Anett Horváth

Party budgets
Trend analyses of annual financial reports of parliamentary parties by focusing on the balance sheet detailing the balance of income and expenditure (1990 -2014)

Thesis summary

Supervisor
Professor Mihály Bihari

Budapest, 2016
The birth of a great monograph usually occurs due to significant changes on one examined field. On the field of party budgetary, which is the main research field of my dissertation, the democratic transition in 1989/1990 and the new opportunities and frameworks provided by the new political climate can be considered as a significant turning point. In addition during the post–transition period there were continuously many extremely large, drastic re–arrangements of the regulation on party financial system. The experiences of last quarter century provides an opportunity to get a comprehensive picture and reach conclusions from the facts on the operation of party financing system. This ambition led me to choose this topic. Writing my dissertation was preceded by several years of research. I deal with the investigation of political party funding since 2008.

In order to answer the research questions statistical data and the series of statistical numbers were used and these are dominated in my work. From 1990 the political parties are required to publish their annual parties’ budgetary in the Hungarian Official Legal Publisher (Magyar Közlöny). These annual reports provide a useful picture of the total revenue and total expenditure of political parties. In addition, summarizing the annual closing balance of the political parties in the parliamentary cycles and in the entire examined period (24 years in total) enabled me to calculate and show an overall picture about the party budgetary shift. Focusing on the extraordinary budgetary items, I also tried to explore some causal relationships.

To answer the research question I use the method of collecting and analysing statistical data. I analysed the results of statistical analysis from a holistic approach. In order to get a deeper knowledge the contextual factors were also taken into consideration.
The research problems and questions of my dissertation are the following:

1. Compared to the other parties, the Hungarian Socialist Party (MSZP), as the successor of the former state party, was in the privileged situation due to the property that was inherited.

2. Development of the cartel parties in Hungary; In the last quarter century there has been a tendency towards an ever closer symbiosis between parties and the state. That sets the stage for the emergence of a new party type referred as the cartel parties.

3. I investigated whether or not the expanded audit conducted by the National Audit Office improves the reliability of annual financial report of political parties.

4. Does publicity function as a useful sanction against negative financial behaviour of parties?

5. Is the current regulation effective to implement a greater transparency and create the freedom of information on the field of party political financial systems at the same time?
Conclusions:

1. Relying on the investigation of the property report published by the MSZP the results show that the MSZP had almost half a billion forint initial budget. It provides - compared to the other parties - a huge advantage and privileged position for the MSZP not only in the transition period but during several parliamentary-cycle period also.

2. In the Western European democracies there has been an increasing trend towards the stronger symbiosis between political parties and the state since 1970. This phenomena created a new type of party. According to the classification proposed by Katz and Mair this new party type is called cartel party. The pattern of this trend can be displayed here in Hungary either. To take into consideration the revenue of the parties and state subvention, for 2014 it can be proved that there is a kind of close symbiosis between the state and the parties. Three out of five parliamentary parties received more than 80% of their total income from resources of the state to maintain its position within the political system. The other two parliamentary parties can be categorized as highly subsidized parties. About 60-80% of their all revenue came from the state.

3. One can conclude that, by examining the budgetary items of the annual reports, those parties who played a real political role usually obeyed the rules which were initiated to order the transparent and accountable operation of the parties. So the publicity, as a sanction can be considered as an effective tool. However, in order to provide real and fuller picture on financial and economic situation of the parties, the extension of data on assets and resources should be opened to the public.

4. The formation of cartel parties, or I would rather call them as “interest league parties” within the special, domestic political context, can be justified by the four - categories system.

The differences between the concept of cartel party proposed by Katz and Mair and the concept of “interest league” suggested by me can be outlined in the following:
Firstly, the term of “cartel” is not even too appropriate. In economics, term of “cartel” is used for an agreement between competing firms to control completion between them. However, there is no doubt that the parties are still competing against each other in the political arena. Politics is primarily about the competition even if there is some control.
Secondly, expanded or minimalized cooperation: With the beginning to shift towards a more capital-intensive approach to appear in the political arena the parties are more likely to cooperate with each other. According to Katz and Mairs these cooperation are widely extended to many fields. By contrast, in the Hungarian context one can find there is minimized level of cooperation between parties; it only appears when the budget is in question.

Thirdly, the exclusionary behaviour of cartel parties: According to Katz and Mair cartel parties “capture control of the state”. Each of these groups has the interest to keep in the Parliament those who already have mandates and continuously exclude those who are excluded. By contrast, the Hungarian experience shows a significant reshuffling concerning the representation of parliamentary political parties.

According to the current regulation, the political parties cannot be considered as public organizations. One important implication that can be drawn from the non-public legal status of the parties, that they can’t be forced to provide organizational data. Further actions should be taken to foster the provision of open data on political parties and increase the transparency of the financial system of their operation. To expand the definition of open government data and to broaden the applicability of the law on freedom of information for political parties might be a good solution for increasing transparency. But it demands detailed regulation from the parliament. However, this might goes against to the parties’ interests.

This dissertation focuses on the research of the funding of political parties. But it would be interesting to broaden the scope of the unit of analyses to the non-parliamentary parties and other politically active organizations to. It would provide an opportunity for comparison between the parliamentary and non-parliamentary parties’ financial systems. On the other hand, the results of this research provide an opportunity for an international comparative research that aims to compare the domestic characteristics with other European models to. Thirdly, further research should focus on and follow up the major changes of parties’ budgets in the future.