

Financing democracy

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Running for elected office is a worthy but often costly business, and election campaigns increasingly rely on funding. But at what price for the political system? What are the democratic risks associated with the funding of political parties and their election campaigns? How might regulation address those risks and tip the balance in favour of the interests of all citizens, and not just the well-off? Financing Democracy sheds light on these key—and somewhat taboo—questions.

Finance is a necessary component of the democratic process: money enables the expression of political support, as well as competition in elections. Yet, money may also be a double-edged sword, by becoming a means for powerful interests to impose their influence on policies and people. For instance, access to public procurement has been used by elected representatives to reward corporations that backed their campaigns. High-spending areas that require long-term investments, such as infrastructure and city planning, are particularly vulnerable to the risk of political capture. This may lead to policies that do not prioritise the public interest, and undermine public trust in government.

Financing Democracy points to loopholes in existing regulations. In particular, many countries struggle to define and regulate “third-party” campaigning by organisations or people who are not political parties or candidates—charities, faith groups, private firms and people. Only a handful of countries have regulations on third-party campaigning. Globalisation further complicates this situation: more and more foreign companies with domestic business interests are able to influence electoral outcomes, which makes disclosure of donor identity all the more important. Half of OECD countries, including France, Korea and Mexico, ban anonymous donations to political parties, and 38% ban anonymous donations to parties above certain thresholds.

Only 16 OECD countries have campaign spending limits for both parties and candidates. Such limits can prevent a spending race and give candidates a more even chance.

Institutions responsible for enforcing political finance regulations should have a clear mandate, adequate legal power and the capacity to impose sanctions, the report recommends. Other measures countries should think of include: design sanctions against breaches of political finance regulations that are both proportionate and dissuasive, strike a balance between public and private political finance and aim for fuller disclosure with low thresholds, while taking privacy concerns of donors into consideration.

Neila Bachene

References

Financing Democracy <http://dx.doi.org/10.1787/9789264249455-en>