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Stabilization or Exploitation? Cartelization as Institutional Drift in Romania and the Czech Republic

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Abstract

To prevent private interests from distorting the democratic process, most European countries have implemented public funding schemes to guarantee fair competition among political parties. However, very little research has explored the possibility of institutional corruption in conjunction with state political party funding. Katz and Mair's cartel party thesis argues state support strengthens ties between political parties and the state at the expense of civil society. Oliveira uses organizational theory to point to institutional corruption as a design problem. This paper serves as a preliminary exploration of whether Oliveira's institutional corruption model and the cartel party theory can be applied to the European context. Comparative case studies of the Czech Republic and Romania, party finance laws and reforms, and the existing cartel party literature in these countries are used to construct a possible new theoretical framework for analysis. Secondary sources such as public opinion polls and surveys are employed to underline the ineffectiveness of political parties' ability to connect with the electorate. This analysis brings the cartel party thesis and institutional corruption theory together into a single framework, helping to explain how the cartel party thesis can be framed as a problem of organizational design whereby parties drift from their institutional purpose in order to ensure their own survival, losing society's trust in the process.

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Chapter I: Introduction

Figuring Out the Problem: Political Finance, Corruption, and Democracy

Elections are key components of representative democracies. Political parties and candidates are chosen to represent the views of civil society in government. In order to garner support, political parties need money to fund party activities and self-maintain (Haughton 2012; Nassmacher 2001; Smilov and Toplak 2007). As Fisher and Eisenstadt (2004, 619) state: “The study of political finance is fundamental to the study of the workings of representative democracy.” Moreover, any study of political finance will need to account for corruption, as corruption poses a serious threat to representative democracy. If the legitimacy of political parties is compromised, citizens may lose faith in the democratic process itself (Caiden 2001).

As such, the most dangerous aspect of corruption in party finance is the conflict of interest that arises in campaign finance legislation. Those creating party finance legislation are those who will be regulated by the laws. For example, a party that receives a significant amount of donations from charity organizations will be opposed to any piece of legislation that effectively bans contributions from charity organizations, even though these charity organizations account for a small portion of the party’s base. This party may vote differently than what the majority of its constituents desire for two reasons: the party will no longer have access to the money contributed from its charity donors; and with this significant loss in funding, a party’s ability to effectively campaign for the upcoming election will be hindered, thus placing its power in jeopardy.

This example illustrates a type of corruption known as monetary influence corruption: the sheer presence of money *influences* how one thinks. Thomas Burke (1997, 142) explores the “corruptive influence of money” in politics, and argues that “it is corrupt for officeholders to perform their public duties with monetary considerations in mind” regardless if an “explicit deal is made” with a private interest. Indeed, privately interested money threatens representative democracies. Wealthy individuals or companies, in theory, shall not have more influence in the democratic process simply due to the size of their bank accounts. Governments seek to protect the voice of everyday citizens by regulating private donations to political parties and individual candidates and implementing reforms that inhibit corruption.

Many European countries have implemented public funding schemes of political parties in order to limit the “potentially disruptive role of interested money” from private sources and to guarantee free and fair political competition (van Biezen 2003, 33-4). The manner of public funding varies from state to state, but public funding falls into two broad categories: direct and indirect funding. Direct funding comes in the form of state subsidies to political parties. And indirect funding can be allocated in various ways such as free radio and television broadcasting, tax incentives and exemptions, or subsidies to research institutes (van Biezen 2003, 37-41).

Nevertheless, problems begin to emerge as state support of political parties increase. As Katz and Mair (1995) point out, this increase in public funding has strengthened ties between the state and political parties at the expense of civil society (Katz and Mair 1995; see also, van Biezen 2003; van Biezen 2004; van Biezen and Kopecky 2014). Political parties’ rising dependence on the state for party revenue has molded political parties into "semi-state agencies" (Katz and Mair 1995, 16). Instead of acting as a bridge between civil society and the state, parties become less dependent on society for financial support, which ultimately undermines the connection between the two.

Accordingly, as parties become more dependent on the state for party revenue, they also become more dependent on the state for their survival (Katz and Mair 1995, 16). Hence, all parties that receive public funding are dependent on the state for survival and thus seek to form a "cartel" to ensure their mutual survival (Katz and Mair 1995, 16). This "cartel-party" model of party organization implies that parties take advantage of the system in order to retain access to state subsidies, media access, and their overall power: "The state becomes an institutionalized structure of support, sustaining insiders while excluding outsiders" (Katz and Mair 1995, 16).

While van Biezen (2004, 704) sees public funding of political parties as a "necessary condition for the healthy functioning of political parties" (See also, Haughton, 2012; 2014; Smilov and Toplak 2007; van Biezen 2003), the influence of state money becomes problematic when placed into the context of Katz and Mair's "cartel-party" theory and monetary influence corruption: substantial support from the state changes the way political parties think and act, whether or not such thought or action is conscious. Parties are focused on retaining their access to state support rather than competing with other parties. As Katz and Mair (1995, 20) argue, in some cases, "the limited incentive to compete has been replaced by the positive incentive not to compete." The threat of losing state funding (and hence a large portion of party revenue) influences their relationships with other parties—that is, competition is replaced by complacency. Maintaining state support outweighs the risks associated with broadening the support structure and competing in elections. But this issue goes beyond monetary influence corruption. As political parties become institutionalized through state support, political parties may become corrupt as institutions.

Generally, institutional corruption is: “The consequence of an influence within an economy of influence that illegitimately weakens the effectiveness of an institution, especially by weakening the public trust of that institution” (Lessig 2013, 2). This “influence” is a specific tendency that weakens the institution (Lessig 2013, 7). In order to determine if a tendency has weakened the institution, a baseline needs to be established: the baseline is the basic assumption or purpose of the institution (Lessig 2011; 2013; Thompson 1995; 2013). Therefore, any sort of deviation from the basic institutional purpose is a form of institutional corruption (Lessig 2011; 2013; see also, Newhouse 2014). Oliveira (2014) portrays institutional corruption as a “design” problem—namely organizational design. Corruption afflicts an institution because it has been designed in a way that allows for deviation from its original purpose. According to Oliveira (2014, 16), “institutional corruption can be defined as the condition in which an institution does not achieve its purpose because its very design induces its members to work for other goals.” Two notable words in that statement are “purpose” and “goals,” which are interrelated in IC theory. The institution’s purpose is the baseline for analysis: in order to accomplish that purpose, an institution sets out particular goals that directly lead towards its ascribed purpose; failure to achieve these goals ultimately undermines the institution’s ability to fulfill its ascribed purpose (Oliveira 2014, 14). Thus, the goals are the means to achieve the end—the institution’s purpose. Oliveira (2014) declares that institutional corruption can occur through three mechanisms: work-breakdown structure, motivating for the goal, and formalization and communication of the structure and motivation—all of which will be discussed in detail below. Not only is institutional corruption a problem of design "as it is *designed or intended*" but also how an institution's design "manifests *itself in practice*: that is, as it is apprehended every day by the members of an institution" (Oliveira 2014, 23).

State subsidies may "weaken the effectiveness" of political parties as institutions because political parties become disconnected with civil society, which is a deviation from their basic purpose: to bridge the gap between the state and society. Moreover, state subsidies erode the public's trust of political parties when the linkage between the state and political parties diminishes the significance of private contributions. Indeed, voter turnout can highlight citizen disengagement, and several scholars have looked at the voter turnout-corruption nexus in particular (Birch 2010; Kostadinova 2003; 2009; Miles 2015; Stockemer, LaMontagne, and Scruggs 2011). If the general population has little trust in political parties as a legitimate institution, voter apathy may result in a low turnout in elections.

While low voter turnout alone is not a direct threat to democracy (Czesnik 2006), citizens begin to lose faith in the government when they do not trust leaders or institutions or believe they are not getting "good value" (Caiden 2001, 229). Likewise, Caiden (2001, 230) expands the reasoning by stating "the feeling of not being able to make any difference, of being powerless to get corrective action, shakes [citizens] confidence in themselves and in democracy itself." The legitimacy of parties and corrupt practices in post-communist states is of particular concern, especially in parts of Central and Eastern Europe where "a rolling back of positive progress" on anti-corruption efforts has occurred since accession to the European Union (Transparency International 2012a, 3). Two states in which this is apparent are the Czech Republic and Romania. These two countries provide an opportunity to study the problems of institutional corruption, cartelization, and political parties' disconnection from society more closely.

Political Parties, Funding, and Voter Turnout in Romania and the Czech Republic

Romania and the Czech Republic underwent two distinct democratic transitions after the fall of their respective communist regimes. Indeed, their respective transitions affected the development of each country's party system. The Czech Republic's relatively smooth transition was due in part to the dissident movement known as Charter 77, whereas the lack of any such movement in Romania hindered the transition after the removal of Nicolae Ceausescu. Furthermore, the amount of public subsidies granted to political parties as they have emerged in the last thirty years varies markedly: state subsidies in the Czech Republic account for the majority of the established political parties' revenues, while parties in Romania receive a relatively small amount of public funding from the state budget.

On the other hand, citizens in both countries have maintained a relatively high amount of distrust towards political parties. For example, based on the Eurobarometer public opinion poll[1], which surveys a sample of the population twice a year, from October 2004 to November 2014, the respondents were asked to what extent they have "trust in the national government": the average over the 10-year span in the Czech

[1] Data compiled from the Eurobarometer Interactive Search System and can be seen at http://ec.europa.eu/public_opinion/cf/index.cfm?lang=en. The author has calculated the averages below.

Republic 74.4% of respondents said they "tend not to trust"; the same question was asked in Romania, and 69.95% of the respondents held the same view.[2]

In the same poll, over the same time period, respondents were asked whether or not they "tend to trust" the national parliament: an average of 82% of the respondents answered that they "tend not to trust"; and in Romania, the average over the 10-year span was 74% "tend not to trust."[3] Finally, the poll asked the same question regarding political parties: an average of 86% of the respondents held that they "tend not to trust" political parties in the Czech Republic; and the 10-year average in Romania was 80% of respondents "tend not to trust."[4]

In addition, voter turnout has followed a downward trend in both countries following the first democratic elections (see Chart 1 and 2 below), which has generally been a common trend among post-communist democracies (Kostadinova 2003; see also, Kopecky 2006).

Moreover, based on Transparency International's (TI) "Corruption Perceptions Index," both countries maintain a high level of perceived corruption. TI's annual study examines the level of perceived corruption across all public institutions, 0 being the most corrupt and 100 is a perfect score—that is, a country's public sector is perceived to be completely free of corruption—and is based on surveys from a wide range of respondents, including businesspeople, citizens, local NGOs, experts, and so on. An important caveat, however, is that TI's annual survey measures the level of *perceived*

[2] Respondents were also given the option to claim, "Don't know" in each survey: the average for "Don't know" in the Czech Republic was 2.6%, and 6.3% in Romania.
[3] 3% of the Czech Republic respondents answered, "Don't know"; the average "Don't know" in Romania came out to 7%.
[4] 3% chose "Don't know" in the Czech Republic, and 6% answered the same in Romania.

corruption, not *actual* corruption. Accordingly, the average score for the Czech Republic from 1997 to 2014 was 46, whereas the average in Romania was 34 (Transparency International 2014).[5]

Chart 1 and 2: Voter Turnout in Romania and the Czech Republic

Romanian Parliamentary Elections

Year	Voter Turnout
1990	86.19%
1992	76.29%
1996	76.01%
2000	65.31%
2004	58.51%
2008	39.20%
2012	41.76%

Czech Parliamentary Elections

Year	Voter Turnout
1990	96.33%
1992	84.68%
1996	76.29%
1998*	74.00%
2002	57.95%
2006	64.47%
2010	62.60%
2013*	59.48%

*Indicates early election

Source: International Institute for Democracy and Electoral Assistance (IDEA), 2013.

Purpose and Methods

In an attempt to explain these phenomena, this paper seeks to build a new theoretical framework which combines the cartel party thesis and institutional corruption theory to help determine whether cartelization results from a problem of organizational design and forces parties away from their institutional purpose, losing the electorate's trust in the process. No doubt studying political finance and corruption is challenging: "The financing of campaigns and elections is one of the murkiest areas between legal and

[5] Averages calculated by the author. The yearly indexes can be viewed at http://www.transparency.org/research/cpi/overview.

illegal activities" (Funderbunk 2012, 3). Moreover, notwithstanding the "good intentions" of many politicians, political finance remains "shrouded in mystery and the subject to continual resistance for reform by the political parties themselves" (Fisher and Eisenstadt 2004, 623). However, as Holmes (2013, 1168) has pointed out, mixed methods of analysis might help provide "a reasonably meaningful picture of the situation."

Therefore, as a preliminary exploration of institutional corruption, party drift, and organizational design problems, this study utilizes a comparative case study of Romania and the Czech Republic and involves a mix of qualitative methods: 1) historical institutional analysis of party systems; 2) textual analysis of the laws governing political parties 3) the shortcomings of these laws as described by various NGOs such as Transparency International and GRECO; and 4) voter turnout and Transparency International's corruption perceptions index highlight a growing disengagement of the electorate which may indicate parties are failing to achieve their institutional goals while losing their legitimacy in the process. Indeed, these two countries make for an interesting comparison because the amount of public subsidies granted to political parties varies significantly.[6] At the same time, as noted above, the citizenry in both countries have maintained a relatively high amount of distrust towards political parties. In addition, cartel party literature focusing on each country has revealed trends of cartelization.

The remaining chapters will examine the literature in the study of political corruption and political parties, the cases of Romania and the Czech Republic in depth, and then preliminary conclusions will explore the possibility of bringing the cartel thesis

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[6] Percentage of state dependency of parties in the Czech Republic is 85%, and 38.7% in Romania (Casal Bertoa et. al. 2014).

and institutional corruption theory in a single framework, helping frame cartelization as a problem of organizational design whereby political parties in Central and East European states drift from their institutional purpose. As a preliminary assessment, this paper argues that cartelization shifts political parties from their purpose because they have failed to achieve the goal of public funding—namely, reducing the damaging effect of private funding on perception of corruption. The case studies demonstrate that public funding has not necessarily mitigated the need for private funding, and therefore has not improved voter turnout or public support for democratic institutions more generally—both of which have been on the decline.

Chapter II: Literature Review

The literature on definitions and measures of corruption, political party funding, and disconnects between party purpose and perceptions of civil society is extensive and varied. Numerous scholars discuss individual corruption in politics, the "corruptive influence of money" on public officials, or the idea that a corrupt individual is one who uses public office or resources for private gain (Burke 1997; Heidenheimer 1970; Kunicova and Rose-Ackerman 2005; Warner 2007). For the purposes of this paper, the attention is focused first on definitions of corruption and literature which questions whether money influences an institution, rather than a particular individual or group (Lessig 2011; 2013; Oliveira 2014; Thompson 1995; 2013). Subsequently, the focus shifts to Katz and Mair's (1995) cartel party thesis and scholars who have looked at party finance and party systems. A brief discussion of literature on political parties and funding in Romania and the Czech Republic is also provided.

Corruption, Institutional Corruption, and Organizational Design Problems

Corruption is a difficult concept to define with precision. As Caiden (2001, 231) states: the "worst aspect of corruption: its many different forms." Despite differences among scholars who seek to define political corruption, the general consensus is that an individual uses public office or resources for private gain (Burke 1997; Caiden 2001; Funderbunk 2012; Johnston 2005; Warner 2007). Scott (1972) proposes three criteria for determining what is corrupt: public opinion, public interest, and legal norms. But those three criteria are not much help in narrowing the definition of political corruption because those three criteria vary in different systems of government, societies, and cultures (Burke 1997; Caiden 2001; Funderbunk 2012; Johnston 2005; Warner 2007).

Thompson (1995) argues that corruption goes beyond the use of public office for private gain in a democracy in that private interests subvert the “rigors” of the democratic process, or specific actions also involve the “violation of the norms, not just procedures” of a democratic process (Warner 2007, 15).

Funderbunk (2012, 1) defines corruption as “actions by public officials that may be legal or illegal but are questionable in terms of the integrity of a system of legitimate government and the rule of law.” Therefore, Funderbunk (2012) believes political corruption should be defined more broadly because those in power are able to decide what is “corrupt” and what actions are legal. Caiden (2001, 231) aligns with this reasoning, arguing that the “corrupt are clever at disguising their corrupt acts and covering any traces.”

Given the difficulty of detecting corruption, scholars undertake various methods in studying corruption, be it a political-economy approach (Rose-Ackerman 1978), a legal approach (Burke 1997), an ethical approach (Thompson 1995), or a systemic approach (Johnston 2005). Each method uses a different form of measurement to produce results. Nevertheless, precise measurement of corruption remains a problem across all methods.

As Caiden (2001, 232) asserts: “Corruption is impossible to measure with any degree of accuracy simply because much will be hidden and never known.” Organizations such as Transparency International, Freedom House, and the World Bank produce specific country reports and cross-regional comparisons that measure corruption and the perception of corruption. But as Knack (2007) points out, even those organizations' measurement techniques are, to a certain extent, flawed.

The purpose of this paper, however, is to determine whether money influences an institution—rather than a particular individual or group—to the extent that it deviates from its purpose, weakening its effectiveness in the process (Lessig, 2011; 2013; Oliveira 2014; Thompson 1995; 2013). Thompson (1995) set the groundwork for institutional corruption research in his work *Ethics in Congress: From Individual to Institutional Corruption* (See also, Thompson 2013). Here he argues, "any action performed under conditions that tend to violate one of the principles of legislative ethics constitutes institutional corruption" (Thompson 1995, 32). Furthermore, he claims, "the fact that a legislator acts under institutional conditions that tend to create improper influence is sufficient to establish corruption, whatever the legislator's motive" (Thompson 1995, 32). This has been followed by work by Della Porta and Vannucci (1999) who argued that access to government resources available to a ruling party could give rise to party corruption, and control of policy-making activities may in turn create party corruption in the legislative systems (See also Casal Bertoa, et. al., 2014).

While these scholars laid the foundation for institutional corruption, Lessig (2013, 6) goes a step further with regard to the relationship between gain and service, and the relationship "between that relationship and the legislative or democratic process." Although Thompson's works (1995; 2013) imply that a tendency may "weaken" or "damage" the legislative or democratic processes, Lessig (2013, 7) explicitly states one must "establish that that tendency weakens the legislative or democratic processes." And in order to do so, both Lessig and Thompson propose that one must understand the basic assumption or purpose of the institution, and any deviation from the basic institutional purpose constitutes institutional corruption (Lessig 2011; 2013; Thompson 1995; 2013; see also, Newhouse 2014).

Thompson deems legislative independence as a proper baseline: as long as a legislative body is "independent" of improper influence and its deliberations are made "on the merits" (Thompson 2013, 5). Lessig concurs with Thompson that a legislative body shall be independent, but Lessig calls this independence "the proper dependence" (Lessig 2011, 130). Hence, a different kind of institutional corruption evolves from Lessig's work: dependence corruption. Dependence corruption describes an institution that deviates from its proper dependency due to an alternative dependency. This alternative, or conflicting, dependency, Lessig argues, is one kind of influence that can give rise to institutional corruption (Lessig 2011, 130; 2013, 17).

Lessig's works (2011; 2013) are centered on campaign finance of the U.S. Congress. In his view, Congress' proper dependency is upon "the People" alone, just as the Framers prescribed. However, the conflicting dependency comes from what Lessig calls, "the Funders": those who contribute a substantial amount to legislators' campaigns. Congressional candidates, Lessig argues, become dependent upon "the Funders" due to the significant (and disproportionate) amount of money they receive from a small group of people, which is evidence that Congress has deviated from its proper purpose. Thus, "permitting a separate dependence to evolve corrupts the design that 'the People' were to be the exclusive dependence" (Lessig 2013, 17).

While Thompson and Lessig have focused on corruption and campaign finance in the context of the United States, institutional corruption has rarely been applied in the European context. Circumstances differ significantly in Europe with regard to political parties and campaign finance. Parties are organized and funded in ways that make comparison to the United States' context problematic. As Oliveira (2014, 4) notes, the trick is to find a way to make the concept of institutional corruption more adaptable.

Oliveira (2014, 4) retains the underlying components of IC theory, but broadens IC theory asserting 'institutional purpose' has different characteristics and implications in different settings. Equally important is Oliveira's proposition that "some situations demand analysis from different perspectives" and demand that "we work with multiple [institutional] purposes simultaneously" (Oliveira 2014, 11). In fact, Oliveira argues a single situation of institutional corruption may require multiple levels of analysis (Oliveira 2014, 11). The definition of an institution's 'purpose' determines the level of analysis: "The institutional purpose need not be defined by entities at the level of the institution (e.g., founders or shareholders); even though it exists at that level—it is, after all, the institution's purpose—it can be defined by entities at a higher level (the industry or the societal level, for example)" (Oliveira 2014, 12). Indeed, Oliveira argues that IC theory ought to be flexible enough "to allow for the analysis of an institution whose purpose might be defined outside of it, or even imposed on it" (Oliveira 2014, 12). This flexibility might allow for an analysis of political parties in different cultural contexts, even when those political parties may have purposes explicitly defined by constitutions or laws.

Using organizational theory, Oliveira portrays institutional corruption as a "design" problem—that is, organizational design (Oliveira 2014, 5). Corruption afflicts an institution because it has been designed in a way that allows for deviation: "Institutional corruption can be defined as the condition in which an institution does not achieve its purpose because its very design induces its members to work for other goals" (Oliveira 2014, 16). The institution's purpose is the baseline for analysis; and, in order to fulfill that purpose, an institution sets particular goals wherein accomplishing those goals fulfills the purpose (Oliveira 2014, 14). Thus, the goals are the means to achieve the end—the institution's purpose. This 'means and ends' concept—or as Oliveira calls it, "work breakdown structure," is the first of three mechanisms through which institutional corruption occurs.

The second mechanism deals with motivation, specifically motivation to achieve a particular goal. Oliveira divides motivation into two types: direct and indirect (Oliveira 2014, 20). Direct motivation refers to a situation in which an individual working within the institution is motivated to achieve the goal and strives towards fulfilling the institution's purpose, which ultimately allows the institution to maintain its course (Oliveira 2014, 20). On the other hand, institutional corruption surfaces when indirect motivation is present. Individuals work towards a reward instead of "working for any institutional purpose *as it is defined for them in the reward mechanism* (Oliveira 2014, 21, emphasis in original). Indeed, the "reward mechanism" distracts individuals from the institutional purpose and, consequently, institutional corruption presents itself (Oliveira 2014, 21).

The third mechanism laid out by Oliveira is formalization and communication: "work breakdown structure and motivation plans of an institution need to be formalized and communicated to its members" (Oliveira 2014, 22). In fact, according to Oliveira, institutional corruption occurs when a gap exists between "rule-in-context" and "rule-as-intended" (Oliveira 2014, 22). Institutional corruption may occur because the rules, laws, or procedures were formalized and communicated in defective ways. Indeed the drift can be purposeful: "members may use the gap mentioned to explore ways to game the rules…only to exploit the gaps later" (Oliveira 2014, 23).

For Oliveira (2014, 26), the fact that an institution requires a design to achieve its purposes means that, "in most cases, this design will be created according to the accepted norms of designing institutions; the design is usually compatible with the legal framework of society." Therefore, different societies will have different design schemes, and studying these schemes can help one understand and compare political parties and forms of institutional corruption in different settings.

Literature on Political Parties, Public Funding, and Cartelization

Along with the academic work on institutional corruption theory, scholars have also examined political parties and funding. The concept of a political party in Europe has evolved over time, specifically regarding its relationship with society (Blyth and Katz 2005; Carothers 2006; Katz and Mair 1995; van Biezen 2004; van Biezen and Kopecky 2007; 2014). Some scholars suggest this relationship is changing due to the way political parties are funded (Katz and Mair 1995; van Biezen 2004; van Biezen and Kopecky 2007; 2014).

With a decrease in mass party membership across Europe, governments sought to compensate the decrease in party revenue by providing public subsidies to political parties, which also help guarantee free and fair political competition and limit the influence of private individuals and companies (van Biezen 2003; 2004; van Biezen and Kopecky 2007; 2014; Warner 2007). While some cast public funding of political parties in a positive light (van Biezen 2003; 2004; van Biezen and Kopecky 2007; 2014), others are more cynical (Katz and Mair 1995; Roper 2002; Smilov and Toplak 2007; Warner 2007).

Public funding was introduced relatively early in the democratic development process in newer democracies compared to older democracies to help solidify a multiparty system (van Biezen 2004; van Biezen and Kopecky 2014). However, this was especially problematic in countries with communist legacies because of their histories with political corruption (Carothers 2006; Roper 2002; Smilov and Toplak 2007; van Biezen 2004). In fact, the introduction of public funding schemes post-communist countries may have been counterintuitive for two reasons. First, it may have removed the incentive for political parties to create a connection with civil society (Roper 2002; van Biezen 2004; van Biezen and Kopecky 2014). Second, without effective regulation and transparency requirements in place, state funding could not provide a more level playing field because it served as a supplement to, rather than a substitute for, illegal contributions thereby providing an advantage to parties engaged in corrupt practices (Roper 2002; Smilov and Toplak 2007; van Biezen 2004; van Biezen and Kopecky 2007; 2014).

The main concern with public funding is that political parties become dependent upon the state. Katz and Mair (1995) developed a new type of party to account for this dependency: the cartel party. In theory, the cartel party evolves from increased dependence on the state. The linkage between the state and political parties strengthens at the expense of parties' relationships with civil society (Katz and Mair 1995). In other words, as parties receive more funding from the state, the importance to connect with voters for support decreases. Consequently, political parties become institutions or "semi-state agents" rather than private associations that act as a "bridge" between the state and civil society (Katz and Mair 1995). Perceptions of corruption can create distrust and erosions of civil society, a condition which seems to have become particularly prevalent in post-communist states (Zakaria 2012).

The concept of a cartel emerges when one looks at the party system as a whole. A political party that is dependent on the state needs continuous state access to compete in elections—it is dependent on the state for survival. Therefore, a new strategy evolves, one in which parties with access to state resources focus on mutual survival by transcending the need for survival in elections and forming a cartel whereby all parties survive by retaining access to state funding (Katz and Mair 1995). Hence, "the state becomes an institutionalized structure of support, sustaining insiders while excluding outsiders" (Katz and Mair 1995, 16). Parties are able to exclude "outsiders" because, "in their role as governors, [parties] are ultimately responsible for both the rules regarding state subventions as well as for the amounts of money and resources that are made available" (Katz and Mair 1995, 15). Moreover, the cartel party is able to remain intact because state support is often tied to previous performance in elections, which gives the "insiders" a substantial advantage (Katz and Mair 1995, 15; see also, Roper 2002, 182). Parties with state access need not compete with one another for funding; stated succinctly by Katz and Mair: "the limited incentive to compete has been replaced by the positive incentive not to compete" (Katz and Mair 1995, 20).

Literature on Political Parties in Romania and the Czech Republic

The cartel party thesis has been applied to various countries around the world, including the two case studies in this paper, Romania and the Czech Republic. In fact, the Romanian case has gained far more attention compared to the Czech Republic in terms of cartel party application. Roper (2002, 186) discusses the development of Romania's party finance laws and their impact on the party system and corruption, and finds that "Romania has placed party system consolidation as its primary goal." In addition, Roper (2007, 108) finds that state finance has "had a marginal influence" on Romania's party system as a whole, but other mechanisms have been more influential in shaping the Romanian party system even though public funding can be essential to the electoral performance of individual parties.

Likewise, Gherghina and Chiru (2013, 108) provide a detailed examination of Romanian party legislation from 1990 to 2010, which, they conclude, has increased in both complexity and severity, allowing parties to "exploit the weaknesses" within this complex legislative framework. Additionally, they argue this trend is cyclical: existing loopholes are filled with new, more complex legislation, only to open up more loopholes for parties to exploit (Gherghina and Chiru 2013).

Finally, Popescu and Soare (2014, 405) argue that the Romanian case exhibits "cartelization with a twist": "The [Romanian] system is not meant to control access to public funding for party politics…but from an interest to limit access to privileged state contracts and patronage positions" since state funds are not fundamental for the main parties' revenues. Romanian policies benefit the large established parties and financial support is lacking for those who would need it most—namely small and new parties. The resulting situation is that "small parties depend on the big ones for survival (inclusion in alliances to help them pass the electoral threshold)"; therefore, small parties' survival rests "on the needs of the established parties rather than the needs and demands of the voters" (Popescu and Soare 2014, 404).

Literature regarding the case of the Czech Republic has largely focused on the development of the party system from its inception (Klima 1998; Kopecky 1995), its impact on political party finance (van Biezen 2003), and the role public funding has played in providing stability to the Czech party system (Linek and Outly 2008). Likewise, Casal Bertoa and van Biezen (2014) trace the development of party regulation in the Czech Republic in their larger analysis of post-communist European countries. Nonetheless, Haughton (2014) provides an analysis of cartelization in the Czech Republic from 1989 to 2012 in which he ascribes the gradual cartelization of the Czech party system to the "permissive environment" for Czech political parties, which has ultimately acted as a restraint for smaller parties.

As this literature review has shown, while extensive work has been done in areas of party finance, a gap exists in the examination of the possible drift of political parties in Central and Eastern Europe from their institutional purpose and whether the explanation of that drift might be found in the combination of the cartel thesis and institutional corruption theory. In the following two chapters, examination of key elements such as the original purpose of political parties, the design of party funding laws, and cartelization trends will help illuminate to what extent increased ties between the state and political parties foster public distrust.

Chapter III: Romania

Turning to a more detailed look at the case of Romania, this chapter will begin to show how institutional corruption theory and theories of cartelization can be intertwined to identify party drift and potentially account for the low levels of public trust and confidence in political parties. This chapter will first provide an overview of Romania's party system development and institutional design issues. Second, important laws and regulations regarding political party funding are identified. Third, a discussion of the Romanian party system's cartelization will provide context for the last section, which attempts to draw a connection between the cartel thesis and institutional corruption.

Development of the Romanian Party System

Romania's transition out of communism was the bloodiest in Central and Eastern Europe. The December Revolution and the subsequent coup 'd'état left the country in disarray. Unlike the other revolutions in the region, Romania did not have an organized and effective opposition movement. The National Salvation Front (FSN) emerged out Ceausescu's regime and became the leading party in Romania after 1989. Many members of the FSN were also members of the former communist party, which gave the impression the revolution was simply a façade for a planned coup 'd'état (Feffer 1992, 203). Nevertheless, the FSN remained popular across the country, especially in rural regions, and would briefly dominate Romanian post-communist politics. However, Romania's transition underwent a shaky start, and consolidation of the party system took more time than other countries in Central and Eastern Europe. Yet despite the early fragmentation following the revolution in 1989, the Romanian party system has experienced gradual stabilization in the 2000s (Gherghina and Jiglau 2011).

At the same time, the number of successful political competitors has decreased as the role of political parties has become more clear and the laws more restrictive and complex (Popescu and Soare 2014, 392). In 1990, for example, 16 political parties were elected into Parliament, and yet by 1992, this number decreased to seven. By 1996, six parties were represented, and by 2008, party competitors in parliamentary seats were down to four. In fact, the Romanian Chamber of Deputies has seen only two new parties gain representation on their own since 1992 (PRM – the Greater Romania Party in 1992; and PPDD – Popular Party Dan Diaconescu in 2012), both of which were protest parties with strong nationalist and populist undertones (Popescu and Soare 2014, 399). New and small parties have largely gained representation in parliament primarily through alliances with larger parties (Popescu and Soare 2014, 400). In addition, the Romanian party system has exhibited considerable fluidity in terms of party alliances and coalitions: since 1992 each parliamentary party has joined forces with every other competitor in the composition of coalition governments, with the exception of radical right and ethnic parties (Gherghina and Chiru 2013, 110). Therefore, a discussion of each parliamentary election in terms alliances and coalitions as well as parties entering and exiting the system would be cumbersome: parties often change names and/or programs and politicians have shown little allegiance, as many have changed parties or created off-shoots of existing parties.[7]

For example, the Social Democratic Party (PSD) is the largest Romanian party, and was formerly known as the Democratic National Salvation Front (FDSN) and the Party of Social Democracy in Romania (PDSR). The PSD has won five out of the six national elections, has been the main component of the government coalition three times, has participated in a minority government, and took part twice for a year in the recent government coalitions of 2008 and 2012. The PSD absorbed the Party of Social Democracy in Romania (PSDR) in 2001, and has formed electoral alliances with the Conservative Party (PC) for the 2000, 2004, and 2008 parliamentary elections. The party suffered a split halfway through the 1996-2000 parliamentary term when several political leaders formed an intraparliamentary party, The Alliance for Romania (APR), which failed to attain any seats in the 2000 parliamentary elections (Gherghina and Chiru 2013, 110).

Non-Party Finance Laws in Romania

The Romanian constitution provides only “weak direction” on the question of party regulation (Popescu and Soare 2014, 390). As is the case with the rest of post-communist Europe (see van Biezen 2012), the Romanian constitution (1991) emphasizes political pluralism as “one of the supreme values” (Art. 1(3)) and as a “condition and safeguard” of a democratic state (Art. 8(1)). In addition, the Romanian constitution also defines restriction on party membership: magistrates, active military personnel, the

[7] The Democratic Alliance of Hungarians in Romania (UDMR) is an exception to this trend. As an ethnic party, UDMR has maintained stable support since its inception in post-communist Romania (Gherghina and Chiru 2013, 111).

police, and categories of civil servants cannot be part of political parties (Art. 37(3), 1991; Art. 40(3), revised 2003). This indicates a similar trend among other post-communist democracies aiming “to maintain clear boundaries between political parties and the institution of the state” (van Biezen 2012, 204)

The Law on Elections to the Chamber of Deputies and the Senate (68/1992) established a 3% threshold for single parties, with coalition parties needing up to 8% of the vote depending on the size of the coalition. Parliamentary parties were allotted at least twice as much media access than extra-parliamentary parties, and media access was granted in proportion to a party’s number of seats (Romanian Law 68/1992, art. 46(4)). Indeed, the electoral threshold had the greatest impact on the Romanian party system: the number of parties elected to the lower house in 1992 was less than half from the 1990 election (Roper 2007, 103). In effect, these small parties who missed the threshold either coalesced with other smaller parties or ceased to exist altogether (Roper 2007, 103). However, the law did not allocate any state support to political parties during the 1992 national elections, as the parliament failed to implement the provision (Gherghina and Chiru 2013, 115).

Romanian Law 27/1996 increased the membership requirements for party registration from 251 to 10,000, represented in at least 15 counties with no less than 300 in each county (Art. 17(1b)). Certainly this provision sought to further consolidate the party system by reducing the amount of parties: 250 registered parties from 1990-1996 to 57 parties by September 1996 (OSCE 1996, 6).

Nevertheless, an emergency ordinance passed in 2000 (63/2000) amended the Law on Elections (68/1992), and raised the electoral threshold to 5%, and 8-10% for alliances. In its post-election observation, the OSCE (2001, 5) notes, "the 10% threshold for political formations may be overly restrictive" relative to international norms. Moreover, raising the threshold to 5% indicates that parties sought to further consolidate the party system "rather than providing a level playing field" (Roper 2007, 108). Indeed, this signified a turn in the Romanian party system's development. The second decade of post-communist development follows a path "characterized by the attempt to maintain the status quo and prevent extra-parliamentary political forces from gaining representation" (Gherghina and Chiru 2013, 116). Such an attempt came in 2003 with a revision to the Law on Political Parties (14/2003), in which new parties were required to have at least 25,000 members from at least 18 counties and not less than 700 founding members in each county (Art. 19(3)).

In 2008, the Romanian electoral system changed from a proportional representation system to a mixed system. Beyond changing parties' and candidates' campaign strategies, this reform has had little effect on the party system as a whole (Armeanu and Fesnic 2010; Orgau 2011). Nonetheless, this modification brought forth an exponential increase in campaign spending during the 2008 national elections, shifting the burden away from political parties to the candidates running in elections, and increasing the prevalence of all-encompassing patronage schemes (Gherghina and Chiru 2013, 123).

The framework presented above has indeed become more restrictive over time. The increases in electoral threshold and party registration requirements have created a challenging environment for new parties to enter parliament. And even though these laws were passed under the rhetorical justification to "fight fragmentation" and promote stability, the results have been "modest at best" (Gherghina and Chiru 2013, 399). Therefore, this "artificial stabilization" has created an environment that limits access to new parties and entrenches established parties, and forces Romanian parties to work for other goals to break into the party system. This drift can be seen more clearly when party finance regulations are also taken into consideration.

The Development of Romanian Party Finance Laws

Issues of party purpose and political party system design are just one aspect of the institutional corruption and cartelization puzzle. Another key piece is the development of laws related specifically to party finance. The Law on Political Parties (27/1996) brought forth party finance regulations, introduced a public funding scheme, and established sources of party funding (Art. 33). State subventions were allocated in a four-step procedure, and the amount allocated could not exceed 0.04% of the state budget in a given year (Art. 39). The first phase equally distributed a base subvention totaling one-third of the total amount to parliamentary parties. Second, the remaining two-thirds were divided among the same parties in proportion to their seat count, up to a maximum of five base subventions. Third, the leftovers were distributed to all the parties garnering at least two percent of the votes in the previous election, which could not amount to a share larger than the base subvention. Finally, the remaining funds were again distributed to parliamentary parties in proportion to their seats (Art. 39). Clearly, this allocation process heavily favored parliamentary parties, as extra-parliamentary parties received next to nothing (Gherghina and Chiru 2013, 116). But the law was passed in the spring of 1996, which meant the funding scheme had only been in action for a few months prior to the November 1996 national elections. As a result, Roper (2007, 105) suggests "it is doubtful that state finance had any meaningful impact on the electoral fortunes of the smaller parties" because both smaller and newer parties "had a difficult time entering parliament" in 1996.

Other sources of funding were membership fees, donations and contributions, and revenues from party activities (Art. 33(1)). Individual membership fees were to be less than 50 times the minimum national salary (Art. 34(3)). Yearly party donations could not exceed 0.005 percent of the state budget revenue; this figure increased to 0.01 percent in an election year. Individual donations were capped at 100 times the minimum salary, whereas institutional donations could not exceed 500 times the minimum national salary (Art. 35).

Romanian Law 43/2003 maintained the sources of funding prescribed by Law 68/1996, but adjusted the revenue thresholds for private contributions: 0.025% of the state budget and 0.05% in electoral years. Furthermore, individuals could make donations of up to 200 times the minimum salary while companies were permitted to contribute up to 500 times the minimum salary (Art. 5). The state subsidy scheme remained the same except for one minor provision: in the third phase, extra-parliamentary parties received public funding if the party obtained a maximum of one percent of the votes below the electoral threshold (Art. 9). In effect, the public funding threshold increased to 4% for a single party, and 7% to 9% for alliances consisting of two, three, and four or more parties, respectively. This minor change proved particularly advantageous for established parties, as no extra-parliamentary parties competing in the 2000 and 2004 elections were entitled to state subventions (Gherghina and Chiru 2013, 117).

Additionally, Law 43/2003 introduced two new important regulations on political parties. On the one hand, the law imposed maximum expenditure caps to political parties relative to minimum salaries: every candidate to a seat in any of the two Chambers of Parliament was entitled to expenses of maximum 150 times the minimum national salary (Art. 21). On the other hand, Law 43/2003 established strict control mechanisms and sanctions, which were overseen by the Court of Accounts (Art. 24-32).

A new law came into effect in 2006 (334/2006), which had several implications for the regulation of political parties. First, the law increased the permitted amount of private contributions by calculating it in relation to state budget revenues rather than state subvention amounts (Art. 7(3)). Second, state subventions also took into account the share of votes obtained in local elections: 75 percent of the state subventions are proportionally divided among parliamentary parties, and 25 percent of the subventions are divided in proportion to the share of votes among the parties that have at least 50 county councilors (Art. 15-16). And although Law 334/2006 has introduced more sanctions than the previous law, it does not carry a significant deterrent effect; the Permanent Electoral Authority, the body charged with overseeing control mechanisms, had little capacity for supervising financial activities, as its responsibilities were not clearly differentiated from those of the Court of Accounts (Gherghina and Chiru 2013, 117). Finally, the limits of expenditures were loosened: every candidate was entitled to expenditures of a maximum 350 times the minimum salary (Art. 30).

With these laws in mind, the next section will discuss their implications and cartelization in detail, specifically by highlighting previous scholarly work focusing on Romanian cartelization, which reveals a unique type of cartel party system in Romania.

Cartelization in Romania

Due to the fragility of the party system early in Romania's post-communist experience, development needed to take place, and some laws and reforms—while on the surface may indicate cartelization—were absolutely necessary to consolidate a fledgling party system in Romania. Nonetheless, some reforms laid the groundwork for a cartel-like system to emerge. The electoral threshold has played a significant role in reducing a substantial amount of parties, which suggests that Romanian politicians have "placed party system consolidation as their primary goal rather than providing a level playing field" (Roper, Moraru, and Iorga 2008, 154). Moreover, the party finance scheme in Romania favors parliamentary parties, and the "lack of financial controls has lead to repeated charges of corruption" (Roper, Moraru, and Iorga 2008, 143). Gherghina and Chiru (2013) have likewise found the allocation of public funding to have become more restrictive and substantially more advantageous for parliamentary parties over time. In addition, Romanian parties have "developed tools to indirectly obtain and use state resources for electoral purposes," such as engaging in patronage practices and awarding "lavish" public contracts, which, indicates that "private donations are encouraged by the use of public money" (Gherghina and Chiru 2013, 123-24). Likewise, Romanian parties' lives are "dominated" by interest groups and clientelistic relationships (TI 2012b, 133).

Therefore, the Romanian situation displays "cartelization with a twist" (Popescu and Soare 2014, 402). In fact, the party system is not meant to control access to public funding, as in reality state funds are "not fundamental" to the finances of the main parties but from an interest to "limit access to privileged state contracts and patronage positions" (Popescu and Soare 2014, 405). Indeed, while the financial support is lacking for small or new parties—those who need it most—the policies clearly benefit the large parties; in effect small parties become dependent on forming alliances with the large parties for survival (Popescu and Soare 2014, 404). As a result, small parties' survival depends on the "needs of the established parties rather than the needs or demands of the voters"; therefore small parties with the largest financial endowments or other appealing resources are valuable resources for large parties, regardless of party function or program (Popescu and Soare 2014, 404-5).

Although Romania's party system exhibits "cartelization with a twist," the next section will make the connection to institutional corruption by looking at the institutional design and its shortcomings in relation to Oliveira's IC model.

Application of Institutional Corruption

Analysis of the party law and party system development fits the cartel party thesis, although it differs slightly—that is, the Romanian party system exhibits "cartelization with a twist" (Popescu and Soare 2014). Romanian law makes it challenging to establish a new party, and even when a party is established, the electoral threshold of 5% poses a further challenge for new parties to enter. Therefore, the Romanian party system is "designed to perpetuate the existing parliamentarian parties" (TI 2012b, 124). Furthermore, the lack of transparency and accountability regarding political party funding allow for abuses of power to take place among political parties (TI 2012b, 11). Moreover, the oversight of the biggest parties is "difficult and ineffective," which hinders the competition between the established parties and the new parties (TI 2012b, 126). Ambiguities within the laws governing political parties allow in practice "the existence of an uncontrolled source of revenue," as parties are not obliged to declare the total number of member donations, which leads to significant amounts of money declared by parties as being members' contributions or donations when in fact the money can be used for "unregistered sponsorships" (TI 2012b, 124). As a result, interest groups and clientelistic relationships "dominate" Romanian parties' lives, as candidates of political parties are generally recruited from groups of businessmen (TI 2012b, 124).

Indeed, while the Romanian party system does not display a conventional cartel party system, the party system's design leaves political parties prone to institutional corruption, especially through Oliveira's formalization and communication mechanism. The growing complexity of party law over time, compounded with its many ambiguities, exemplify the gap between "rule-in-context" and "rule-as-intended" through which institutional corruption can occur. This gap indeed generates drift in Romania, as parties can purposefully game the rules—that is, follow the letter of the law "while undermining its intent and advancing other goals" (Oliveira 2014, 23). In effect, this "rule-making game" can influence the design of the institution such that parties or politicians can "exploit the design flaws for their benefit" (Oliveira 2014, 23). Moreover, GRECO (2010, 24) points out that Law 334/2006 is at times "over-ambitious" and "imposes many limitations" that are difficult to enforce in practice. Similarly, Gherghina and Chiru (2013, 108) find that political parties have indeed "managed to exploit the weaknesses of the increasingly complex legislative framework" by using the flaws to exploit state resources. And in turn a cyclical process occurs: parties fill the existing loopholes only to later identify other flaws in which they are able to exploit (Gherghina and Chiru 108-9).

Clearly the Romanian party system has been set up in a way so as to minimize risk from outside parties, as explained earlier, which indicates drift from the original purpose of political parties towards the goals of established parties. New parties in Romania are faced with challenges breaking in, and, as such, are forced to work for other goals in order to break into the system—namely, meeting the financial needs of established parties rather than serving the demands and interests of voters.

Consequently, if citizen preferences take a backseat to those of the larger parties, political parties fit the notion of institutional corruption as they are forced to work for the goals of the established parties: access to state resources, such as awarding public contracts or engaging in patronage, becomes a mode for survival and the main driver of a political party's existence. The opportunity to be "let inside" does not result from having a particular political program or voter base. Instead, a small party "rich in financial/media backing can obtain alliance status in spite of no actual electoral viability or popular support on their own" (Popescu and Soare 2014, 405). Or, to put it another way: financial resources are the most essential element in Romanian party politics. Nonetheless, this environment of party politics does not come without a cost: the legitimacy of political parties among the population and the trust of the citizens is significantly low; consequently the "linkage between the political parties and the civil society is almost absent" (TI 2012b, 133).

Romania's design problem differs from that of the Czech Republic, which will be explored in detail in the following chapter. Contrary to the Czech Republic, where the design problem exists within party finance laws and regulation, Romania's non-finance laws are set up in such a way as to encourage drift: the relative difficulty in creating a new party, as well as the high electoral threshold coupled with low levels of public funding, embolden smaller parties to pursue goals different from those necessary to achieve their purpose. The following chapter will highlight the difference in design problems between the two case studies, and it will also demonstrate the versatility of Oliveira's model in applying institutional corruption to varying contexts.

Chapter IV: Czech Republic

The Czech Republic makes for an interesting comparison with Romania, as public funding plays a more defining role in party politics and political party revenues. At the same time, the Czech Republic experienced a relatively smooth post-communist transition and the party system quickly developed. This case study will show that although public funding is more influential in Czech party politics, cartelization also acts as institutional drift due to a problem of design. The following section will provide a brief overview of the Czech party system before a detailed discussion of Czech party laws. Then, similar to the previous case study, discussion of cartelization will be followed by further elaboration on party finance laws and discussion of institutional corruption.

Development of the Czech Party System

The democratic transition in Czechoslovakia differed significantly than that of Romania. On November 17, 1989, student demonstrations began in the center of Prague, which ultimately triggered the Velvet Revolution and brought down the communist regime in Czechoslovakia. Civic Forum (OF), the leading opposition movement, was established days after the demonstrations began to participate in dialogue with the communists. By the end of December, most of the communists were replaced with opposition members, and a coalition government of mostly non-communists was created. On December 29, 1989, Vaclav Havel was elected president of the Czechoslovak Republic, and Czechoslovakia's democratic transition was underway.

While Civic Forum was the leading opposition movement in the Czech region of the republic, it was more of an anti-regime movement than a political party, not least because "it lacked any sort of vertical organization" (van Biezen 2003, 133). Nevertheless, Civic Forum swept the first parliamentary elections in June 1990, winning 49.5% of the vote and 127 seats in the Czech Chamber of Deputies (hereafter, the Chamber).

Civic Forum's success story was short-lived, however, as OF split in 1991 after disputes over the rapidity of the economic transition (van Biezen 2003, 134). The right-wing faction, which advocated for rapid marketization, split off and created the Civic Democratic Party (ODS), headed by Finance Minister Vaclav Klaus. In the 1992 elections, ODS, led by Klaus, won 29.7% of the votes and 66 seats in the Chamber. The ODS dominated the four-party coalition, which included the Civic Democratic Alliance (ODA), Christian Democratic Party (KDS), and the Christian Democratic Union/People's Party (KDU-CSL).[8]

The subsequent parliamentary elections in 1996 consolidated the Czech party system, which has been dominated by four main parties: ODS, CSSD, KDU-CSL, and KSCM, combining for 80% of the total seats between 1992 and 2010, and over 90% between 1998 and 2010 (Haughton 2014, 374).

In the 1996 elections, ODS won 29.6% of the vote and thus obtained 68 seats in the Chamber. However, the right-wing coalition lost its majority after the Czech Social Democratic Party (CSSD) garnered 26.4% of the vote and 61 seats in the Chamber—up from 6.5% and 16 seats in 1992. CSSD became the leading opposition party, although the

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[8] Czechoslovakia effectively split into two countries, the Czech Republic and Slovakia, on January 1, 1993.

party agreed to support "in principle" the ODS/ODA/KDU-CSL program,[9] "to enable the coalition to continue in power in a minority capacity (Crawford 1996, 204). Moreover, the increase in support for CSSD was likely due to the "adaptive voting behavior" of the Czech electorate, which appeared "less-inclined to vote for smaller parties bordering the 5% threshold" (van Biezen 2003, 136). Additionally, the Social Democrats increased in popularity as the electorate became increasingly dissatisfied with the ODS-led coalition and its government policy (van Biezen 2003, 137). Indeed, the 1996 elections were an important turning point in the nascent Czech party system as fragile coalitions disappeared and the party system saw no new entrants, which noticeably reduced parliamentary fragmentation resulting from the disintegration of Civic Forum and the general volatile environment of post-communist party systems (van Biezen 2003, 136-7).

Czech politics underwent its first shock in 1997 when evidence surfaced of an illegal funding scheme, which led to early elections after the ODS-led government was rocked by allegations of corruption and subsequently resigned. The scandal stemmed from the largest wave of state property privatization, which occurred while the ODS was in power. The scandal emerged in 1997 when it was discovered that, among its donors, there were names of two non-existent foreign donors that contributed a total of 7.5 million CZK.[10] However, the money had actually come from a businessman who won a tender for the purchase of a state-owned steel company. The coalition parties within the ODS-led government left the cabinet and the government collapsed after Vaclav Klaus,

[9] KDS merged with ODS on March 31, 1996 (Crawford 1996, 204).

[10] $1 is equivalent to 25.73 CZK as of April 14, 2015.

the leader of the ODS and prime minister, refused to accept responsibility for the scandal (Linek and Outly 2008, 84).

Thus, in the early elections of 1998, the Social Democrats came out on top with 32.3% of the vote and 74 seats in the Chamber. ODS captured 63 seats after obtaining 27.7% of the vote, and KDU-CSL received 9% of the vote, translating into 20 seats. The CSSD, however, was unable to form a majority government, and instead formed a minority government led by Milos Zeman after signing the "Agreement on Creating a Stable Political Environment in the Czech Republic" with the ODS—otherwise known as the "Opposition Agreement" (Linek and Outly 2008, 80; van Biezen 2003, 137). The "Opposition Agreement" ensured much-needed stability in Czech politics after the 1997 scandal but also limited competition in the Parliament; the ODS promised to "neither initiate a vote of no-confidence against the minority government nor support such a vote" (Linek and Outly 2008, 80). Moreover, the agreement guaranteed the ODS's involvement in political appointments and important governmental decisions, including the CSSD's consent for electoral reform (Linek and Outly 2008, 80).

The major electoral reform was arranged by the CSSD and the ODS in 1998, which sought to modify the electoral rules and restructure the allocation of state subsidies, both of which would have benefitted the ODS and CSSD considerably: the two parties would have received the bulk of state subsides at the expense of the remaining three parliamentary parties and the non-parliamentary parties—a combined thirty-eight percent decrease in support (Linek and Outly 2008, 86). While the reforms were approved by Parliament in 2000, the Constitutional Court subsequently struck down the reform package in 2001. Nonetheless, the potential reforms demonstrate a method "in which elections and funding rules may be modified to the benefit of larger, [well-established] parties" (Linek and Outly 2008, 86).

In the 2002 Chamber elections, four formations gained representation, one of which was a coalition between KDU-CSL and the Freedom Union (US-DEU). A one-vote majority cabinet was formed, consisting of the CSSD (70 seats) and the KDU-CSL/US-DEU coalition (22 and 9 seats respectively). The ODS received 24.5% of the vote while the KSCM accounted for 18.5% of the vote. Despite two changes at the post of the prime minster from 2002-2006, the government survived until the 2006 elections (Linek and Outly 2008, 80).

US-DEU saw its support disappear in the 2006 Chamber elections, and the Greens (SZ) passed the electoral threshold with 6.3% of the vote, winning 6 seats. A right-wing government was formed in early 2007 after months of political stalemate, consisting of the ODS (35.4%; 81 seats), KDU-CSL (7.2%; 13 seats) and SZ (6.3%; 6 seats). The CSSD received 32.3% of the vote (74 seats), and the KSCM garnered 12.8% of the vote (26 seats).

Subsequently, in 2009, the coalition government fell after a vote of no confidence in March 2009, and a caretaker government was implemented after the parties failed to agree on a new majority cabinet (Freedom House 2010). The Parliament agreed to hold early elections in the fall of 2009, but the Constitutional Court struck down this agreement, ruling the manner in which the legislature had dissolved itself as invalid. Therefore, instead of holding early elections in October as the main parties had wished, the Court ruled the elections must be held at the end of the four-year term expiring in 2010 (Haughton 2014, 376). Certainly, courts may play a vital role in preventing cartelization to occur. By issuing such a ruling, the Court weakened the position of the CSSD and the ODS before elections and afforded new parties the opportunity to bolster their support (Haughton 2014, 376). As such, two new parties entered the Chamber after the 2010 elections: Public Affairs (VV) and Tradition Responsibility Prosperity 09 (TOP 09), which managed to win 24 and 41 seats respectively. The ODS won 20.2% of the vote (53 seats) and formed a government with VV and TOP 09. The CSSD won 22.1% of the vote (56 seats), and the KSCM obtained 11.3% of the vote (26 seats).

The 2010 elections proved to be a turning point in Czech party politics, as early elections in 2013 brought further change to the Czech political scene. Following a corruption scandal involving Prime Minister Nečas and the ODS, which surfaced in June 2013, the government collapsed later that summer following the prime minister's resignation and the failure for a technocratic government to win a vote of confidence from the parliament in August 2013. The early elections in October 2013 resulted in two new anti-corruption parties gaining representation in the Chamber: Action of Dissatisfied Citizens (ANO) and the Dawn of Direct Democracy (UPD, also referred to as Usvit). ANO burst onto the scene, garnering 18.7% of the votes (47 seats). The CSSD obtained 20.5% of the vote (50 seats), and the KSCM received 14.9% of the vote and 33 seats in the Chamber. The KDU-CSL reentered the Chamber after missing out in 2010 with 6.8% of the vote. The ODS saw a dramatic decrease in support winning only 16 seats after receiving 7.7% of the vote, most likely because of the aforementioned scandal. Likewise, TOP 09 also lost seats after receiving 12% of the vote (26 seats). After a few months of negotiations, a majority government was formed consisting of the CSSD, ANO and the KDU-CSL.

In any event, it is simply too early to tell whether these two new anti-corruption parties—ANO and Usvit—will be able to survive long enough to fulfill their promises and implement reform; their success will depend on their source of financing and whether these former outsiders, now insiders, are willing to pursue reforms that "might work to their own disadvantage" (Haughton 2014, 384). Nonetheless, the decline in support for the ODS, CSSD, and KDU-CSL from the 2010 to 2013 elections is a promising development for Czech politics, and one that may discredit any sort of cartelization claims in the future.[11]

Non-Party Finance Laws in the Czech Republic

Even though four main parties have dominated Czech party politics for nearly two decades, the environment in which political parties operate, as Haughton (2014) concludes, is "largely permissive." The Law on Elections to the Czech Parliament (247/1995) allows for a relatively straightforward registration process: parties need only 1,000 signatures to register (Art. 6). Although it may be relatively simple to establish a party, the aforementioned law requires single parties to pass a 5% electoral threshold, and 10%, 15%, and 20% threshold for alliances of two, three, or at least four parties, respectively (Art. 49).

As a result, few new parties have succeeded in crossing the electoral threshold: from 1992-2010 only three new parties (plus a splinter from ODS formed in 1998) have gained seats in Parliament. And following the corruption scandal and subsequent resignation of Prime Minister Petr Nečas in the summer of 2013, the early elections in

[11] The KSCM is an exception to this decline of the established parties, as it continues to maintain a strong support base translating into continued representation in the Chamber.

fall 2013 brought two new outsider parties to Parliament: ANO and Usvit, both of which had anti-corruption appeals (Haughton 2014, 384). Nonetheless, despite the relative stability for nearly two decades, the elections in 2010 and 2013 have underscored the "fragility" of the Czech party system (Haughton 2014, 374). These new parties have gained ground from the established parties' own missteps, with the former garnering votes through anti-corruption appeals.

The Czech Constitution states, "the political system is based on the free and voluntary origins of political parties and their free competition respecting basic democratic principles and rejecting force as a means of enforcing one's interests" (Czech Constitution, 1992, Art. 5). Beyond this, the Czech Constitution devotes little attention to political parties, and does not explicitly state that political parties are separate from the state. However, the Czech Charter of Fundamental Rights and Freedoms (2/1993) does state that "citizens have the right to form political parties and political movements and to associate with them," and "political parties and political movements, as well as other associations, are separate from the state" (Art. 20). Yet the Law on Political Parties and Movements, the Constitution, and the Charter do not contain a definition of a political party or political movement (GRECO 2011, 3).

Contrary to Romania, it is doubtful that Czech non-financial party laws have hindered new party formation (Haughton 2014, 381). Instead, the failure of new parties to break through "owes much to the success of the established parties in cementing their support" within the lenient party finance legal framework (Haughton 2014, 382). Likewise, Czech parties are not as dependent on each other to enter the party system, as is the case in Romania; instead, issues related to party finance are crucial for party success.

The Development of Czech Party Finance Laws

Czech political parties receiving at least three percent of the vote in the previous elections are eligible for both a permanent and a mandate contribution from the state. The permanent contribution totals 6 million CZK per year, and 200,000 CZK for every 0.1 percent of the total amount votes cast up to 5 percent of the votes—that is, up to a maximum of 1 million CZK (Czech Law on Political Parties 424/1991, art. 20). Parties surpassing the 5 percent threshold are eligible to receive a total of 10 million CZK in state subsidies. This amount was previously 3 million and 100,000 CZK, respectively, until it doubled in 2001 (Linek and Outly 2008, 85). Furthermore, political parties are eligible for a mandate contribution when at least one candidate has been elected to the Chamber of Deputies, the Senate, a regional council or the municipal council of the city of Prague (Czech Law 424/1991, art. 20). The amount of the mandate is 900,000 CZK per year per Member of Parliament (deputy or senator), and 250,000 CZK per year per member of a regional council or the municipal council of Prague (Czech Law 424/1991, art. 20).

In addition to the mandate and permanent contribution, the state also provides compensation for the Chamber elections. Parties receiving at least 1.5 percent of the total number of votes in most recent Chamber elections are provided 100 CZK per vote cast for the party (Czech Law 247/1995, art. 85). Up until 2002, the threshold for election cost compensation was three percent, but the Constitutional Court reduced the threshold to the current level after smaller parties issued complaints. Despite the reduced threshold, smaller parties often criticize the threshold because the subsidy is paid after an election and, therefore, these parties "cannot invest much in an election campaign, which further reduces their chance of success" when the subsidies cover "a large portion of the campaign costs of larger parties" (Linek and Outly 2008, 86).

Czech political parties are required to submit annual reports to the Chamber of Deputies each year, and the reports are required to be available to the public (Czech Law 424, art. 18(6)). Within the annual reports, political parties must report all donors regardless of the amount donated, even though Czech Law 424/1991 does not explicitly stipulate this (GRECO 2011, 9). Despite the fact that these reports are made public, "the fact that the supervisory body is the lower parliamentary chamber is its main problem: the controlling body consists of the same entities that are controlled" (Linek and Outly 2008, 88).

In fact, Czech law is less rigorous in regulating private contributions than Romania, and allows for corporate and trade union donations to both parties and individual candidates. Although the Czech Republic bans corporations with government contracts or partial government ownership from donating to political parties, no such provision exists for individual candidates (GRECO 2011, 9; 19). Additionally, the Czech Republic does not place a limit on the amount a donor can contribute to a political party in an election or non-election year (GRECO 2011, 9). Certainly, without any sort of regulation regarding donations, "the [other] rules regulating party funding can thus be evaded through the direct funding of candidates (Linek and Outly 2008, 85).

The following section will provide a discussion of cartelization emerging from these laws, which will demonstrate how the Czech Republic exhibits a more conventional cartel party system.

Cartelization in the Czech Republic

Transparency International (TI) released a report in December 2011 regarding the integrity of various institutions in the Czech Republic. The report lays out the legal provisions of each institution and examines these provisions in practice. Czech political parties "function more like a marketplace for various privileges" instead of acting as a "source of visions and solutions for society-wide problems" (TI 2011, 130). Political parties exploit the existing loopholes in the law, especially within the realm of party funding. The lack of financial oversight and reporting of expenditure allow the parties "to accept unlimited amounts from private sponsors" (TI 2011, 130). Moreover, Czech law does not regulate campaign expenditures, which has contributed to the rising costs of elections. As a result, Czech parties often resort to illegal methods to fund their campaigns, most of which "involve corrupt practices, result in further strengthening of clientelistic networks, and *lead to the cartelization of parties and weaken the linkage between parties and voters*" (TI 2011, 130; emphasis added).

This report follows Haughton's (2014) observation of a "permissive environment," which has ultimately acted as a restraint on small and new parties alike: the main political parties receive a significant amount of state money helping them solidify their positions while leaving smaller, "outsider" parties without state support. In turn, these outsiders must seek substantial amounts of party revenue from private sources—which is left largely unregulated in the Czech Republic—leaving these parties vulnerable to accusations of corruption associated with the "rich benefactors who bankroll their activities" when they are dependent on non-state sources of revenue (Haughton 2014, 373). Therefore, the Czech Republic, although largely permissive in its regulation, serves as a more conventional example of the cartel party theory vis-à-vis Romania.

While the reported campaign expenditures exceed the amount of state contributions, in reality, TI reports, the actual campaign expenditures may be much higher: anonymous sponsors who do not appear in the annual party reports "may actually act as a cover for funds that in fact come from public resources" since some election expenditures are not recorded in official accounts (TI 2011, 133-134). Although donations to political parties are to be included in the annual reports regardless of the amount, political parties need not disclose membership donations less than 50,000 CZK. In effect, some parties treat donations as membership fees, therefore circumventing the disclosure requirements. Clearly this is problematic, as members of the parties may receive private donations and split these donations into "membership fees," which need not be reported if such contributions are under the 50,000 CZK threshold. The Czech Law on Political Parties fails to provide any precise definition as to what constitutes a gift, a donation, or a membership fee. Accordingly, parties are able to treat member donations as membership fees (GRECO 2011, 17).

Furthermore, despite sufficient legal safeguards ensuring the "institutional independence of political parties" within Czech law, in practice their independence is "threatened by their own methods of operation"—namely, their "interconnectedness with particular economic interests" (TI 2011, 135). And although the Czech Republic's public funding scheme is generous, "political parties are to a large extent dependent on other sources of income" due in part to the rising costs of elections (TI 2011, 135). In essence, the failure to cap campaign expenditures has proved advantageous for established parties, and also forces smaller parties to find other, possibly illegal, sources of revenue in order to compete in elections, as they receive a miniscule amount of state support in relation to the established parties.

TI (2011, 142) also examined interest aggregation and representation and found that political parties in the Czech Republic "have become, to a great extent, firms that promote personal and group interests of their managers on national, regional and municipal levels." Moreover, TI emphasizes that parties' main purpose is "not to promote ideas, values, and interests of certain social groups" but rather "to ensure economic profit and power for a narrow group of party managers" (TI 2011, 142). As a result, political parties' anti-corruption rhetoric has only raised the public's awareness of the problem and has made citizens "even more disgusted with politics in general" (TI 2011, 144).

Indeed, political parties are not so much interested in political competition but rather in "fulfilling some specific objectives"; the current system of political party financing creates an environment "that is conducive to cartelization of the established parties" whose main goal is to suppress competition (TI 2011, 133). Likewise, as Haughton (2014, 373) contends, "the existing framework has in the main served the established parties well and helps to underpin the largely oligopolistic nature of Czech party politics."

Application of Institutional Corruption

In the Czech Republic the design problem lies within the party finance laws, and one significant flaw is the failure to cap campaign expenditures. Parties must raise a substantial amount of money from private sources to fund their campaigns and compete in elections. And instead of providing a more level playing field, public funding props up established parties, allowing them to continually raise the costs of elections. The problem can be seen more clearly when comparing an established party to an outsider seeking to break in: outsider parties often need to raise much more money to fund their campaigns, and given the low level of the electorate's involvement (low party membership, identification, donations, etc.), these parties are left to acquire money from those willing to donate, which may indeed be those interested in donating in the first place—namely, individuals or groups who expect something in return. The established parties' access to the state drives this phenomenon, as they have a solid foundation (the state) from which they build on; this is exacerbated by the loopholes in the laws that allow for shady donations without proper oversight. Instead of acting as a mechanism for fair competition among political parties and eliminating the influence of private money, state access—particularly state subsidies—produces a playing field that is indeed unbalanced and drives political parties, insiders and outsiders alike, to seek private funds to compete in elections. The lack of transparency and the reporting requirements facilitate this practice, as it is easy to circumvent the system.

The permissive environment noted by Haughton, who states it has ultimately been restrictive for smaller parties, allows for established parties to use the state to their advantage and solidify their position in the system. Public funding and the party regulation (or lack thereof) is a design problem because the goals of public funding are not being accomplished, which in turn suggests that political parties are not able to achieve their institutional purpose. The design of the Czech system allows for party drift: the failure to cap expenditures and contributions, the existing loopholes in the laws, and toothless oversight mechanisms allow parties to use the state as a means to pursue their own interests rather than those of the electorate. Indeed, poor oversight and a lack of transparency may be the most influential factor in generating party drift. On the one hand, parties are not held in check and are able to stray from their institutional purpose with relative ease. On the other hand, a lack of transparency fosters suspicion among the electorate and parties subsequently lose their legitimacy as citizens' perception of corruption increases (Kostadinova 2007). Thus, institutional corruption in the Czech Republic may occur through two of Oliveira's mechanisms: work-breakdown structure or motivating for the goal. Public funding has not necessarily mitigated the importance of private funding, which can be seen as a breakdown in the design, and diverts parties from their ascribed purpose. Likewise, the current design forces small and new parties receiving little state support to find alternative sources of income in order to compete in elections with the hope of joining the cartel. Therefore, state access is the reward while passing the public funding threshold becomes the goal these parties strive to achieve due to the design problem.

As this chapter has demonstrated, the design problem in the Czech Republic differs slightly than Romania. The following chapter will briefly review the two cases and propose a few general conclusions about possibly bringing together the cartel party thesis and institutional corruption theory into a combined theoretical framework.

Chapter V: Conclusion

While the main premise of the cartel party theory is parties are growing closer to the state at the expense of the electorate, it has been difficult to establish a quantitative "disconnect" between parties and civil society (see Casal Bertoa et al. 2014). Therefore, this study seeks to explore a qualitative assessment of this trend, demonstrating that citizen disaffection has developed as a result of institutional corruption. Parties are not held in high regard among citizens, as citizens feel as if they are being under-represented, which has led to an increase in citizen disconnect and disaffection with politics (Popescu and Soare 2014, 390). The intent of this paper is to try to fill the gap by framing cartelization as a problem of institutional design—namely cartelization acts as drift, leading parties away from their institutional purpose while simultaneously enhancing citizen distrust.

As a reminder, institutional corruption is defined as the "condition in which an institution does not achieve its purpose because its very design induces its members to work for other goals" (Oliveira 2014, 16). Two traits are therefore present: 1) the ascribed goals (and thus the ascribed purpose) are not being achieved; and 2) this happens because the very design of the organization is leading members to work for other goals. Therefore, "when the design has problems, even perfect execution by individuals would not achieve the desired goals" (Oliveira 2014, 15).

Political parties are meant to act as representative agencies whose legitimacy stems from their ability to articulate their voters' interests and aggregate their demands (Kopecky 2006, 251). As such, this can be the ascribed purpose of political parties. Yet the high degree of abstraction of such a purpose makes it challenging to measure 'disconnect' or 'proper representation'. Therefore, one must examine the institution's goals that are laid out in order to achieve its ascribed purpose; thus the achievement of these goals allows for an institution to maintain its course and achieve its purpose. To illustrate this concept, think of a ladder: each rung on the ladder is a goal and the top of the ladder is the ascribed institutional purpose; the rungs are the only way to reach the top of the ladder. For purposes of this paper, the top of the ladder is the ascribed purpose of political parties: to act as representative agencies and bridge society and the state. Thus, one "rung" set out by states to reach the top of the "ladder" is public funding, which in theory is implemented to safeguard proper representation, provide a level playing field and guarantee a fair political process, and ultimately diminish the potentially harmful influence of privately interested money in politics.

However, political parties fail to achieve this goal and thus their purpose when they seek to maintain their position through cartelization and ultimately use state access to their advantage. As a result, cartelization acts as a drift by which parties are diverted from their ascribed purpose, as parties seek to accomplish other goals and serve their self-interest. What's more, parties are able to use their state access to secure additional private funds and crowd out potential competitors. The costs of conducting campaigns are high, and achieving re-election and garnering votes is an expensive endeavor. As such, gaining access to the state as well as supplementing party revenues with state subsidies can create a drift from their purpose: if parties act in their own interest and seek to form a cartel, rather than serve the interests of the electorate, then political parties become corrupt as institutions.

Indeed, institutional corruption can take place in different contexts, and Oliveira's model is helpful for demonstrating cartelization as drift in the case studies, as the Czech Republic and Romania exhibit two different types of cartel party systems. Nevertheless, the cases have shown the continued importance of private funding despite the existence of public funding schemes. Moreover, the cases demonstrate the variation in which the drift occurs: the Czech Republic's design problem rests within the party finance laws, while Romania's non-finance party laws force political parties away from their ascribed purpose.

The Czech Republic's design problem stems from a combination of elements within its party finance laws, all of which prove advantageous for the established parties. The failure to cap campaign expenditures, poor oversight, and ambiguity within contribution regulations diminish the importance of public funding for new and small parties; the established parties are also able to crowd out competitors by raising the election expenditures and using state revenue as a foundation to build upon. Moreover, smaller parties are often victims of corruption allegations when they are heavily dependent on alternative sources of revenue.

Meanwhile, the Romanian design problem largely originates from its non-financial party laws, particularly the high registration requirements coupled with the increased electoral threshold over time. Indeed, these elements are particularly problematic considering the relatively low level of public funding provided to all Romanian political parties. Therefore, the non-finance laws encourage the drift, as small and new parties alike are forced to seek inclusion in a coalition by making themselves financially attractive to the established parties rather than serving the needs and articulating the demands of the voters. In addition, given the low level of citizen engagement, parties attempting to 'break in' may be motivated to circumvent the system and secure private funds illegally. Nonetheless, the complex and ambiguous party laws allow for loopholes to be exploited by 'insiders' and 'outsiders' alike, which facilitates cartelization as institutional drift. Indeed, the absence of strict enforcement mechanisms, and a lack of transparency regarding party finance more generally, seriously damages "the image of parties as representatives of the public interest" (Kostadinova 2007, 807).

Finally, the case studies illustrate the fine line between stabilization and exploitation—that is, the difference between an institution that achieves its prescribed purpose and one that does not. In both cases, especially Romania, laws were passed under the guise of promoting stability while the perception of corruption and citizen distrust remained high. In fact, it is plausible to suggest this "stability" is largely artificial in that parties seek to "stabilize" their own positions by way of cartelization and hence state exploitation. Party politics in post-communist Europe is a "potentially self-reinforcing process…[and] because political parties either cannot or do not wish to function as effective representative agencies, they are forced to seek their resources elsewhere" (Kopecky 2006, 254). However, post-communist states are not predestined to cartelization even though they may be predisposed to it (Kopecky 2006, 254; see also O'Dwyer 2006).

Oliveira (2014, 16) argues that every problem of institutional design will not lead to institutional corruption: institutional corruption manifests itself when the design undermines the institutional purpose by making its members work for other goals. Therefore, even though a party system may possess a design problem that facilitates cartelization, political parties may not necessarily be inclined to entrench themselves and suppress competition. Indeed, it may be possible to differentiate between stabilization and exploitation by placing the cartel party thesis into Oliveira's model and framing cartelization as institutional drift in order to determine whether parties have failed to act as representative agencies for the electorate at large.

Nevertheless, as this paper is a preliminary exploration of institutional corruption and party drift, some questions remain. Recent elections in the Czech Republic may have shaken the party system and have potentially broken the cartel, although it is too early to tell whether the new parties will be able to implement anti-corruption reforms and fulfill their promises to the citizens. Likewise, it is also too early to tell whether these parties will fall prey to the design flaws pointed out above and work for other goals. As Oliveira states: The key distinction between institutional and individual corruption is "ineffectiveness due to *performance* and that due to *design*" (Oliveira 2014, 15). Therefore, "when the design has problems, even perfect execution by individuals would not achieve the desired goals" (Oliveira 2014, 15). New parties, particularly in the Czech Republic, may fail to fulfill their ascribed purpose due to a design problem. On the other hand, Oliveira also acknowledges that not every design problem will lead to institutional corruption, as institutional drift is not inevitable insofar as members continue achieving goals necessary to accomplish their institutional purpose (Oliveira 2014, 16).

Additional social survey data is needed to underscore the growing rift between parties and citizens, and may also help illuminate the nuances involved with public trust and party legitimacy because it is possible that voter turnout may fall short in expressing the various aspects of public trust. This underscores the need for both qualitative and quantitative methods to flesh out whether a complex theory of organizational design, cartelization, and institutional corruption can be applied more broadly. And finally, further examination regarding the politicization of the state (i.e., patronage and clientelism, politicization of the state administration, etc.) is needed to advance this framework beyond party finance laws. Other indicators of party-state linkages will help illustrate alternative methods used by parties to entrench themselves within the state.

Thus, future research should examine the party-state linkage beyond party finance to further develop the concept of cartelization as institutional drift, with special attention on patronage and clientelism, which may be crucial for parties seeking alternative resources to solidify their position within the party system (see Kopecky 2006; Kopecky and Spirova 2011). In addition, social survey data would be useful to highlight the growing rift between parties and citizens. Further research also ought to explore state-building dynamics and party rent-seeking behavior in post-communist European countries vis-à-vis Oliveira's institutional corruption model (see Grzymala-Busse 2007; O'Dwyer 2006).

Finally, a potential paradox may hinder this proposed theoretical framework's application. In post-communist Europe, parties and the electorate were never "close" to begin with and the relationship between parties and voters has remained weak since the beginning of the post-communist transition, save for the communist successor parties Roper 2008, 7). Thus, it is unclear to what extent this growing party-state linkage can be seen as increasing—hence a form of institutional corruption—or whether this party-state linkage has merely remained the same over time. Parties are ultimately dependent the electorate for votes, but they may be able to get by without being particularly responsive to the demands of the broader electorate, specifically by relying on their base and using the state as a means to ensure their survival. In order to get a more precise read on the situation, it would be useful to disaggregate public opinion and the different dimensions of party-citizen linkage. At the same time, this disaggregation will also help explain to what extent corruption perceptions and public trust are related to the type of party funding model or party system design in a particular country.

Indeed, many post-communist constitutions "have *de jure* elevated parties to the position of an essential institutional infrastructure of democracy" despite the fact that parties are "*de facto* neither particularly stable, nor highly valued or desired by either the elite or the citizens" (Kopecky 2006, 270). Nevertheless, this new theoretical framework, although preliminary, may help to disentangle this paradox and highlight this growing disconnect: parties are expected to serve a particular purpose *by law*, but instead are held in low regard because citizens perceive the political parties to be working for alternative goals or purposes than those ascribed.

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