A party cartel?

The effect of party funding availability on new party entry

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Introduction

In the economic realm, cartels are generally prohibited because they aim to maximize their own profits and solely advance their own interests, at the expense of consumers. In politics, cartel forming is not expressly forbidden, and close cooperation between political parties is generally accepted, both legally and socially.

From a democratic point of view, rigid, impermeable and exclusively self-interested political collectives are extremely undesirable, because they exclude a large part of the population from effective participation or representation in government. Every societal group should have a chance to be represented in parliament. If new parties, who by definition represent a group of citizens, are not given a fair chance to win a parliamentary seat by incumbent parties, the basic principle of representational democracy would be severely violated (Piccio & van Biezen, 2018, p. 69).

Yet, some argue that this process of cartel formation is precisely what is taking place in contemporary politics. For example, in the Netherlands, the new party 'Forum for Democracy' (FvD) recently has had considerable electoral success due to its image as an outsider alternative to the collective of established, entrenched and self-interested parties (NOS, 2019). They claim that the incumbent parties have stopped to represent the interest of the people, and are now solely concerned with their own welfare and continuity. Forty-nine years prior, another new party sprung with similar claims; D'66, which intended to 'break up' the vested political landscape. It is still widely contested whether or not party cartels exist. However, the idea appears to be persistent in political discourse. The notion also caught scientific attention, starting with the 1995 publication of Katz & Mair on the cartel party, which instigated a debate that continues today (Piccio & van Biezen, 2018, p. 69).

The fundamental goal of any cartel, economic, political or otherwise, is to keep newcomers out. This can be achieved through a number of methods, but in the case of political parties, this thesis argues that public funding is an important factor. Political parties need money and other resources to make their activities possible. Newly formed political parties are not unlikely to possess large amounts of either, which makes gaining publicity and voters considerably more difficult compared to established parties. In order to give new parties a fair chance, state support or public funding could be a solution. However, incumbent political parties together decide how much public funding is available and who is eligible for it. If they were intent on keeping newcomers out, withholding public funding would be a relatively easy and effective instrument to achieve this goal, because without resources it would be extremely difficult for new parties to gain a foothold.

This thesis investigates the public funding that new political parties receive from the State and the consequences of the rules for those arrangements regarding the ability of new political parties to enter parliament. In investigating this, the following research question is considered: *What is the effect of the availability of and eligibility for public party funding on new party entry into parliament?*

In order to answer this question, two factors are compared in two time periods between 24 European countries. These factors are: (1) funding availability and eligibility rules; (2) and the number of new party entries. Using multiple linear regression, the relation between new party funding and new party entry into parliament is investigated.

The research in this thesis builds on previous work by Van Biezen and Rashkova (2014), which looked at the effect of the level of party regulation at large on new party entry. This thesis builds on the part of their analysis that focusses on the effects of public funding regulations on new party entry, and expands it by including six new cases. Additionally, this research is also a contribution to the scientific investigation of the claim that incumbent political parties are transforming into cartel parties. The results of previous research on this topic are mixed, but the academic debate is an important one, which also has societal effects. If incumbent political parties do in fact use public funding rules to prevent new parties from entering parliament, it is vital for the wellbeing of representational democracy to first confirm and subsequently fight it. However, if cartel formation among incumbent parties does not occur, or at least not through public funding regulations, it is a confirmation that money and resources are not insurmountable obstacles for new political parties that wish to enter parliament. By researching the relationship between party funding availability and new party entry, this thesis therefore ties in with and contributes to a larger academic and social debate.

Literature review and theory

In almost any country that is ruled by means of a democratic system, political parties play a central role in this mechanism. As Schattschneider (1942, p. 1) put it: *"Democracy is unthinkable save in terms of the parties".* Political parties aggregate the opinions and policy preferences of voters, they produce political leaders, are channels of communication between the people and perform many other functions. Because the existence of parties has great consequences for the way a country is governed, the study of their workings is an important one and has been a major field of study within political science.

However, in order to make the wide range of activities that political parties pursue possible, money and other resources are needed. The funding of political parties forms the basis for the fulfilment of all their functions, and is therefore a necessary condition for the proper functioning of most modern democracies. Party finance was, until relatively recently, not investigated very much (Fisher & Eisenstadt, 2004). However, in the last two decades or so, more and more scholarly attention has been given to its acquisition and spending.

In most European countries, public funding was introduced in the '60s of the previous century (Koole, 2014, p. 46). Before that, political parties primarily also gained income from other sources, mostly from civil society, such as through membership fees paid by the party members, and donations from third parties, such as companies, foundations and wealthy individuals. However, the relative importance of public funding as a share of the total of party income has increased over the years. As party membership has been declining due to the decreasing loyalty of members and voters to one particular party, and the bond between voters and parties has grown weaker and less direct, income from these sources has declined as well (Koole, 2011, p. 221). For a number of political parties, public funding is now the largest and most important source of their income (Piccio & van Biezen, 2018, p.70).

As a remedy to the deteriorating financial position of political parties and its effects on their ability to perform their democratic functions, public funding was introduced (Ohman, 2014, p. 1). Its introduction, however, did not go without fundamental discussion. Introducing public funding meant that all taxpayers were now collectively required to fill the gap left by the decreasing amount of membership fees and donations. Proponents argued that since political parties play a pivotal role in the functioning of democracy, it was justified to support them with public means. However, opponents objected that this would be undemocratic, because through public funding, every citizen would now support every political party with their tax money, including the ones with which they did not agree and which did not represent their interests (Heidenheimer, 1970, p. 17).

These arguments reflect a larger debate regarding the importance and perception of the role and nature of political parties. Originally, these organizations sprung from and were rooted in civil society. They were political groups that aimed to represent and advance the interests of their members and the voters supporting them. Through politics, they sought only to improve the situation of the societal group that they represented. From this point of view, parties can be regarded as interest groups comparable to many others but enhanced in their power by the ability to engage in politics directly. Some authors however, consider political parties to have grown from private organizations into organizations that have a wider value for society as a whole. In this line of reasoning, parties are considered *public goods,* which are necessary for the proper functioning of a democratic society and play a pivotal role therein (Blondel, 1970, p. vi; Epstein, 1986, p. 161; Katz & Mair, 1995; van Biezen, 2004)**.**

Political parties consist of more than just their parliamentary groups; they are also organizations in themselves. As described by Van Biezen and Kopecký (2007, pp. 240-241), some believe that parties have grown beyond their original political role. The argument goes that, since they are established organizations in and of themselves, they have an interest in the continuation of their existence, regardless of whether they are still relevant politically or socially. The reason for this is that they provide employment to the people of whom the organization consists, who therefore will do

everything in their power to make sure the organization continues to exist. This includes cooperating with other parties to form a cartel, intended to keep newcomers out (Katz & Mair, 1995).

The rules which determine whether public funding is made available, how much and to whom, are made by the political parties which are in power. It is not unthinkable that they would construct public funding laws in such a way that it preserves their own position, and would make it more difficult for new political parties, which are perceived as a threat to the incumbents, to enter parliament. Resources are needed to campaign and to carry out other activities, which are necessary to gain a parliamentary seat. If the rules were made in such a way that public funding is largely or even exclusively available to incumbent parties, they would have a significant advantage over their smaller, new competitors:

> *The real danger for the party system is that the state support for political parties [...] puts a premium on being represented in parliament and established among the electorate – may have the effect of preserving the present party structure and of making it even more difficult to establish new parties. If the function of a party system is to give reasonably flexible opportunities for new parties to develop and for the party structure to adjust itself according to the needs of the times and the electorate, then state party support may have negative effects. Only the absurd assumption that the current party structure represents the best of all possible worlds, can the whole structure of party support be accepted as excellent, and requiring little if any improvement (Andren, 1970, p. 67).*

It is clear that the institutional environment, of which the public funding system is part, has a strong influence on the ability of new political parties to grow and gain a foothold in the legislature (Piccio & van Biezen, 2018, p. 69). As Pettit notes; 'unequal funding streams have the potential to result in unequal power' (Pettit, 2014, p. 159).

The conventional discourse in the literature used to be that public funding is a necessary condition for the creation of a fair playing field for party competition. This notion was fundamentally challenged by the introduction of the concept of the cartel party in 1995 by Katz and Mair. They proposed that '*established political parties use their legislative power to ensure their own organizational survival by making public resources available to themselves while withholding them from outsiders, thus posing barriers for the emergence of new political groups*' (Piccio & van Biezen, 2018, p. 69). Since then, the cartel party thesis in general and the effect of public funding on new party entry specifically have been extensively investigated, but the results of these many studies have been mixed and sometimes contradict each other.

Scarrow (2006) finds that public subsidies for political parties have little impact on political competition either way. She concludes that in most situations, they do not prevent new parties from entering the political arena, but also do not increase the fairness of party competition. She does point out the importance of the payout threshold; a lower payout threshold correlates with a larger number of small party challengers. However, her findings are ambivalent on the effect of funding regulation on new party entry.

Van Biezen and Rashkova (2014) look at the impact of the increase of party regulation in a number of areas on the number of new party entries. They do find an effect: as regulation in general, with party funding regulation included, increases, the number of new political parties that enter parliament decreases. However, as the intentions behind the increase in regulations have not been taken into account, they results do not reveal whether this increase is the result of deliberate cartel formation. Potter and Tavits (2015) find that in political systems where public funding is available to new parties in similar amounts as provided to established parties, party competition and the number of parties in parliament do increase. This suggests that public funding availability for new parties can have an effect on their entry in parliaments. Kölln's findings also (2016) support this. She concludes that in some countries, the introduction of public funding for new parties has contributed to the equality of opportunity for parties, and the creation of a level playing field. She points out that further research is needed in order to establish under which circumstances tis effect occurs, but her findings, as well as those of other do support the claim that the amount of funding available to new parties can and sometimes does affect their chances of entering parliament.

This thesis builds on these previous findings and tests this effect. Since new or aspiring political parties are generally small in the beginning and thus gather little income from membership fees or donations, public funding would or will make it significantly easier for them to get into parliament. Other sources of funding will not significantly change a new party's chances of success of getting into parliament. When a party is new, due to the fact that it is usually small, the total revenue of membership will be relatively small compared to the amount that a new party needs to carry out activities necessary for getting into parliament. The same goes for donations; when a party is new, it is usually small and therefore relatively unknown, which gives it only a slim chance of receiving sizable donations. Thus, if there is any income from donations or membership fees, it is not expected that this will be an amount big enough to alter a new party's chances of getting into parliament significantly. This thesis therefore focuses on the regulations regarding the availability of public funding for new parties as a major cause of (un)successful new party entry in parliament.

Hypothesis 1: In countries where public funding is available for new political parties, more of them will manage to enter parliament, compared to countries in which public funding is not available to new parties.

In countries where public funding is not available for new parties, it is expected that it will be more difficult for them to finance the activities necessary to get into parliament. This will likely lead them to fail to get one or more seats in parliament more often compared to new parties in countries where public funding is available to them. As a result, it is expected that the availability of public funding will have a positive effect on new party entry. Additionally, it is expected that there is a positive relation between the amount of funding available for new parties and the number of new parties that enter parliament.

Hypothesis 2: The more public funding is made available to new parties, the more will enter parliament.

The method with which these hypotheses will be tested is explained in the next election. First, a few key concepts to this thesis will need further definition and explanation. In this thesis, public funding has so far only generally been referred to as a direct financial subsidy from the State to the parties. However, multiple forms of party financing exist. The main distinction between them is direct funding and indirect funding. The first consist of a direct transfer of public money to political parties. This generally comes with regulation on what the money can be spent on (Nassmacher, 2009, pp. 301-302). In this thesis, the various laws regulating the availability of and eligibility for this type of public funding will be investigated.

Indirect funding does not concern the direct transfer of money. Instead, it is an umbrella term for all other resources that are helpful to a political party for getting into parliament. Examples of indirect part finance are free printing facilities for flyers; posters and such being made available; the use of a venue free of charge, and the sponsoring of catering facilities during party events are all examples of indirect party finance. A number of variants of indirect funding is taken into account in this thesis. The most important one however, is free or reduced-fare media exposure (Nassmacher, 2009, p.297). As political parties mostly reach the electorate through appearances in TV and radio programmes and through TV and radio spots, this is the most important way of gaining publicity and votes for both established and new political parties. The availability of airtime is an essential resource for political parties and in most developed countries some of it is freely given to them (Nassmacher, 2009, p.297). Whether it is also available to new political parties greatly influences the awareness of their existence among the electorate and thus also their electoral success.

As this thesis focuses on new party entry into parliament, it is important to define what exactly is meant by the term in this research, because various authors in various studies on new political parties have used different definitions. In this thesis, a party is considered new if it manages to win one or more seats in parliament after an election, while not having been present in parliament during the parliamentary term before the election. However, this definition does not include new political parties created as the result of a merger between two established political parties, because that would make comparison unfair. Merger parties are much more likely to gain seats after election than 'true' completely new parties are, especially if they are based on the merger of two parties that were represented in parliament. Mergers tend to attract media attention, which increases the knowledge of the new party among the general public, which in turn increases the chance of winning votes. They also have an established member base, composed of the members of the two parties before the merger. Additionally, they profit from an existing organizational structure and a functioning party office, as well as likely having access to the funds and resources of their predecessors. Because of this, counting merger parties as new parties could potentially bias the results of the effect of public funding availability on new party entry, as merger parties are in a much more favorable position to gain parliamentary seats.

Splits are also not counted as a new-party entry. Splits within parliamentary parties generally occur during a parliamentary term. If the person or people that separate from their mother party are allowed to keep their parliamentary seat until the next round of elections, and if they manage to be re-elected on their own merits during the new elections, then those parties will already have been present in the previous parliamentary term, because of which they cannot be considered new.

Methodology

The first consideration of this method section is which countries to include in the analysis. The logic explained in the previous section can only be expected to hold in fully democratic countries, where potential new political parties are only constrained by practical hindrances and the choices of the electorate. In countries which are not fully free politically speaking, new party entry can be expected to be facilitated or complicated by a number of other causes other that the availability of public funding, such as the strength of the relationship with the established political regime, favouritism or threats to the physical safety of the people behind potential new parties (Koole, 2014, p. 45). For this reason, only fully democratic countries, as indicated by Freedom House, can be included in the analysis.

Additionally, the analysis will be made on the national level exclusively. As both local and supra-/international elections are often considered as second order elections by most citizens (Lefevere & Van Aelst, 2014), it is less likely that new political parties will be established in order to participate in non-national level politics. When citizens do feel the desire to get involved in politics, it is usually the national level they turn to. Therefore, the deterring or favouring effect of the laws regarding public funding is expected to show most prominently at the national level.

Furthermore, only parliamentary elections will be taken into account, while presidential or other elections will be excludes from the analysis. The reason for this is that the subject of this thesis is the influence of public party funding on new party entry, and thus considers the party as a whole. While presidents and other elected officials usually run for office under the banner of a party, the outcomes are often the results of causes of a more personal nature, and therefore public party funding will have little influence on election outcomes.

Although this thesis argues that public funding availability is an important explanatory factor for new party entry, it should be noted that it is not the only one. A very large number of factors can contribute to a party's success or failure to get into parliament (see Bolin, 2014; Laroze, 2017) but unfortunately, this thesis cannot account for all. However, in order to make the analysis in this thesis more balanced, several control variables are taken into account.

The first of these is the *Gallagher Index*, which indicates an electoral system's measure of proportionality. The index measures an electoral system's relative disproportionality between votes received and seats allotted in a legislature (Gallagher, 1991; Special Committee on Electoral Reform, 2016, p. 69). In a proportional electoral system, new parties are more likely to win parliamentary seats than in a less proportional system, because voters have less incentive to vote strategically for bigger parties; a vote on a new, smaller party is not 'wasted' in a PR system. Whether public funding is available for new parties or not, in a PR system it will usually be easier for them to enter parliament. Therefore, the measure of a system's proportionality is taken into account in the analysis, so that it does not distort the investigated relationship between public funding availability and new party entry.

The second control variable is *average district magnitude*. This is a factor that has been considered as very important in the literature (Bolin, 2007, p. 5). Most countries use some kind of electoral district system. Generally, as the total number of seats that can be won within a district increases, so does the number of parties competing for them. This tendency is a display of the phenomenon called Duverger's Law. Duverger's Law states that *'the simple-majority single-ballot system favors the two-party system'*, and that conversely *'the simple-majority system with second ballot and proportional representation favors multipartyism'* (Duverger, 1954, p.217; p.239).

Therefore, in an electoral system where a multiple seats can be won per district, more parties are likely to compete and win one or more seats, which increases the winning chances of new parties (Willey, 1998). However, the number of seats that is distributed during elections varies per district, as this often depends on the number of inhabitant and/or other determinants. In order to be able to compare countries, the average size of an electoral district within a country is incorporated into the analysis of this thesis. This cancels out the possibility of biased results regarding the effect of public funding on new party entry due to differences in district size between countries.

The third factor that is taken into account is a measure of a country's *electoral volatility.* Several authors find a strong relationship between high electoral volatility and an increase in the number of new parties that enter parliament (Bolin, 2014, p.17; van Biezen & Rashkova; p.891). Electoral volatility indicates the level of stable party support and the likelihood that drastic changes in parliamentary seat distribution are likely to occur after elections. This is in turn an indication of how much 'room' could potentially be made for new parties in parliament. The higher the electoral volatility, the higher the chances for winning seats of new parties are, as support is more easily transferred to them.

For the empirical data, this thesis builds on a previous paper by Van Biezen & Rashkova (2014) and aims to make a small expansion to their results. This thesis includes almost all cases used in their paper[1], which are nineteen post-war European democracies, with data up to 2012. This thesis expands their analysis by also including a number of Western European democracies, which were previously not taken into consideration[2]. However, in this thesis, Ukraine is excluded from the analysis, as it is no long rated as fully democratic by Freedom House, which is problematic for reasons explained above.

Party law changes over time, and thus in order to answer the research question a temporal comparison is needed. Public party funding was first introduced in the 60s and 70s in most Western European democracies. Since then, the laws have changed a number of times in each state. In order to observe the effect of the availability of and new parties' eligibility for public funding, it would be ideal to map out a historical overview of the development of public funding law for each country, and subsequently compare each legal change to the election results of the next round of elections. However, creating such an historical overview of legal developments is extremely time and labour intensive. It also raises the practical difficulty of language barriers, as it is generally difficult to find translation of older versions of legal texts. In sum, although this would be the most accurate way of answering the research question, it is unfortunately not feasible given the constraints of this thesis.

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[1] Austria, Bulgaria, Croatia, Czech Republic, Estonia, Finland, Germany, Hungary Latvia, Lithuania, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Ukraine, United Kingdom.
[2] The additional countries are Sweden, France, Italy, Belgium, Luxemburg and the Netherlands.

Instead, an alternative method is used in this paper. In order to establish the effect of availability and eligibility laws regarding public party funding on new party entry, two points in time are compared, using data gathered from the Leiden Party Law database and the IDEA database.

The first point in time used for comparison consists of the election results of the first election after the introduction of the first party finance law. The second point is the election results of the first national parliamentary elections after the introduction of the more recent version. The time span between the first and later laws is different for every case, as counties first introduced public funding at different points in time, and have held elections at different intervals.

These election results, specifically the number of new party entries, will be compared to the rules regarding public funding that were introduced before said election, in order to establish the effect of public funding availability on the number of new parties that win a parliamentary seat. The exact method of analysis as well as data collection is further explained in the next section.

Data collection and method of analysis
The Leiden Party Law database holds the first party and party finance laws of all countries included in this analysis, as well as their recent successors, of which most were adopted around the year 2010. The relevant legal texts on direct and indirect public funding and media access were collected for each country, using its selection buttons. The IDEA database is larger and contains information on political finance for almost all countries in the world. It was used as a supplement to the Leiden Party Law database, when data in it were missing or unclear. Specifically, questions 30, 31, 32, 34, 35 and 37 for the region Europe were consulted when needed. Once gathered, all texts were carefully read and for each country, a number of variables were coded according to this thesis' coding book, which can be found in the appendix.

Using the data handbook on elections in Europe by Nohlen & Stöver (2010), for all 24 countries the year of the first elections subsequent to the implementation of the relevant laws were determined. In cases where the data in the handbook were not recent enough, data were gathered from the ElectionGuide, provided by the International Foundation for Electoral Systems (IFES). The Gallagher Index values were gathered from the Election Indices Dataset (Gallagher, 2019). The average district magnitude was taken from the third version of the Democratic electoral Systems Dataset (Bormann & Golder, 2013). The measures of electoral volatility were made available as a courtesy of Mr. Casal Bértoa (2019).

These data were entered into IBM SPSS Statistics 25 for Windows, and using SPSS, a number of multiple linear regressions was performed. For testing the first hypothesis, for both groups (new party entry after the introduction of the first party finance law, and after the introduction of the more recent version), direct and indirect funding availability for new parties were treated as dichotomous

variables. This analysis investigated their effects on the entry of new parties into parliament. For both groups the analysis was run five times, including an extra control in each additional model. The fourth model was run with two control variables, similar to model three, but here the Netherlands was excluded. This is due to the fact that the Netherlands scores very high in average district magnitude, as it has a very proportional electoral system, and the whole country effectively functions as one electoral district. A strong outlier like this can distort the overall result, and to detect a possible bias this could have on the results, therefore it is excluded from the fourth model.

The second hypothesis, regarding the positive relation between the amount of public funding available to new political parties and the number of times they succeed to enter parliament, would ideally be tested using the exact amount of public funding as determined in each country's annual budget; the exact number of minutes of broadcasting time allotted to each party; the number of postage stamps provided free of charge and so on. For both practical and linguistic reasons, it is very time and labour intensive to collect data on these variables, which are not feasible to gather within the scope of this thesis. However, while the exact amounts are usually not specified in the party law or party finance law, it is usually mentioned what a (new) political party can expect in terms of public funding compared to established parties. Therefore, the independent variable of the amount of public funding available to new parties are simplified to four ordinal categories; none; less than the amount available to incumbent parties; equal to the amount available to incumbent parties; and more than the amount available to incumbent parties. This categorisation gives an indication of the relative position of new parties compared to established parties in terms of publicly provided resources, which helps determine the strength of effect of these resources on new party entry.

Dummy variables were composed for the first three categories. The fourth was left out because it did not occur in any of the cases. For both the first and the second group, these dummy variables were also run in a multiple linear regression with control variables, with the number of new party entries as the dependent variable. As before, the analysis also including the average district magnitude was performed twice due to the exclusion of the Netherlands.

Additionally, countries are also compared with themselves over time. In order to do this, it was established for each country whether it had seen an absolute increase in either or both direct and indirect public funding, between the introduction of the first and recent party finance laws. This was coded as two dichotomous variables, which were run in a multiple linear regression, with the differences in new party entry between the for each country relevant election years as the dependent variable. The results of these analyses and their interpretation are discussed in the next section.

Results and analysis

Table 1 shows the results of the testing of the first hypothesis. In this group, none of the regression analyses produce statistically significant results. This means the null hypothesis of no relationship between the independent variables and the dependent variables cannot be rejected. During the time after the introduction of the first laws regarding availability of public funding, there seems to be no effect, positive or negative, on the number of new parties entering parliament. This is in line with the findings of Scarrow (2006, p. 635), who concluded that public funding neither helps not hinders new parties in their parliamentary ambitions. As a possible explanation for this, she suggest that the amount of public funding parties receive may not be enough to make an effective difference in the distribution of wealth among parties, as they also receive income from other sources. Whether public funding is received or not, she suggests that larger parties almost always have more resources that their smaller competitors, and the public funding provided is insufficient to (partially) close the gap between them.

Scarrow's explanation goes against the claim that over time, political parties have become more and more dependent on the State for their revenues, while private contributions have decrease in volume and importance (Piccio & van Biezen, 2018, p.70). Empirically speaking, the latter is true for most countries and yet, mixed and contradictory evidence for emergence of cartelization using public funding is found in different studies. In order to establish in more detail how these two claims relate to each other, more research is needed.

Table 2 reveals the results of the second group with which hypothesis 1 was tested, and the results appear to be very similar. The introduction of the recent laws on funding availability and eligibility seems to have no effect on new party entry in the following elections. Only the Gallagher index, or the proportionality of an electoral system, appears to be a weak predictor of party entry. However, since the Gallagher index was only included in the analysis as a control variable, it does not contribute to the investigated effect of public funding on new party entry. It seems remarkable that the Gallagher Index, which is generally recognized as a reliable instrument, does not yield significant results for the first group. Although why cannot be said for certain, perhaps in the past, new party entry was determined by other, stronger factors, which caused the influence of the proportionality of an electoral system to be relatively minor. An alternative explanation could be that the Gallagher index was relatively recently designed with the contemporary era in mind, and is therefore perhaps less suited for use on earlier elections.

Table 1. Effect of availability of public funding on new party entry after first law

	Model 1	Model 2	Model 3	Model 4	Model 5
(Constant)	1,077	1,372	1,525	1,834	0,978
	(0,319)	(0,551)	(0,696)	(0,944)	(1,160)
Direct Funding Availability	-0,677	-0,765	-0,840	-0,912	-0,501
	(0,605)	(0,627)	(0,690)	(0,772)	(0,784)
Indirect Funding Availability	0,423	0,219	-0,840	-0,152	0,047
	(0,657)	(0 ,721)	(0,823)	(0,978)	(0,974)
Gallagher Index		-0,028	0,094	-0,034	-0,027
		(0,059)	(0,064)	(0,066)	(0,065)
Average District Magnitude *with NL*			-0,004		
			(0,010)		
Average District Magnitude *without NL*				-0,028	-0,025
				(0,049)	(0,048)
Electoral Volatility					0,038
					(0,031)
R^2	0,103	0,126	0,135	0,150	0,239
Adj. R^2	0,008	-0,028	-0,095	-0,092	-0,054
N	22	21	20	19	19

Dependent variable: number of new parties that have successfully entered parliament after elections following introduction of the first law. Linear regression. Standard errors in parentheses. $p < 0.1$, $p < 0.05$, $p < 0.01$.
The number of observations varies due to missing values in different variables.

Table 2. Effect of availability of public funding on new party entry after recent law

	Model 1	Model 2	Model 3	Model 4	Model 5
(Constant)	1,238	0,069	-0,323	-0,581	-0,686
	(0,589)	(0,543)	(0,588)	(0,771)	(0,739)
Direct Funding Availability	0,104	0,263	0,227	0,346	-0,074
	(0,613)	(0,472)	(0,479)	(0,538)	(0,577)
Indirect Funding Availability	-0,063	-0,375	-0,265	-0,328	-0,273
	(0,613)	(0,477)	(0,484)	(0,508)	(0,486)
Gallagher Index		0,177	0,196	0,201	0,180
		(,046) ***	(0,046)***	(0,048)***	(0,048)***
Average District Magnitude *with NL*			0,013 (0,008)		
Average District Magnitude *without NL*				0,035 (0,042)	0,014 (0,042)
Electoral Volatility					0,033 (0,021)
R2	0,002	0,443	0,519	0,521	0,591
Adj. R2	-0,098	0,355	0,405	0,401	0,454
N	23	23	22	21	21

Dependent variable: number of new parties that have successfully entered parliament after elections following introduction of the recent law. Linear regression. Standard errors in parentheses. *p < 0.1, **p < 0.05, ***p < 0.01.
The number of observations varies due to missing values in different variables.

The testing of the second hypothesis for the first group, which is shown in table 3, also does not show any statistical significant results. For the time period after the introduction of the first laws, there seems to be no effect of the amount of public funding available to new parties, on the number of them entering parliament. Thus, the null hypothesis of no relationship cannot be rejected. This goes against earlier findings by Kölln (2016), who concluded that at least in some countries, the introduction of public funding has contributed to an increased equality of opportunity for political parties. However, her findings are not reflected in the analysis presented above. Figuring out and understanding the mechanics at work behind these conflicting results, are an interesting avenue for future research.

Table 3. Effect of amount public funding available to new parties on new party entry after first law

	Model 1	Model 2	Model 3	Model 4	Model 5
(Constant)	1,231 (0,383)	1,426 (0,579)	1,611 (0,737)	2,080 (1,022)	1,335 (1,264)
Less direct funding *(dummy)*	0,769 (0,884)	-0,895 (0,788)	-1,004 (0,871)	-1,194 (0,931)	-0,870 (0,985)
Equal amount of direct funding *(dummy)*	-1,231 (1,049)	-0,570 (0,939)	-0,620 (1,005)	-0,598 (1,025)	-0,191 (1,103)
Less indirect funding *(dummy)*	1,769 (1,433)	-0,371 (1,309)	-0,539 (1,438)	-0,967 (1,597)	-0,423 (1,687)
Equal amount of indirect funding *(dummy)*	-0,231 (0,789)	0,208 (0,733)	0,070 (0,835)	-0,240 (0,967)	-0,275 (0,967)
Gallagher Index		-0,035 (0,063)	-0,043 (0,069)	-0,047 (0,071)	-0,040 (0,071)
Average District Magnitude *with NL*			-0,004 (0,010)		
Average District Magnitude *without NL*				-,0039 (0,052)	-0,038 (0,052)
Electoral Volatility					0,034 (0,034)
R^2	0,192	0,133	0,145	0,174	0,238
Adj. R^2	0,012	-0,138	-0,221	-0,207	-0,206
N	23	22	21	20	20

Dependent variable: number of new parties that have successfully entered parliament after elections following introduction of the first law. Linear regression. Standard errors in parentheses. $*p < 0.1$, $**p < 0.05$, $***p < 0.01$.
The number of observations varies due to missing values in different variables.

The results in table 4 indicate the same is true for the election results after the introduction of the recent laws, during which public funding seems to have had no effect on new party entry. Only the Gallagher index yields statistically significant results, which however do not contribute to the explanation power of the investigated independent variables. It is striking that the Gallagher index again only resulted in statistically significant results for the recent group, which leads to the suspicion that somehow, the proportionality of electoral systems has become a more important factor for the parliamentary success of new parties over time. To establish why this is the case, further research is required. However, one possible explanation for this could be that not proportionality itself has increased in absolute importance, but that other factors have decreased in explanatory power over

time, which has resulted in relatively more explanatory power for the proportionality of an electoral system. An example of a factor that has decreased in importance would be the disappearance of traditional social and religious barriers between social groups. Historically, group membership strongly determined one's voting behaviour. With the disappearance of this predetermined and socially expected political behaviour, people felt freer to vote for other parties than those they originally 'belonged to' (Voerman & van Schuur, 2011, p. 210-211). These floating voters created more room on the political spectrum for the emergence of new parties, which were in turn facilitated by more proportional electoral systems.

Table 4. Effect of amount public funding available to new parties on new party entry after recent law

	Model 1	Model 2	Model 3	Model 4	Model 5
(Constant)	1,001	0,058	-0,293	-0,461	-0,616
	(0,562)	(0,522)	(0,571)	(0,801)	(0,791)
Less direct funding *(dummy)*	0,810	0,693	0,706	0,792	0,412
	(0,669)	(0,530)	(0,559)	(0,641)	(0,690)
Equal amount of direct funding *(dummy)*	-1,061	-0,509	-0,378	-0,329	-0,605
	(0,793)	(0,647)	(0,648)	(0,687)	(0,703)
Less indirect funding *(dummy)*	-0,656	-,0847	-0,959	-0,910	-0,684
	(0,806)	(0,639)	(0,727)	(0,767)	(0,768)
Equal amount of indirect funding *(dummy)*	0,825	0,288	0,310	0,253	0,188
	(0,703)	(0,577)	(0,574)	(0,620)	(0,607)
Gallagher Index		0,156	0,175	0,178	0,164
		(0,046) ***	(0,047)***	(0,049)***	(0,049)***
Average District Magnitude *with NL*			0,010 (0,008)		
Average District Magnitude *without NL*				0,024 (0,047)	0,012 (0,047)
Electoral Volatility					0,028 (0,021)
R^2	0,221	0,540	0,600	0,597	0,644
Adj. R^2	0,048	0,405	0,440	0,425	0,452
N	23	23	22	21	21

Dependent variable: number of new parties that have successfully entered parliament after elections following introduction of the recent law. Linear regression. Standard errors in parentheses. *$p < 0.1$, **$p < 0.05$, ***$p < 0.01$. The number of observations varies due to missing values in different variables.

Comparing countries with themselves over time, as shown in table 5, shows that even within countries, which is the closest approximation of *ceteris paribus* possible, an absolute increase in either type of funding for new parties, does not lead to more entries into parliament. This is in line with the earlier conclusions of van Biezen and Rashkova (2012, p. 900), who concluded that '*there is thus no evidence of a systematic effect of the presence or absence of state subsidies on the number of successful new party entries'.*

Table 5. Effect of absolute increase in public funding on the differences in new party entry

	Model 1
(Constant)	0,645 (0,569)
Increase in direct funding *(dummy)*	-0,247 (0,848)
Increase in indirect funding *(dummy)*	-0,597 (0,837)
R^2	0,043
Adj. R^2	-0,058
N	22

Dependent variable: differences in new party entry between the for each country relevant election years. Linear regression. Standard errors in parentheses. $*p < 0.1$, $**p < 0.05$, $***p < 0.01$.

The statistical analyses in this section have led to the rejection of both this thesis' hypotheses. There appears to be no relationship between the number of new parties that enter parliament and either the availability of public funding for new parties or the amount of that funding. The reason as to why there is no relationship where one might have expected one is an interesting subject for future research. A more qualitative research design that dives deeper into the particulars of countries' cultural, electoral and institutional histories and arrangements might give more insight in the (lack of) influence of party funding regulations on new party entry.

Conclusion and discussion

In this thesis, the relationship between public funding availability for new parties and new party entry into parliament was studied. The purpose was to establish whether the availability of public funding and the amount of it had an effect on the number of new parties that manage to obtain a seat in parliament. Party cartel theory supposes that incumbent political parties will use their power and position to keep new competitors out. Regarding the use of party funding availability regulation for this purpose, no evidence was found for this claim. It cannot be excluded that this is happening through other mechanisms, but more research is needed to definitively confirm or reject this idea.

Methodologically, this thesis built on previous word by Van Biezen & Rashkova (2014), and added six new countries to their original analyses. However, this did not change the results. The additional countries appeared to follow the same pattern as those in their sample, despite the historical and institutional differences.

The absolute amount of public funding regulation has increased significantly over time in each country included in this thesis. However, in both the earlier and more recent points in time that were analysed, the regulations regarding the availability and amount of public funding to new political parties, had no effect on the number of new party entries. This conclusion is in line with earlier findings by Scarrow, who concluded that public subsidies for political parties have hardly any effect on party competition. They neither help nor hinder new parties in their political goals.

Although it is difficult to say for certain, perhaps the increase in regulation was driven by other motives than cartel formation. New parties have consistently entered parliament over the last decades in almost all counties, which indicates that people have a real chance at being represented by a new party of their choice, as well as the chance to successfully enter the political realm and represent others.

The research in this thesis was carried out with due care and diligence, its limitations must however also be acknowledged. As previously mentioned in the methodology, a comparison using more moments in time would give a more accurate representation of the developments of funding regulations, and could therefore result in a more detailed account of its influence on new party entry. Additionally, a larger number of cases would improve the generalisability of the research results. Twenty-four countries together form a relatively small sample, which is therefore more prone to distortions due to outliers or the influence of unique events. A larger sample could possibly lead to statistically significant results, which could tell us more about the influence of funding availability rules on new party entry. Such results are by no means guaranteed, but the possibility cannot be excluded either. Therefore, this would be an interesting avenue for future research on this subject. Lastly, it could be worthwhile to repeat Van Biezen & Rashkova's (2014) entire analysis, including the six additional or even more countries, to assess whether their addition would influence the results regarding the effect of state regulation at large on the permeability of electoral systems.

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Appendix - Coding book

<u>Questions</u>   <u>Codes</u>

1. Is direct public funding available for incumbent parties?   0/1

2. What are the eligibility criteria?
      1. Seats in current parliament obtained during previous elections   1
      2. Percentage share of the votes in previous election   2
      3. Registered as a party   3
      4. Required number of members   4

3. What determines a party's share of direct public funding?
      1. Equal share for each party   1
      2. Proportional to votes received in previous election   2
      3. Proportional to seats received in parliament   3
      4. Monetary sum of membership fees and donations   4
      5. Number of members   5

4. Is direct public funding available for new parties?   0/1

5. What are the eligibility criteria?
      1. Share of votes in previous elections (did not meet electoral threshold)   1
      2. Registered as a party   2
      3. Required number of members   3
      4. Obtains a seat after elections (reimbursement)   4

6. Is it less/equal to/more than the amount available for incumbent parties?
      0. Less   0
      1. Equal   1
      2. More   2

7. Is indirect public funding available for incumbent parties?   0/1

8. What kind?
      1. Free/subsidized media access   1
      2. Free/subsidized postage cost   2
      3. Free use of rooms for campaign purposes   3
      4. Free/subsidized campaign materials   4
      5. Reimbursement of all costs of election campaign   5
      6. Free/subsidized advertising space (e.g. billboard use)   6

9. What are the eligibility criteria?
      1. None/available to every competing party   1
      2. Seat(s) in current parliament   2
      3. Registration as a political party (nationally or in electoral districts)   3
      4. A certain percentage of votes in present elections (reimbursement)   4

10. What determines a party's share of indirect direct public funding?
    1. Equal share for each party   1

- 1. Equal share for each party — 1
- 2. Proportional to votes received in previous election — 2
- 3. Proportional to seats received in parliament — 3

11. Is indirect public funding available for new parties? — 0/1

12. What kind?
- 1. Free/subsidized media access — 1
- 2. Free/subsidized postage cost — 2
- 3. Free use of rooms for campaign purposes — 3
- 4. Free/subsidized campaign materials — 4
- 5. Reimbursement of all costs of election campaign — 5
- 6. Free/subsidized advertising space (e.g. billboard use) — 6

13. What are the eligibility criteria?
- 1. None/available to every competing party — 1
- 2. Seat(s) in current parliament — 2
- 3. Registration as a political party (nationally or in electoral districts) — 3
- 4. A certain percentage of votes in present elections (reimbursement) — 4

14. Is it less/equal to/more that the amount available for incumbent parties?
- 0. Less — 0
- 1. Equal — 1
- 2. More — 2