The state of political finance regulations in Canada, the United Kingdom and the United States

International IDEA Discussion Paper 11/2016

The state of political finance regulations in Canada, the United Kingdom and the United States

International IDEA Discussion Paper 11/2016

Susan E. Scarrow

International IDEA resources on political parties, participation and representation

International IDEA
Strömsborg
SE–103 34
STOCKHOLM
SWEDEN
Tel: +46 8 698 37 00, fax: +46 8 20 24 22
Email: info@idea.int, website: www.idea.int

Graphic design by International IDEA

Contents

Acknowledgements

The opinions expressed in this Discussion Paper are the author's own and do not reflect the views of the University of Houston.

1. Introduction

International IDEA's Handbook on *Funding of Political Parties and Election Campaigns* (Austin and Tjernström 2003) and the revised edition, *Funding of Political Parties and Election Campaigns: A Handbook on Political Finance* (Falguera et al. 2014) describe how the political funding frameworks in Canada, the United Kingdom and the United States have traditionally shared several common features. Most importantly, candidates and parties in these three countries rely heavily on funding from private sources, and, conversely, receive comparatively low levels of direct public subsidies for their political work. Of course, high reliance on private funding used to be common across the democratic world, but over the past half century it has become much rarer due to growing reliance on public subsidies, especially in parliamentary democracies.

These countries' comparatively high reliance on private funds may be connected with their use of single-member district electoral systems for legislative elections, and with the fact that all three countries developed extensive political finance regulations well before other countries began to develop rich systems of public subsidies for political parties. Whatever the explanation, all three countries use funding systems in which private money continues to play an important role; this makes it particularly interesting to study the differences in how they regulate the supply and demand of private support—the regulations governing political donations and campaign spending.

This paper examines how political finance rules in these three countries have changed in the past five years, with particular emphasis on the developments since the publication of the most recent International IDEA *Handbook* (Falguera et al. 2014). Because all three political finance systems are heavily dependent on donations, their regulatory regimes put considerable emphasis on answering questions about who can give and spend. As Nassmacher noted in 2003, traditionally the countries had different regulatory emphases, with rules in the USA focussing on limiting who could give, and how much, whereas in the UK and Canada, the focus was on limiting the demand for funds by setting upper limits on campaign spending. Changes in the past two decades have altered this pattern. In the UK, the rules still focus primarily on the demand side (spending limits), but in Canada rules now limit both the supply of, and demand for, campaign donations. At the other end of the spectrum, donation limits have been weakened in the USA, leaving few real limits on what donors can give to campaign efforts (either directly or indirectly).

In addition, Canada and the UK recently have seen controversial reductions in their already modest public subsidies to political parties, changes which tend to increase the political advantages for parties which are best able to raise private funding. Finally, the most obvious similarity between these with regards to recent political finance regulation has been the acrimonious partisanship that has accompanied recent reforms. Their new rules have been adopted by highly partisan majorities, and amid accusations that rule changes and implementation measures are designed to disproportionately favour the governing parties. Whatever the merits or impact of the newly-adopted measures, the partisan spirit surrounding their adoption makes it unlikely that the new rules will change widespread public perceptions that the systems are broken.

2. Changes to the landscape since 2010

Canada

In the past two decades Canada's federal government implemented a series of political finance reforms which first limited, then prohibited (as of 2007), corporate and trade union political contributions. The reforms also set progressively lower caps on individual contributions, but tried to encourage more individuals to make political donations by increasing the favourable tax treatment for such contributions. To offset the revenue losses caused by these new limits and bans, in 2004 federal laws added a per-vote subsidy for parties which received at least 2 per cent of the national vote. This subsidy was paid in addition to subsidies which reimbursed a portion of local and national parties' electoral expenses, and to the tax subsidies for individual political contributions.

After the 2004 reforms, per-vote subsidies constituted about one-quarter of Canadian public subsidies for parties and candidates (Jansen and Young 2011). As the 2014 *Handbook* put it, 'the Canadian political finance regime already covers all theoretically available aspects: practical bans, realistic spending and contribution limits, public subsidies . . . and tax incentives to entice citizens to donate . . . [and] an independent agency is charged with (and empowered to) implement and monitor the . . . rules' (Nassmacher 2014: 284).

Despite these regulatory achievements, Canada lacked political consensus about some new aspects of the system. As a result, after the 2010 election the governing Conservative Party introduced two major reforms.

First, in 2011 the government successfully introduced legislation that phased out the per-vote subsidies to political parties, with these being finally terminated in 2015. The government justified this change as a way of ensuring that parties were dependent on donors, not on public funds. Critics in other parties charged that the change had partisan motives. They pointed out that it eliminated a subsidy which had benefited all parties in proportion to their electoral success, while retaining the generous tax subsidies for donations and the reimbursements for campaign spending that was fuelled by donations—and traditionally the Conservative Party had disproportionately benefited from these donation-related subsidies (see Nassmacher 2003: 41).

Second, in 2014 the Conservative government amended the Elections Act. Changes included an increase in the annual limits on individual political contributions (from CAN 1200 to CAN 1500), with future small annual increases incorporated in the legislation. They also prohibited campaigns from receiving loans from individuals, thus plugging a regulatory loophole which had become evident after earlier elections. The

2014 amendments also changed the spending limits for federal election campaigns, making it possible to extend the official campaign period beyond the traditional 37 days, with spending limits to be raised proportionally for every day beyond 37 (Elections Canada 2010; Government of Canada 2013). The latter provision seemed designed to benefit the parties that could raise the most money—an honour previously held by the then-governing Conservative Party. In addition, the legislation narrowed the mandate of Elections Canada, and of its Chief Electoral Officer (Wingrove and Hannay 2014).

One result of all these changes was that relatively modest individual donations played a bigger role than ever in Canada's fall 2015 federal election. Although the Conservative Party had been expected to benefit from the overhaul of the political finance system, in the run up to the 2015 election the Liberals were able to boost their contributions and narrow the fundraising gap with the Conservatives. As a result of the parties' successful funding, and because the official campaign period in 2015 was more than twice as long as in previous elections, parties and candidates spent much more in 2015 than in 2011—and therefore received much larger public reimbursements for campaign spending.

The Liberal Party's 2015 election platform made no pledges about reinstating the per-voter subsidy, but it did promise to reduce limits on how much political parties can spend before the official election period, and to review and possibly reduce how much parties can spend during elections (Liberal Party Canada). As of this writing, the Trudeau government has not yet introduced legislation to this effect. A more high-profile campaign pledge was to reform the electoral system. While it is not yet clear how broad such reforms might be, any rule changes could trigger concomitant reforms to the political finance system.

The United Kingdom

In the UK, the most recent attempts at comprehensive political finance reform stalled in 2013 under the Conservative–Liberal Democrat coalition government. At that point the proposals under consideration reflected the recommendations of a 2011 report from the Committee on Standards in Public Life. This body urged the adoption of donation limits (moving from unlimited donations to a maximum GBP 10,000 per annum); this cap was to cover donations from corporations and trade unions as well as from individuals. In return, parties were to benefit from the offsetting introduction of public subsidies.

Campaign spending caps were also supposed to be lowered, with the aim of reducing parties' fundraising needs. The contours of the proposals, although not the details, resembled those that had been discussed in 2007 and before. This reflected a long-standing assumption that reforms in this area would receive cross-party support only if they compensated the Labour Party for resulting reductions in funding from trade unions.

After the Conservatives were re-elected in 2014 with a single-party majority, the new government quickly moved ahead with legislation that affected some key pillars of the political finance framework. To begin with, it acted on a campaign pledge that seemed likely to reduce trade unions' traditional role as the major funders of the Labour Party. Under a bill announced in the post-election Queen's Speech in May 2015, trade union members were to be required to regularly 'opt in' to contributing to their unions' political funds. The Labour Party predicted that the net effect of this procedural change would be a GBP 6 million drop in its annual income (BBC News 2016).

Unlike previous proposals for comprehensive political finance reform, the bill said nothing about limiting overall contributions from trade unions or from other sources (individual or corporate), or about introducing subsidies to compensate the Labour Party for the expected revenue losses. As a result, the 'opt-in' requirement was seen as a blatantly political attempt to harm the opposition Labour Party. It prompted considerable controversy and criticism, including from the House of Lords (House of Lord Select Committee 2016).

In the face of this public debate, the government modified the most controversial provisions of the trade union bill, including making the opt-in provision apply only to new members, and giving the unions a year in which to implement the new system (instead of a mere three months). From some angles the new regulations, coupled with changes in Labour Party rules, may be seen as a step forward, in that they clarify and strengthen the link between the preferences of individual trade union members and the unions' political contributions. However, the partisan way in which they were introduced may do little to increase public confidence in the political finance system.

This perception that UK political finance reform has become a more partisan topic was reinforced by another reform proposal which the new government inserted in its first post-election budget. This envisaged a substantial reduction in the subsidies paid to opposition parties in the House of Commons to support their parliamentary work—subsidies from which the Conservative Party had greatly benefitted during their long period in opposition under the Blair and Brown governments. The proposed cuts aimed at the so-called 'Short Money' (named after Edward Short, who introduced the funds in 1975), which is the primary public monetary subsidy for British political parties. The government's bill called for a 19 per cent reduction in these funds, and for freezing them for the rest of the session rather than keeping them indexed to inflation (an effective cut of 28 per cent).

The government defended these changes as being in line with other austerity moves in the budget. This proposal was widely criticized as an attempt to hurt opposition parties, and drew sharp scrutiny in the House of Lords. In this instance, too, the government partially backed away from its initial proposal, but the reforms that were adopted still reduced annual funding for opposition parties by about 5 per cent (Financial Times 2016; Fisher 2016).

The United States

In the past five years political finance developments in the USA have been marked by the still-evolving consequences of the Supreme Court's 2010 Citizens United decision (Liptak 2010), and by partisan and third-party efforts to further erode long-standing political finance rules. The result is a system with a substantial amount of regulation, especially in regards to donations to candidates and political parties, but with effectively few restraints.

The USA has some of the oldest prohibitions on corporate and trade union donations to political parties and candidates; it also has some of the oldest loopholes to enable donors to evade these restrictions. For decades Political Action Committees (PACs) were the main channel for industry and union political funds. There were limits on how much donors could give to each PAC annually, PACs were required to disclose the names and amount of their donors, and they could make only modest direct contributions to candidates and parties. Political finance reform legislation adopted in 2002 also placed restrictions on the kinds of advertisements PACs could run prior to elections. The Citizens United decision overturned this and other restrictions, opening the way for unlimited political donations by corporations, trade unions and individuals to so-called Super PACs, with the Court construing limits on their political activities as a violation of First Amendment free-speech rights. These changes enabled non-party groups to take a much more direct and better-financed role in election campaigns.

Despite the importance of this ruling, probably the most controversial expansion of financial participation in campaigns has come not from increased corporate or trade union spending through Super PACs, but from spending by so-call social welfare groups, known as 501(c) groups after the relevant tax code paragraph (501(c)4 or 501(c)7). These groups are supposed to primarily engage in activities promoting public welfare, but may secondarily engage in lobbying and campaigning (Internal Revenue Service 2016). The Internal Revenue Service (IRS) is charged with determining whether groups have overstepped this line. It stepped up its oversight in this area as the number of these groups grew after the 2004 election, but in some cases went too far in trying to identify organizations that were more engaged in politics than in the activities defined as social welfare. More problematically, its investigations seemed to focus disproportionately on conservative groups, and to impose an unreasonable level of scrutiny on them, as the US Treasury Department's Inspector General admitted after these actions became the focus of Congressional scrutiny (2014).

For some, one of the advantages of organizing as a 501(c) group rather than as a PAC is that the social welfare groups are not required to publicly disclose their donors (although they must still report donors to the IRS). Because of this non-disclosure status, spending by 501(c) organizations is often referred to as 'dark money', especially by those who disapprove of this type of political finance (see e.g. Mayer 2016). Such organizations have become a conduit for funnelling funds to groups which get involved in campaigns, especially by airing advertisements attacking opposing candidates. One of the most prominent of these has been Crossroads GPS, led by Karl Rove, which funnelled over USD 26 million into the 2014 mid-term elections, making it one of the largest donors in that electoral cycle (Fenton and Olsen-Phillips 2014).

In 2015 Charles and David Koch announced that their network of donors planned to contribute almost USD 900 million in the 2016 election cycle (Confessore 2015). This announcement helped to fuel predictions that 501(c) organizations and their anonymous donors will spend much more in the 2016 campaigns than in the previous elections, and may have a particularly big impact on state and local races (including, in some states, on judicial elections). Meanwhile, the IRS is in a weak position to impose any checks on groups which may have crossed the line between social welfare and political engagement, in part because the Republican-controlled Congress reduced its budget as a result of the dispute about previous IRS oversight of conservative social welfare groups (Patel 2014).

In 2014 another important but less noticed Supreme-Court decision struck down aggregate limits on individual giving to campaigns. Whereas the 2002 Bipartisan Campaign Reform Act had imposed limits on total giving to federal candidates and party committees, in McCutcheon v. Federal Election Commission the Court ruled such limits to be an unconstitutional restriction of free speech. Furthermore, the Court's majority opinion made clear that the only constitutional grounds for restricting political giving and spending was to prevent corruption in a narrowly defined sense of a specified quid pro quo (Epps 2014; Liptak 2014). Cases pending before the Court in 2016 may further narrow the definition of what kinds of donations meet the latter test. Perversely, however, parties and campaigns are still affected by remaining donation limits from the 1970s campaign finance reforms, whereas those with deep pockets can give unlimited amounts (and anonymously) to non-party groups. This regulatory situation is in some ways the worst of all possible worlds as far as accountability is concerned, because it undermines political parties by ceding influence to anonymous donors who give to non-party campaigns.

This rapid expansion of third-party expenditures has received growing media attention, and has prompted some political backlash, particularly on the Democratic side of politics. Most notably, Democratic presidential candidate Bernie Sanders made political finance reform a central part of his platform, and he refused to set up a Super PAC to support his campaign. This set him apart from all of his rivals on the Democratic and Republican side (though his campaign did indirectly benefit from spending by a few other Super PACs). Both he and Hillary Clinton pledged to tackle political finance reform if elected, including by nominating Supreme Court Justices who would overturn Citizens United (Overby 2016).

In light of the mounting constitutional obstacles to the passage political finance regulation that meets constitutional tests, perhaps it is at least as important that the Sanders campaign powerfully demonstrated how candidates can raise competitive amounts of funding from relatively small donations. Thus, in the first quarter of 2016 this campaign raised over USD 100 million, with two-thirds of this contributed as small amounts. In March 2016 the Sanders campaign brought in USD 44 million, compared to less than USD 24 million raised by the Clinton campaign in the same month (Parks and Struyk 2016). Whether or not the Sanders campaign has any direct and immediate impact on political regulation, it may affect political finance practices by showing that even in one of the most expensive privately-funded political systems, average-income citizens do not necessarily have to cede the political field to deep-pocketed donors (a lesson previously taught by the Obama presidential campaign in 2008). Future candidates at all levels may try to emulate this model.

3. Reflection

Glimmers of optimism

Citizens' participation is essential for democracy, and citizens' financial participation in politics is particularly essential in countries whose political finance systems rely largely on private funding. The more diverse the funding sources for candidates and parties, the less beholden they are to any particular donors. Within this framework, there are glimmers of optimism provided by the success of some campaigns in raising politically significant amounts from small donors—not only the Sanders campaign in the USA, but federal and provincial campaigns in Canada, or the more modest success of the British Green Party in using a crowd-funding campaign ahead of the UK's 2015 general elections (Brock and Jansen 2015; Buchanan 2015). Equally notable was that some of the best-funded candidates in the 2016 US Republican presidential primary were among the first to drop out. Even in the highly expensive elections in the USA, access to Super PAC money is not the whole story.

Causes for concern: political finance reform as a partisan sport

In all three countries the past five years have witnessed contentiously partisan efforts to change existing political finance rules. In Canada and the UK, conservative governments reduced public subsidies and changed other regulations in ways that were expected to disproportionately reduce funding to their traditional political opponents. In the USA, legislators acted to reduce the oversight powers of the IRS in enforcing political finance rules, arguing that it was playing an inappropriately partisan role. In Canada, the government reduced the role of Elections Canada in get-out-the-vote efforts. In both countries, the defenders of these agencies portrayed the attacks as the real partisan problem. In all three countries, majority parties introduced political finance legislation that seemed transparently designed to directly or indirectly benefit the governing party.

Debates surrounding these changes made clear how little cross-party consensus there is in regards to the proper aims of political finance regulation, and in regards to how wide a mandate government agencies should have to intervene in electoral competition. Debates about political finance policies are not necessarily more partisan than they were five years ago, but they certainly are not less so. Given the partisan rancour surrounding all efforts to amend, or even to enforce, the existing political finance rules, it is not surprising that citizens do not see the resulting rules as fair or non-partisan.

4. Conclusions and recommendations

The three countries studied in this paper share broadly similar approaches to political finance, at least to the extent that all of them give a central role to funding from private sources. All three also have relatively extensive regulatory frameworks, and long histories of debates about these frameworks, with limits on donations and political spending and donor transparency rules that have been evolving over many decades, and which continue to evolve. One big difference between their rules is in their limits on who may contribute this money. Restrictions on donations to parties and candidates range from being extremely tight in Canada to extremely relaxed in the UK.

Another big difference is in the extent to which donations to non-party groups can be used to evade the restrictions placed on donations to candidates and political parties. Whereas in Canada and the UK courts have upheld restrictions on third party political spending, especially close to official campaign periods, in the USA the Supreme Court has moved in the other direction, weakening restrictions on political spending by (and donations to) corporations, PACs and social welfare non-profits. The result has been to effectively eliminate the already-high statutory contribution limits, and to weaken the donation-limited candidates and parties relative to the unrestricted groups. Most of these changes have been made possible by a decades-long shift in Supreme Court interpretations of when the government may legitimately restrict political speech; even if the balance of the Court were to change, the judicial precedents would endure for a long time.

In light of these regulatory and enforcement situations, this paper's recommendations for next steps focus not on regulatory improvement, but on efforts to boost citizens' participation in, and understanding of, political finance systems.

Research Focus 1: What boosts financial participation in politics?

One research need is for additional systematic research on when, and how much, specific policies boost citizens' participation in the funding of politics. In political finance systems that are primarily funded by private donations, the best way to avoid or at least mitigate plutocracy is to broaden the base of political donors. Some political finance rules specifically target small donors, making it financially easier for all citizens to give, and/or matching small donations to make them more valuable to the recipients.

Which combinations of rules are most effective in achieving this end? Why are some campaigns more successful at motivating new donors? The USA and Canada offer good laboratories for trying to answer these questions, because both countries have seen some experimentation and variation in local, state/provincial and federal campaign finance rules. For instance, in the USA, a few municipalities have experimented with approaches that multiply the impact of small donations. Seattle recently adopted a policy of offering USD 25 donation vouchers to all voters to increase financial participation in its elections (Berman 2015). For the past decade, New York City has given 6-to-1 matching funds to individual contributions when candidates agree to stick within campaign spending limits.[1] After their initial novelty fades, how do these rules affect citizen participation in politics, and candidate approaches to fundraising? Lessons learned in these local laboratories could prove useful for those in other systems who wish to increase direct citizen involvement in financing politics.

Research Focus 2: Do reform processes matter, not just the rules?

Policymakers would also benefit from more research about the links between political finance systems and public attitudes towards politics. In all three countries, advocates of political finance reform tend to bolster their case by pointing to growing disaffection with, and distrust of, established political parties and political institutions. Yet research on public attitudes in the USA, the UK and elsewhere makes clear that these are complex relationships. Indeed, in some cases citizens' attitudes towards political finance and perceived corruption may be more of a reflection of their underlying political attitudes rather than of the policies themselves; in such cases, changing the policies is unlikely to change the attitudes (Fisher 2013; Bowler and Donovan 2015; Nowokra 2015). Thus, if one of the intended purposes of political finance regulation is to foster more positive public attitudes towards governments and electoral democracy, as is frequently implied, then we need more research about whether certain rules, or perhaps certain approaches to rule making, show greater success in bolstering public confidence.

Promote access as well as transparency

Finally, electoral regulatory bodies, citizen action groups and transnational organizations could do more to enhance the value of existing political finance transparency rules, assisting journalists and citizens activists who want to reap the accountability benefits such rules are supposed to provide. In countries in which private donations play a large role in political funding, transparency rules can generate so much data that they create a new type of obscurity. To some extent, regulatory bodies, media outlets and civic organizations have begun to tackle these problems. Examples include the 'Open Secrets' website of the US Center for Responsive Politics, the 'influence explorer' tool on the webpage of the US Sunlight Foundation and a Canadian newspaper website that provides a geocoded map of donations to the federal elections.[2]

The challenges of making sense of reported financial data are not unique to a single

[1] For information on the structure and impact of the campaign contribution matching programme in New York City see the website of the New York City Campaign Finance board, <http://www.nyccfb.info/program/impact-of-public-funds>.

[2] On Open Secrets see <http://www.opensecrets.org/>; on the Sunlight Foundation see <http://influenceexplorer.com/>; and on Canadian donations see the LaPresse 'Political Financing Map', <http://www.lapresse.ca/actualites/elections-federales/political-financing-map/>.

country. Because of this, online tools and software developed in one country may be useful in other jurisdictions. Indeed, some organizations may want to invest in the development of such software, facilitating knowledge transfer in this area. Similarly, some organizations may want to develop a training mission to educate journalists and citizen analysts in how to use and share the available data. Such data need not be used solely for sniffing out malfeasance; it could also be used to identify and recognize those who act responsibly. For instance, a political finance reform group could assign 'seals of approval' to candidates whose fundraising matches its pre-defined standards, such as receiving a certain share of funding from small donations. Like the Leadership in Energy and Environmental Design certification standards, which are designed to encourage sustainable building practices, these seals of approval would be voluntary, but some competitors might come to view them as coveted designations which provide a worthwhile competitive edge.

In whatever ways the disclosure data is used, democracy-promoting organizations could help to close the political accountability circuit by investing in increasing the accessibility and general utility of the data produced by political finance transparency regulations.

References

R. Austin and T. Maja (eds), *Funding of Political Parties and Election Campaigns* (Stockholm: International Institute for Democracy and Electoral Assistance, 2003)

BBC News, 'Trade Union Bill: Labour Party fears £6m income fall', 11 January 2016, <http://www.bbc.com/news/uk-politics-35278456>, accessed 5 May 2016

Berman, R., 'Seattle's experiment with campaign funding', *The Atlantic*, 10 November 2015, <http://www.theatlantic.com/politics/archive/2015/11/seattle-experiments-with-campaign-funding/415026/>, accessed 7 May 2016

Bowler, S. and Donovan, T., 'Campaign Money, Congress, and Perceptions of Corruption', *American Politics Research*, 44/2 (2015), pp. 272–95

Brock, D. M., and Jansen, H. J., 'Raising, Spending, and Regulating Party Finances in the Provinces', Canadian *Political Science Review*, 9/1 (2015), pp. 55–74

Buchanan, R. T., 'General Election 2015: Green Party raises over £70,000 for campaign through crowdfunding', *The Independent*, 15 February 2015, <http://www.independent.co.uk/news/uk/politics/generalelection/green-party-raises-over-70000-for-general-election-by-crowdfunding-10049177.html>, accessed 5 May 2016

Committee on Standards in Public Life, *Political Party Finance: Ending the Big Donor Culture*, November 2011, <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/336913/13th_Report___Political_party_finance_FINAL_PDF_VERSION_18_11_11.pdf>, accessed 28 April 2016

Confessore, N., 'Koch brothers' budget of $889 million for 2016 is on par with both parties' spending', *New York Times*, 26 January 2015, <http://www.nytimes.com/2015/01/27/us/politics/kochs-plan-to-spend-900-million-on-2016-campaign.html?_r=0>, accessed 13 May 2016

Elections Canada, 'Recommendations from the Chief Electoral Officer of Canada Following the 40th General Election, 2010', <http://www.elections.ca/res/rep/off/r40/rec40ge_e.pdf>, accessed 28 April 2016

Epps, G., 'Legalized corruption and the twilight of campaign-finance law', *The Atlantic Magazine*, 2 April 2014, <http://www.theatlantic.com/politics/archive/2014/04/legalized-corruption-and-the-twilight-of-campaign-finance-law/360051/>, accessed 5 May 2016

E. Falguera, S. Jones and M. Ohman (eds), *Funding of Political Parties and Election Campaigns: A Handbook on Political Finance* (Stockholm: International IDEA, 2014)

Financial Times, 'Government U-turn on opposition funding', 22 March 2016, <https://next.ft.com/content/69415d36-f071-11e5-9f20-c3a047354386>, accessed 28 April 2016

Fisher, J., 'Parties heed (with caution): Public knowledge of and attitudes towards party finance in Britain', *Party Politics*, 19/1 (2013), pp. 41–60

Fisher, J., 'Reforming party funding by stealth and compromise may have longer-term consequences', Democratic Audit, 22 April 2016, <http://www.democraticaudit.com/?p=21296>, accessed 26 April 2016.

Fenton, J. and Olsen-Phillips, P., 'Outside groups' Return on Investment: Rove leads 2014 conservative rebound', Sunlight Foundation, 5 November 2014, <http://sunlightfoundation.com/blog/2014/11/05/roi-2014s-comeback-kids-crossroads-chamber/>, accessed 26 April 2016

Government of Canada, 'Backgrounder: Keep Big Money Out of Politics', 2013, <http://www.democraticinstitutions.gc.ca/eng/content/backgrounder-fair-elections-act-keep-big-money-out-politics>, accessed 28 April 2016

House of Lords Select Committee, 'Select Committee on Trade Union Political Funds and Political Party Funding Report of Session 2015', <http://www.publications.parliament.uk/pa/ld201516/ldselect/ldtupf/106/106.pdf>, accessed 28 April 2016

Internal Revenue Service, 'Social Welfare Organizations', <https://www.irs.gov/Charities-&-Non-Profits/Other-Non-Profits/Social-Welfare-Organizations>, accessed 5 May 2016

Jansen, H. and Young, L., 'State subsidies and political parties', *Policy Options* (October 2011), pp. 43–47

Liberal Party Canada, 'Political Financing', [n.d.], <https://www.liberal.ca/realchange/political-financing/>, accessed 28 April 2016

Liptak, A., 'Justices, 5-4, reject corporate spending limit', *New York Times*, 21 January 2010, <http://www.nytimes.com/2010/01/22/us/politics/22scotus.html?pagewanted=all&_r=0>, accessed 10 June 2016

—, 'Supreme Court strikes down overall political donation cap', *New York Times*, 2 April 2014, <http://www.nytimes.com/2014/04/03/us/politics/supreme-court-ruling-on-campaign-contributions.html>, accessed 28 April 2016

Mayer, J., *Dark Money* (New York: Doubleday, 2016)

Nassmacher, K.-H., 'The funding of political parties in the Anglo-Saxon Orbit' in R. Austin and T. Maja (eds), *Funding of Political Parties and Election Campaigns* (Stockholm: International IDEA, 2003)

—, 'The Established Anglophone Democracies', in E. Falguera, S. Jones and M. Ohman (eds), *Funding of Political Parties and Election Campaigns: A Handbook on Political Finance* (Stockholm: International IDEA, 2014)

Nwokora, Z., 'Sceptical partisans: How citizens think about political finance', *Australian Journal of Political Science*, 50/1 (2015), pp. 73–92

Overby, P., 'Fact-check: Clinton and Sanders on campaign finance', National Public Radio, 6 February 2016, <http://www.npr.org/2016/02/06/465781632/fact-check-clinton-and-sanders-on-campaign-finance>, accessed 20 April 2016

Parks, M. and Struyk, R., ‘Bernie Sanders releases eye-popping campaign fundraising numbers for March’, ABC News, 1 April 2016, <http://abcnews.go.com/Politics/bernie-sanders-releases-eye-popping-campaign-fundraising-numbers/story?id=38074417>, accessed 5 May 2016

Patel, J., ‘Hobbled IRS can’t stem “dark money” flow’, Center for Public Integrity, 16 July 2014, <https://www.publicintegrity.org/2014/07/15/15035/hobbled-irs-cant-stem-dark-money-flow>, accessed 8 May 2016

US Treasury Inspector General for Tax Administration, ‘Inappropriate criteria were used to identify tax-exempt applications for review’, 14 May 2013, <https://www.treasury.gov/tigta/auditreports/2013reports/201310053fr.pdf>, accessed 20 April 2016

Wingrove, J. and Hannay, C., ‘Everything you need to know about the Fair Elections Act’, *Globe and Mail*, 25 March 2014, <http://www.theglobeandmail.com/news/politics/what-is-the-fair-elections-act/article17648947/>, accessed 28 April 2016

About the author

Susan E. Scarrow is Professor of Political Science at the University of Houston (USA). Her teaching and scholarship focus on issues of representation and elections, including political finance, intra-party democracy, political participation and direct democracy. Her recent publications include *Beyond Party Members* (Oxford University Press, 2015) and *Organizing Representation: Political Parties, Participation, and Power* (co-editor, Oxford University Press, forthcoming).

About International IDEA

What is International IDEA?

The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization that supports sustainable democracy worldwide. International IDEA's mission is to support sustainable democratic change by providing comparative knowledge, and assisting in democratic reform, and influencing policies and politics.

What does International IDEA do?

In the field of elections, constitution building, political parties, gender in democracy and women's political empowerment, democracy self-assessments, and democracy and development, we undertake our work through three activity areas:

- providing comparative knowledge derived from practical experience on democracy building processes from diverse contexts around the world;
- assisting political actors in reforming democratic institutions and processes, and engaging in political processes when invited to do so; and
- influencing democracy building policies through the provision of our comparative knowledge resources and assistance to political actors.

Where does International IDEA work?

International IDEA works worldwide. Based in Stockholm, Sweden, it has offices in Africa, the Asia-Pacific and Latin America and the Caribbean.

More International IDEA Discussion Papers

‘The Organization of American States mission to support the peace process in Colombia’
Kimberly Inksater and Paola Jiménez
International IDEA Discussion Paper no. 10/2016

‘The European Union’s democracy-building efforts in conflict-affected states in the South Caucasus’
Nelli Babayan
International IDEA Discussion Paper no. 9/2016

‘The complexities of democracy-building in conflict-affected states: the role of ECOWAS and the African Union in Côte d’Ivoire’
David Kode
International IDEA Discussion Paper no. 8/2016

‘Democracy-building in conflict-affected and fragile states: the role of the African Union’
Khabele Matlosa
International IDEA Discussion Paper no. 7/2016

‘The role of the Organization of American States in conflict-affected states in the Americas’
Yadira Soto
International IDEA Discussion Paper no. 6/2016

‘Electoral crisis mediation: responding to a rare but recurring challenge’
Sean Kane and Nicholas Haysom
International IDEA Discussion Paper no. 5/2016

‘Coordination between the African Union and the Regional Economic Communities’
Kai Striebinger
International IDEA Discussion Paper no. 4/2016

All International IDEA publications are available for download from our website:
<http://www.idea.int/publications>

The influence of money in politics is a significant threat to democracy, affecting established and emerging democracies alike. Inadequately controlled flows of money undermine the credibility of elections and the integrity of democratic institutions and processes around the world. Well-designed political finance regulations that are enforceable and anchored in their country's context play a vital role in ensuring that money is a positive force in politics.

In 2014 International IDEA published the second edition of *Funding of Political Parties and Election Campaigns: A Handbook on Political Finance*. This Discussion Paper provides further updates on the latest trends in political finance regulation in three anglophone democracies—Canada, the United Kingdom and the United States—in order to advance the debate on money in politics, and to move from recognition of the problem towards a solution-based discussion.

International IDEA
Strömsborg
SE–103 34 Stockholm
Sweden
Phone + 46 8 698 37 00
Fax + 46 8 20 24 22
info@idea.int
www.idea.int