

CONCLUSIONS

Throughout this thesis, I have analysed the process which makes party funding systems more transparent. The idea behind the interest to find out this process is to know how to assure the honesty and to limit politicians' room for manoeuvre when getting funding for their own formations. For this reason, it is essential to design institutional mechanisms of control which promote transparency, make citizen control easier and reduce the discretionary nature in this field.

More specifically, I have studied in this research, on the one hand, why party funding laws are passed and changed at any given time and, on the other hand, why the discussions about its content originate a specific institutional design when talking about transparency. In short, what I have researched is what the starting point is in order to introduce and increase the transparency in the financing systems and why it is done through a specific design and not another one. These are very important questions because they contribute to the wider debate about how and why corruption is controlled in this field so much given to the development of this phenomenon and how far it can influence the democratic quality of the systems.

Due to the importance of analysing the institutional control of corruption, this research is framed in a perspective which understands this phenomenon not as a cultural but as a structural problem. This is done from an intermediate space between politics and microeconomics. It takes the interest for the study of the formal structures from the first one, and the explicit reference of the role that the individual develops as utility maximizer in a context which is restricted by institutional rules and structures from the second one.

It is important to remember that, although there is much literature about corruption and the financing of political parties in both politics and economics fields, there are at least three weaknesses which we have tried to shed light on this thesis. Such weaknesses are focused on the object of study, on the design of the research and on the methodology we have used.

Firstly, according to the object of study, the analysis of the institutional design to control corruption (taking it as a dependent variable) has hardly been considered in the scientific literature and regarding corruption related to party funding even less. In fact, although the studies in microeconomics highlight the importance of the institutional

design in the control of corruption, they have been hardly ever focused on the process through which such mechanisms are designed, being this the main subject of this thesis.

Secondly, as it has been said before, there is some unbalance in the bibliography when tackling the theoretical and empirical aspects of the phenomenon of corruption and its control, so only exceptionally, both aspects have been integrated in the analysis with enough depth. It is in this more exceptional line in which this thesis is circumscribed since it starts with a theoretical-deductive research design, where the empirical information is relevant in itself, although it is analysed without forgetting the starting theoretical framework.

Finally, another weakness we have observed in the bibliography is related to the lack of studies, apart from some exceptions, that include a comparative methodology in a strict sense, specially, those applying a 'most different systems' design, even if this type of analysis offers a rich comparative.

Having said that, this research widens the existing knowledge about the phenomenon of corruption to the extent that it analyses transparency and institutional control as a dependent variable. In doing so I develop an analytical framework based on two theoretical approaches which are inherently related, due to the attention they pay to the control of individual behaviour through institutions: on the one hand, the Agency Theory, and on the other hand, the Rational Choice New Institutionalism. This theoretical effort, from which the hypothesis of this research appears, is complemented with a deep empirical exercise made from the diachronic and qualitative analysis of two countries (Spain and the United Kingdom) carefully selected by applying a 'most different systems' design. In order to show that the factual account does not lose sight of the theory, I provide 'analytic narratives' for each case (Bates et al., 1998) with the aim of explaining the decision-making process leading to increased transparency through institutional change.

Therefore, this combination of in-depth theory and empirical demonstration, using the comparative methodology, means, as we have already explained, a new input in the existing literature, even more when talking about such a little explored field as the institutional change in the control of corruption.

Having said that, is it possible to explain the origin and the reform of the party funding laws according to the hypothesis deduced from the analytical framework? Or, in other words, is it confirmed in light of this research that the institutional change in this field depends on the political parties' self-interested fight for (1) improving their

economic position, (2) safeguarding their reputation and (3) not limiting their room for manoeuvre?

From the provided empirical evidence, I can say that the answers for the two questions are both affirmative. The hypothesis of this research are confirmed indeed, and therefore, the before mentioned factors have an essential role in the explanation of the origin and following reforms of the party funding laws. However, the deep empirical analysis I have made about the Spanish and British case has let me clarify in some cases, and complete in others, such starting hypothesis which were deduced from the analytical framework. This way, the knowledge about the object of study of this thesis has been highly benefited by the feedback between theory and empirical evidence.

The main conclusions obtained with this work, which have been deeply explained in chapter 5, are highlighted straightaway As it has been done until now, we continue with the division in two blocks. The first is referred to the origin of the law, where we study the step from an initial situation of deregulation (*laissez-faire*) to the passing of the *Ley Orgánica de Financiación de los Partidos Políticos de 1987* in the case of Spain and the *Political Parties, Elections and Referendums Act 2000*, in the British case. The second block refers to the law reform processes (successfully or not) undertaken with the aim of increasing transparency in the party funding systems. It means that we analyse in it the comings and goings of the institutional change, with special attention to the passing of the reform of the party funding laws in both Spain and the United Kingdom (*Ley Orgánica de Financiación de los Partidos Políticos de 2007* and *Political Parties and Elections Act 2009*, respectively).

- First block. The origin of transparency in party funding: from individual action to cooperation.

The empirical evidence shown in chapters 3 and 4 demonstrates that, according to the analytical framework of this thesis, parties try to maximize their own economic resources. So, the more funding they get, the better it is. But not only that premise but also they are interested in gaining an advantage over the rest to improve their position in the competition for the power.

The conjunction of both theoretical assumptions (empirically demonstrated) generates, in the absence of party funding laws, a dynamics in the parties also foreseen

in the analytical framework of reference: that one of the so-called prisoner's dilemma. This means, a situation in which the dominant strategy for every political party, whether it is in Government or in opposition, is to look for funds without limits, including via corrupt means if necessary. This is because above all, every party is interested in tipping the balance in their favour when it comes to the competition for resources, more than them being the only ones not receiving extra funding.

Hence, despite the fact that it would be collectively optimal that no party was benefited through illicit or illegal sources, the resultant equilibrium is the corrupt financing, which is a sub-optimal Nash equilibrium from which it is impossible to leave in a unilateral manner as no party is interested in being left behind in the competition for the resources. Because of this, the only way of breaking the dynamics of the prisoner's dilemma is through the cooperation of all formations for the establishment of a law which lays the foundations of a more transparent party funding system. On the contrary, the result will be the maintenance of the status quo, that is, the deregulation or laissez-faire in this field.

But, as the corrupt financing is fed by the opacity of the system, political parties are unlikely to be interested in introducing institutional mechanisms to increase transparency and, therefore, improve accountability over their actions. And this is because, as it has been empirically proved regarding the main Spanish and British political parties, legislation including transparency criterion (that is, including prohibitions, limits, disclosure measures, control measures and redistributive measures) can generate more or less indirect costs in the finances of every party according to their own financing structure. Thus, what is beneficial for some parties does not have to be beneficial for other parties and therefore, when a party is individually interested in introducing a party funding law, the rest may not be interested in it, maintaining the situation of the prisoner's dilemma, and then the deregulation in this subject for an unlimited time.

What it has been described up to here explains, in light of the theoretical framework and the empirical evidence, the previous scenario to the passing of *ex novo* party funding laws in each country. That is to say it explains that, in the absence of these types of laws, parties prefer keeping the situation of individual action (or *laissez faire*) in matters of financing instead of assuming the costs that the existence of a law with transparency criteria would cause them. Costs that would have to be added to the ones coming from the decision-making process (time, resources, etc.) as well as the

external risk which would mean to each party that other stronger formations decided an unfavourable content to their individual interests.

But the fact that parties do not have incentives *a priori* to cooperate and carry out a collective action aimed to the design and passing of a party funding law does not mean that it is impossible. In fact, as it has been empirically confirmed in this thesis, there are at least two external factors that influence the cost-benefit analysis of the parties determining the origin of the transparency in this field. So, determining the decision of proposing, designing and passing a party funding law: (1) the current economic balance of the parties together with their expectations of future benefits and (2) the need to keep a good reputation with electorate. It is the changes in these two restrictions indeed (as they are named in the analytical framework), which determine the interest of the political parties to abandon the *laissez faire* situation and start the collective action in favour of a party funding law with transparency criteria. And all this despite the interest they have in keeping the most room to manoeuvre possible to finance themselves.

In particular, it is empirically demonstrated that behind the origin of the party funding laws there is the conjunction of the two analysed factors: the existence of an instability in the economic balance of the parties and a damage to reputation of one or more relevant formations, especially, of the incumbent party. Both factors are necessary but not enough by themselves to initiate the transparency in the party funding system. The economic restrictions can appear with a different intensity among the parties, but it is necessary that the party in Government will be among the formations most affected and that, moreover, it does not have a clear economic leadership in relation to its opponents, especially, in relation to the main opposition party. But that is not enough, in addition, in order to start the process of transparency it is necessary that damage to reputation of the incumbent party happens. A factor which, as we have already seen, is neither enough by itself to cause the process. In fact, when there are not economic restrictions (as it was in Britain until 1997, during the economic and political leadership of the Conservative Party), the only presence of an injured reputation, no matter how important its impact is, does not cause the necessary incentives for the establishment of the regulation in the subject. The matter may be introduced in the political agenda but with no results. Therefore, the joint presence of both analysed factors is proved in the origin of the process of transparency in the financing of the parties.

To finally understand why parties come to an end with the prisoner's dilemma in which they find themselves and which they cannot leave unilaterally, it is necessary to explain why, at some point, the parties in opposition support the initiative of the Government. That is, why they decide to cooperate and launch the collective action.

It is empirically proved that once the party in Government takes the first step to introduce transparency in the system, the best alternative for the parties in opposition in both countries analysed is to second it. So, they choose the transparency. The reason is that, as it has been stated in the theoretical framework, the costs from the economic restrictions (which, as it has already been said, are also harmful to them) together with reputation cost which would suppose to them the fact of not seconding the proposal of the Government, plus the external risks, make not supporting the transparency of the system more expensive for the parties in opposition than supporting it. On the contrary, if they support the initiative, the expected benefits in matters of reputation (investment in credibility) and in economic matters (possibility of minimizing the external risks) exceed the expenses of giving up the financing without restrictions and the possible costs resulting from the process of decision. Because of all this, come the time, it is worthwhile for the parties in opposition to cooperate in favour of the transparency.

All it has been said lets me prove the hypothesis that given the joint presence of economic and reputation restrictions (which are harmful in a larger or smaller proportion for all formations), the cooperation among the parties to leave the prisoner's dilemma in which they are in is produced when: (1) the cost for every party to not do it in terms of reputation (because the scandals may affect the Government or because, in case of not acting when the proposal is made, may affect the parties in opposition) and (2) the individual economic expenses that suppose to them not to have influence on the content of the law (once that the proposal is made) exceeds the expected benefits of continue keeping the opaque situation.

There have to be these conditions so that the collective action takes place causing the ex novo creation of a party funding law with transparency criteria. Now, in relation to this there is the question of what decision rule the parties will prefer to use in order to keep their individual interests in the content of the law.

As it is foreseen in the analytical framework of this research, it is confirmed that political parties, both, in the Government and in opposition in the two analysed countries make explicit their interest in using a decision rule the most inclusive possible

when at the time of passing the party funding law. In particular, the unanimity or the generalized consensus, in spite of the fact that doing this the decision costs will increase.

In the case of the opposition parties, such interest responds to the need of minimizing the external risks when configuring the content of the party funding law. When the basis is settled for the first time, there is a maximum interest by the parties to assert their individual preferences in the content of the law. Therefore, all formations in opposition prefer the generalised consensus as a decision rule better than any other less inclusive rule.

In the case of the incumbent party, such interest is explained by the following: First, because of reputation reasons, since the rest of formations would criticize the Government's action if it decided a law for its own interest regardless of the rest of parties, even more in the scandalous contexts in which it takes place. Second, because of economic reasons, since, in both countries, an increase of public financing is passed for the parties and this can be only justified in public if all parties support the measure. Third, because of the uncertainty about which party is going to be in Government in the future, so it is too risky to pass a very partisan law for fear that later a majority party will do the same.

Consequently, it is empirically demonstrated that all parties individually considered opt for the unanimity or for the generalised consensus as a decision rule when it is time to design and pass an *ex novo* finance law. But, in light of this research, what is the result of the institutional design in matters of transparency? Or, in other words, do the laws passed contribute to restricting the parties' margin of discretion when financing? Or, on the contrary, do they leave some gaps allowing the possibility of corruption in this field? According to the empirical demonstration that it has been provided about the Spanish and British cases, four important conclusions are derived.

First, that the transparency measures finally included in the law are those that, from an economic point of view, favour the party in Government above the rest of parties, whether alone or together with some or all formations (as it happens with the increase of public funding). This party is never going to be damaged anyway by the passed measures from the economic point of view. At such a point that the transparency measures which have not been passed (nor debated), being the most important

weaknesses of the new regulation usually attributed to, would not have benefited to the party in Government in any case. On the contrary, they may have generated a higher cost for them more than for their opponents, or this cost would be similar to all of them.

Second, it is empirically demonstrated that the search of the individual interest of the parties to obtain economic benefits from the legislation exceeds the interest in investing in reputation. This happens with the passing of public funding items in both cases of study which, despite the unpopular they may seem and although they even suppose a distance in the ideological premises of the party they are finally passed with the support of all formations due to the economic benefit they expect to get. Therefore, not to generate costs on reputation is in the interest of the parties at the moment they create a law. Once they start the negotiations about its content, the economic interest is clearly more important than the interest in legislating laws that do not affect their reputation. And it even comes first than the ideological ideas of the parties in relation to which model of party funding must be established, that is, if it has to be more or less dependent on the public resources.

Third, it is demonstrated that the individual search of such economic interest is done at the expense of the effectiveness of the designed system of transparency. Since every formation defends the most beneficial measures for their own interests, when they come into conflict, the only way to reach a consensus is through concessions by the Government side to the rest of parties, mainly to the majority political party in opposition. Some concessions that lead to a result that still basically benefits the party in Government, but that does not damage the rest so much. And all this at the expense of the effectiveness of the proposed mechanism of transparency. What is more, it is demonstrated that, if the party in Government is not benefited, the measures of transparency are not passed, even to the extent of leaving some important loopholes in aspects related to the corrupt financing. So, it is empirically demonstrated the hypothesis according to which, once the parties are interested in cooperating and negotiating the content of the legislation, the result that appears is a law which benefits all in economic terms (because of the public funding which is regulated in the Spanish case, but also in the British, through the so called *Policy Development Grant*), although the party in Government even more, and it restricts the less possible in terms of control to all of them (especially to the party in Government again).

- Second block. Increasing transparency in party funding systems: the coordination around the reform of the law.

In this block I have analysed the factors that lead to the institutional change once there is already a law with transparency criteria, and it has also been explained the reasons behind the unsuccessful attempts of reform. Again, I have attended to the decision rule used when designing and passing the new legislation, as well as to the result of the same in matters of transparency and control.

According to the analysed empirical information, like with the origin of the law, both economic and reputational restrictions are behind the institutional change in this second stage. That means that it is empirically demonstrated that the balanced situation appeared after the *ex novo* passing of the law is maintained until a change in such restrictions generates the necessary incentives so that the political parties prefer to toughen their own control rather than continuing this way. However, even this being true, it is convenient to clarify some aspects that differentiate this point from the previous stage of the process.

According to the restrictions related to reputation, a direct relation between the existence of damage to reputation of one or several parties and the showing of formal initiatives for the reform is observed. Although, while there was a clear link between the damage to the reputation of the party in Government and its response proposing legislation in the previous stage, in this second stage there is not such a clear relation between the author of the initiative of reform and the most affected party by the scandals.

In fact, the reactions that lead to introducing changes in the legislation not only come from the most damaged party in its reputation (as it happened at the initial stage of the law in the case of Government), but also from those other formations which, not being the main ones affected by the scandals, try to make some political profit by sending a honesty and transparency signal to the citizens through a proposed reform. So, the strategic use of the scandals as a decline of the opponent's political power and of own praise is highlighted in this second stage of the process. What is more, as it has been empirically demonstrated, a high impact of the scandals is not even necessary in the public opinion to see such strategies developing and reform strategies appearing.

However, in comparison to the stage before, the initiatives appearing after the scandals (that is, once that reputation is spoiled) do not always lead to a reform process strictly speaking, and neither do they guarantee that such process will be successful. They will not always end in an institutional reform, not even when they have been made official by the Government. But rather on the contrary, the *status quo* is the most common result even when such reform processes are started.

Therefore, it is empirically demonstrated that the existence of a context of scandals with a prejudice about reputation of one or several parties is present in the presentation of formal initiatives of law reform, but this by itself does not determine that neither the process starts nor the result is successful. That is, it does not explain the institutional change.

In order to explain this I have to resort again to the importance of the economic restrictions as a factor that, in a context of scandals of whatever magnitude, generates the necessary incentives so that the proposed initiatives are not all in vain, but that they lead to a reform process. It is actually empirically demonstrated that in Spain as well as in the United Kingdom parties are affected by different types of economic restrictions after the *ex novo* passing of the respective laws, even if it is done in a different scale depending on their own financing structure. Having said this, what distinguishes the scenario in which the reform process is started from the rest in which it is not started even having been damaged reputation of one or several parties and existing reform initiatives is: (a) that the party in Government is affected by the economic restrictions, usually at a similar level as the main opposition party is, (b) that the party in Government does not have the economic leadership above the rest of formations, which places it at a relatively instable economic situation, and as something new in this second stage of the process (c) that the party in Government does not have the political leadership in the Parliament, whether it is because it occasionally needs other parties support to govern (as in the Spanish case), whether it is because the main opposition party means a more and more serious threat for the party in Government (in the British case).

Only when there are these conditions will the Government do it on its own initiative or will it support the proposals presented by other parties. On the contrary, and even if there are scandals that may damage their reputation and demands of institutional

change, the Government will prefer not to start (or second) the reform process. Therefore, as in the origin of the party funding laws, both the economic and reputational factors are necessary conditions although they are not enough by themselves to start the reform process; so that the parties, both in Government and in opposition, express their interest in changing the *status quo*.

In contrast to the previous stage, the fact that from there the reform process starts is not a guarantee for the success, but, as it has empirically demonstrated, it results much more complicated to reform the legislation than to create it *ex novo*. In fact, from a total of five started processes, only two (one in Spain and the other one in United Kingdom) resulted in the reform of the party funding law.

In order to explain the paradox of why, even when all parties make explicit the idea of changing the party funding laws, the result is in many cases the *status quo*, it has been first analysed the preferences that they express regarding the decision rule to use. As it has been empirically demonstrated, once the Government and its party are ready to reform the law and they start the process, both parties that want to change the situation and those which do not, are interested in avoiding the costs or external risks. Because of this, all formations individually opt for the unanimity or the generalised consensus as decision rule. An option they also chose in the creation of the *ex novo* law.

But, if in the first stage of the process such consensus was obtained about the need of creating a law and about the content it should have, in this second stage, the lack of consensus about such content was made explicit, frustrating three out of five attempts which were started in Spain and in the United Kingdom. Now, what was stopping the parties co-ordinating on law reform despite a priori all of them showing their interest in changing it?

According to the analysed information, the hypothesis is confirmed that it is due to the own weaknesses of the law and the asymmetries generated by the law that complicated the consensus about the content of the reform. Then, they led the parties to opt for a sub-optimal equilibrium situation (at least, according to the expressed preferences), that is, to opt for not reforming the law. As it was already mentioned, despite the respective party funding laws in Spain (LOFPP 1987) and in the United Kingdom (PPERA 2000) being created with the objective of offering more transparency in the financing of the parties, the truth is that they left some important loopholes that

not only left a lot of room for manoeuvre to the parties but also generated new incentives for its breach.

Because of this I can state that the failure of the reform in the V and VI Spanish parliamentary term and in the LIV British parliamentary term (during Blair's Government) was due to the fact that the *status quo* (the equilibrium that parties like the least in the coordination game they face during the reform process), is an institutionally induced equilibrium in Shepsle's terms (2003). That means that being two possible equilibrium (to reform and not to reform), the institutional mechanisms (the law itself) together with the preferences of those carrying out the change, those which force that the result will be an equilibrium and not another one, and, in this occasion, it leads them to choose the one they are less interested in: not to reform. So it is demonstrated that the final result in this second stage is not totally determined by the actors' preferences (to reform the law, but also, to maximize revenues and votes) but that the established institutional structure which also influences in it (the corresponding current party funding laws) which, as in the analysed cases, induces to the equilibrium the political parties are interested the least.

Having said this, it explained the reason of the *status quo* even when the different formations had shown their interest in reforming the legislation. And this without entering the field of the implicit intentionality of the parties because it seems impossible to demonstrate empirically if they really did not want the institutional change although they expressed an obvious preference for it.

So, regarding the objectified facts, parties in that moment wanted the reform but they did not get it because: first, they individually advocated for the consensus as a decision rule and secondly and regarding the before mentioned, the gaps of the current law did not allow that the parties share preferences with an eye to a future reform and consequently, the consensus was impossible to reach.

And this because, more than reducing the effect, the divergences in relation to the way a reform should be headed for are finally strengthened by the gaps there are in the original law, which had let each party made determined financing sources stronger and then they were not interested in giving up to. Thereon the *status quo* appears.

So, does this mean that law reform is impossible to carry out? Or, in other words, is there any margin of manoeuvre for the institutional change in matters of party funding? The empirical truth demonstrates that, although a reform process is not always started, the institutional change can finally happen indeed. But it is necessary that one of these situations: (1) that a shared interest appear which demands the consensus among the different preferences of the parties (as it happened in the origin of the law), so they opt for stopping to take advantage of the legislative gaps for a common interest; or (2) that parties individually decide to opt for a less inclusive decision rule, in such way that the decision costs are reduced.

As it has been empirically demonstrated, the first option is invalidated because it did not happen even in times in which there was a common interest that could have forced the consensus (like the increase of public funds in Spain, or the limit in the electoral expenses on a national level in the United Kingdom). The divergences were still wider than the points in common. However, it is true that it has been observed that what distinguishes the legislation in which the reform is passed in both cases of study from the other ones in which such process ends frustrated is the fact that for the first time there are divergences among the parties about which decision rule to use.

Not all formations rest value to the necessity of consensus, but those that have a special interest in the fact that the reform is produced after several frustrating years do. In particular, it is empirically demonstrated the hypothesis relative to the fact that the reform is only possible if the expected benefit by the majority party's side exceeds the cost of passing the reform without consensus. For this to happen, so, for the lack of consensus does not have a cost for the Government, it is necessary the following conditions at least, I have obtained from the analysis of the Spanish and British case: (1) that the party in Government will benefit the most from the economic point of view of the reform, (2) that the party in Government counts on the necessary attributes and opportunities to impose its position, so it does not happen among its partners in Government or supporters in the parliamentary term that they promote an opposite party funding system, (3) that the party in Government reaches a consensus for the main points of the reform with most political parties, so there is only a minority (the main party in opposition in both countries) those that are placed against one of the agreed measures, and (4) that the party in Government and those prepared to reform make a strategic use of the belief (Shepsle, 2003:284-285) — they make explicit- that the main

party in opposition is not in the consensus because they are actually looking for a blocking in the institutional change.

Only when there are such conditions the party in Government, using a rhetoric manoeuvre based on such belief, will be able to stop defending the necessity of the consensus as a decision rule without looking like an intransigent or imposing party and therefore, without damaging its reputation. And this happens because it has the strategic aim of passing a favourable content for its interest at the expense of harming the party in opposition.

This makes us analyse the content of the reform in matters of transparency. It means, to check if the institutional change contributes to restrict the margin of discretionary nature of the parties when financing, or, on the other hand, if it leaves important gaps which impede accountability (even if political parties are aware of them) as it happened in the previous stage. According to the empirical information it has been shown about the Spanish and British cases, I have reached five interesting conclusions to this respect.

First, as in the origin of the law, the measures that are finally passed benefit the party in Government, whether it does only to them or together with more formations. In fact, the transparency measures which are not passed (and which are associated to weaknesses of the new law) would not economically benefit in any case the party in Government, but on the contrary, they would damage it.

Second, as it happened in the previous stage, despite the higher benefit that the party in Government gets, there are measures that favour all formations (the redistributive measures passed in the Spanish case but not in the British one) and some others whose cost is similar for all of them (some measures of control).

In addition, in this stage, as a difference from the previous one, there is some agreement among the majority parties in each country for the passing of measures that suppose a relaxation in the transparency criteria but it benefits both formations above the rest of them. This is what happens with the relaxation of the limits both in the nominative donations in the case of Spain and in the anonymous donations in the case of the United Kingdom.

Third, also in this stage, it is empirically demonstrated that the search of the individual interest of the parties in getting an economic benefit through the legislation exceeds their interest in investing on reputation. As in the origin of the law, parties are interested in not generating costs in their reputation (or interested in reimbursing any damage they have suffered) *before* starting the reform process. Once it is started and negotiations about the content begin, the economic interest is clearly more important than the interest in legislating measures which do not affect their reputation.

Fourth, it is observed that the incumbent party's interest are more tangible in the final result in this stage than in the previous one (except for the examples before mentioned in which there is an agreement between the majority parties in order to reach a shared benefit of the reform). In fact, as a difference from the previous stage in which the result could have approached a game of positive sum, in this stage the final result of the reform can be interpreted as a zero sum game at the expense of the main opposition party interest.

Fifth, the new passed legislation after the reform, in both countries, still leaves important gaps unaware the Principal's control, so it is again demonstrated the hypothesis that once the parties are interested in cooperating and they negotiate the content of the legislation, the outcome of the process is a law that benefits all in economic matters (although the party in Government specially) and that limits the least possible in control matters. However, in this second stage, the content benefits more the incumbent party than the rest of parties and it benefits less the main opposition party than the other parties in the Parliament. Therefore, it is empirically demonstrated the parties' lack of interest in getting tied up.

.What it has been said up to here lets me demonstrate a last hypothesis according to it the parties make a strategic use of the consensus as a decision rule in the processes of institutional change. As I have seen in the analysis of the two stages of the transparency processes, the consensus is not something easy to reach, but the parties look for maximizing their individual interest when choosing the decision rule to choose. Because of this they support a more or less inclusive rule according to their individual characteristics (attributes, opportunities, beliefs and preferences) and regarding both the economic and reputational restrictions they are submitting. In addition, as it has been

also demonstrated, such interested decision affects the result of the collective action because it results in detriment of the transparency.

Once it has been empirically demonstrated the hypothesis of this research, what consequences can we get from them? Or, in other words, what are the implications of this thesis from both, the economic and empirical point of view?

First, it is demonstrated that the analytical framework I have proposed based on the Agency Theory and the Rational Choice New Institutionalism (both focused on the actors' interest) seems useful to explain in a satisfying way the processes of institutional design led to increased transparency in the party funding system and with it, to the control of corruption in politics. This means to dismiss and clarify other institutional approaches previously used in the little existing literature about the reform processes in the financing of political parties. Specially, the normative institutionalism and the historic institutionalism, as it is justified in chapter 5.

Second, other implication from this research is the confirmation about party funding laws that result from the conjugation of the individual interest of the parties in order to improve their reputation and to take economic advantage over the rest, as well as to keep the widest margin possible to work in an autonomous way. In opposition to what parties express in public in the different stages of the process, the introduction of transparency in the party funding system does not respond to their interest in becoming more controlled by the citizens. Neither does it to the interest in imposing a financing model in relation to the ideology of any party. But transparency in the system is just the result of the combination of the individual interest of the parties (regarding the attributes, opportunities, beliefs and preferences) in giving priority to their sources of income over the rest of them and in introducing signals of credibility in order to improve their reputation for the voters. Political parties will have to submit to some control in exchange for this, but they will have to minimize it so that it does not limit their room for manoeuvre.

Hence, with this research I have demonstrated what other authors had already signalled from the theoretical point of view as well as from the empirical in relation to the corrupt exchanges: the necessity of keeping a good reputation can be useful as a mechanism of endogenous control due to the moral cost that any deviation from the socially accepted standards may cause to a politician or political party. But above all,

and this is the new thing, it is empirically demonstrated that the necessity of keeping a good reputation takes part in the institutional change processes promoting parties' actions for a better transparency.

This means that reputation acts as an instigator mechanism of control with a exogenous character (institutional). Nevertheless, reputation itself is not going to promote the institutional change, but as it has been demonstrated in this research, the competence for the economic resources is going to be a key explanatory factor in order to understand the designing processes of the party funding laws to increase the transparency in the system. A statement that means to accept three questions that constitute a relevant contribution to the literature about the financing of parties.

First, parties follow a maximizing logic when looking for economic resources. So, all of them, apart from their ideology, their economic circumstances and their rival's, will want as many amount of resources as possible. A statement that invalidates the distinction that Scarrow makes (2004) between parties that always try to improve their economic situation (*revenue-maximizing view*) and parties that opt for reforming or not according to the economic position with regards to the rest (*electoral economy view*).

Second, the thesis of the cartel parties does not successfully explain why transparency mechanisms are introduced in the field of financing. It is true that the so-called cartel parties can conspired to reach an adequate financing level and that is why they agree to be economically linked together to the State (so, to increase public financing), but it does not mean that they suppress the individual competence for the resources. On the contrary, and differently from what the literature stands for in relation to this question (Katz y Mair, 1995; Hopkin, 2004; Van Biezen, 2004), the conflict for the resources is still present in the design of the party funding laws, in the daily life of the political parties and specially during the reform processes of the law. Then, the joint interest in obtaining the resources of the State can lead parties to soften their individual positions during the initial design of the laws but it does not mean that the individual competence is suppressed.

Third, due to the fact that parties follow a maximizing logic in the achievement of resources for their routine and campaign financing, their ideology is not determining to explain either why at some point they decide to introduce *ex novo* or reform the party funding laws, or why they prefer a special content instead of another one. It has been

empirically demonstrated that political parties have different preferences about which financing model must be established. Additionally, it has been demonstrated that such preferences depend on the income structure of each formation. But it is true that the parties' ideology could explain why some defend for example public financing better than the private one, pragmatism is finally in all cases. Therefore, the ideology has a very limited weight when explaining the parties decision of introducing laws or reforming them, in comparison to the weight that the individual interest has in order to improve their economic position and to improve reputation (or to avoid damaging it).

Fourth, because the control of the corruption in party funding is influenced by the fight for the political parties' interests, its implementation is obstructed by the development of manipulating strategies by the parties' side. And this when defending the favourable transparency and when carrying it out through the institutional design. Parties opt for creating or not a law or for reforming it according to the benefit they expect to get from it, and always trying to minimize the costs that it can bring in case of not supporting the process. But when the analysis cost-benefit does not seem favourable and therefore, they individually prefer the *status quo*, they try to obstruct the process despite the fact that the society and the circumstances ask for a better transparency. And all this making use of strategies that minimize the risk it can mean to reputation of a party not to start or support the creation of a law or its reform. For this, when the time arrives, the parties deny the necessity of having a party funding law or the need of reforming it alluding to the individual honesty (in the Spanish case) and to the goodness of an arbitrary (voluntaristic) system instead of a regulatory one (in the British case); they individually try to safeguard their reputation when it seems damaged by any scandal extending the suspicion to the rest of formations, and they even make a strategic use of the decision rules in the passing and reforming process of the law in order to safeguard their individual positions when they are discussing about something they are not economically interested.

Finally, the third implication I get from this research is related to the used methodology. This is, the comparative analysis following the 'most different systems' design (Przeworski y Teune, 1970). Due to the fact that the objective has been to check the empirical validity of the analytical framework of this research all the time using the Spanish and British cases, once the hypothesis have been verified, I have to admit them as a general validity. Now, always within the limits imposed by the theory and above all, by the selection criteria of the cases. Therefore, it is expected that the analytical

framework will be valid to explain the process of institutionalism of the transparency in party funding when this happens in a consolidated democracy which carries out two conditions: first, that it belongs to the European Union until the 1995 accession process and second that there is a law that includes transparency clauses and which have been later proposed reforms. Always these circumstances are together, the *ex novo* creation of the party funding laws and their later reform for a better transparency will be able to be explained according to the factors which have been analysed in the analytical framework, being these necessary so that such processes occur.

In addition, we can take some other important implications from the selection criteria of the cases for the scientific literature. The first of them is that the establishment of transparency and control of corruption mechanisms in party funding do not depend on a cultural question neither do them on institutional and democratic tradition matters. This means that in this research is demonstrated that, apart from the political culture and the level of institutional development a country has in matters of transparency and control, the predisposition of the parties to control the way in which they are financed and to reduce the corruption in this field is going to depend on the economic benefit and regarding reputation they expect to reach in exchange. And they do it trying to safeguard the most they can their autonomy for action in front of the citizens.

The second implication I get from the “most different systems” design is that the factors influencing the establishment of transparency and control of corruption mechanisms in party funding are the same regardless of the financing model that rules in the country. The higher or lower predisposition of the parties to introduce transparency measures does not correspond to them being more or less dependent on the public or private financing. Therefore, unlike I can deduce from the thesis of the cartel political parties, their influence in the institutional design for the corruption control is just limited to the redistributive measures (public funding). However, it does not influence in the rest of transparency mechanisms that are finally passed, neither does it that the cartel parties have a higher predisposition than those which are not to establish transparency mechanisms that limit their room for manoeuvre.

The previously presented implications in this section are new and relevant in the academic literature about the corruption control and about party funding, both from a theoretical and empirical point of view. In fact, the detail and depth in which the Spanish and British cases have been presented and analysed have let us not only

verified the explanatory factors deduced from the theory but also know the complexity of the internal political life in matters of financing parties and the problem of corruption. Because of this, the empirical part of this research can be useful as a basis for future works in relation with these subjects.

On the one hand, it could be completed with in-depth empirical studies about how the gradual institutionalising process of the transparency in other European countries as well as in other geographic areas in the world work, giving special importance to Latin America. The Crinis Project, promoted by Transparency International, is actually focused in this geographic area because the corruption there has much relevance in political funding. The objective of this project is to compile qualitative information about the current legislation systems, as well as about the main actors' practices involved in financing parties. Although there have been analysed just eight Latin-American countries by now (Argentina, Colombia, Costa Rica, Guatemala, Nicaragua, Panama, Paraguay y Peru), this compiled basis could be more deeply analysed to know, as in this research, the institutional design process of transparency, as well as its result and to establish comparisons. In order to carry it out, the analytical framework of this work could be used with the aim of checking its validity further in the geographic limits established in the selection of cases I have applied.

On the other hand, the empirical information that has been presented about Spain and the United Kingdom can be also useful to go deeper in an aspect that has been omitted on purpose in this research: the analysis of the internal processes (negotiations, decisions, etc.) which are produced in each political formation and which appear in the position that will be later defended in block in front of the rest of parties. While this work is focused on the interests they defend once their respective positions are clearly defined and they make it explicit like this, it would be relevant for the literature to know the process through which such position takes shape. For this, it would be convenient to analyse if there are factions or not inside each political party with facing positions in matters of the financing model that it should be established, and the best moment to make it. All this would let us go forward in the knowledge of the conformation process of the strategies of the parties in so much relevant questions for the democratic quality like institutional transparency and the control of political corruption.