Disclosure (both in relation to an election and not)

CODING:

Combines disclosure variables concerning regular reporting and reporting in relation to election campaigns. Total of two variables (see IV17 and IV18). Standardized by adding sum of original variables and dividing by two.

SCALE:

.00 none (min)
.05 = 1 type
1 = 2 types (max)

IV29 (disclosure – multidimensional)

INDICATOR: Total disclosure (all disclosure regulations)

CODING:

Combines all disclosure regulations into single variables: Total of three variables: (1) regular reporting on political finance by parties; (2) political parties having to report their finances in relation to an election campaign; and (3) requirement to make public disclosure reports. Standardized by adding sum of three variables and dividing by three.

SCALE:

.00 = none (min)
.33 = 1 type
.67 = 2 types
1 = 3 types (max)

Source for all party finance regulations: IDEA. 2014. “Funding of Political Parties and Election Campaigns: A Handbook on Political Finance,” Institute for Democracy and Electoral Assistance.