



HUNGARIAN POLITICAL FINANCING – IN AN INTERNATIONAL CONTEXT

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The article describes the issue of the financing of political parties and election campaigns in a democratic country. The author tries to disclose the generally accepted international issues on parties and elections and compare the Hungarian norms and recent reformbills with these principles and discovered that there are not huge differences between the main principles and the principles that are well-known in Hungary

Keywords: limitations on private funding, public funding, campaign finance, monitoring

Стаття розкриває питання фінансування політичних партій та виборчих кампаній у демократичній країні. Автор намагається висвітлити загальноприйняті міжнародні норми стосовно партій та виборів і порівняти їх з останніми реформами виборчої системи та нормами Угорщини і дійшов висновку, що між основними принципами та загальноприйнятими в Угорщині немає істотної різниці.

Ключові слова: обмеження приватного фінансування, громадське фінансування, фінансова кампанія, моніторинг

В статті розкриваються питання фінансування політичних партій і виборчих кампаній в демократичній країні. Автор намагається пролити світ на загальноприйняті міжнародні норми стосовно партій та виборів і порівняти їх з останніми реформами виборчої системи та нормами Венгрії, він також зробив висновок, що між основними принципами та загальноприйнятими в Венгрії немає суттєвої різниці.

Ключевые слова: ограничение частного финансирования, общественное финансирование, финансовая кампания, мониторинг

The complex issue of the financing of political parties and election campaigns is one of the greatest challenges in a democratic country. It is an unquestioned fact that a healthy democratic political structure cannot exist without operable parties with a stable financial background. [1, p. 80] "The relation between money and politics has come to be one of the great problems of democratic government. Healthy political life is not possible as long as the use of money is unrestrained" – wrote James Kerr Pollock in 1932. [2, p. 1] That is also an admitted fact that political corruption undermines the whole political process. [3, p. 1301]

In Hungary the elementary questions of party and campaign finance (or political finance)¹ are regulated in Act XXXIII of 1989 (on the functioning and financing of political parties). Political life and jurisprudence agree that this act which was born in the most chaotic months of the political transformation of 1989 cannot solve the latest problems of the 21st century.²

Regulations on parties and elections vary from one country to another because of different historical experience, different social conditions and of course because of different national history and political traditions. [4, p. 8] But it is not impossible to summarize some of the principal issues which are universally

accepted and applied. Thus limitations on private funding, structure of public funding, limitation of election expenditure, prohibition of foreign funding and keeping of accounts are generally accepted elements of legislation.

In the present paper I will try to disclose these international trends from the Venice Commission's attitude and compare the Hungarian norms and recent reformbills with these principles.

1. Limitations on private funding

States should ensure that supports from citizens do not interfere with the independence of political parties so legal measures should realize the transparency of donations, avoid secret donations, prohibit donations from foreign countries and fix a ceiling. This ceiling means a maximum level of contribution from each person. The Venice Commission documents contain also the prohibition of contributions from corporations or religious organizations. [4, p. 10] In one of the most important guidelines the Venice Commission advises that donations from abroad should in all cases be prohibited and financing regulations should contain a maximum level for each contribution, prohibition of contributions from enterprises and an *a priori* control by public organs specialized in electoral matters, relating to contributions by members of parties present at elections. [5, p. 3] The guideline emphasizes also the importance of transparency. It advises that each year every party should make the annual accounts of the previous year public. [5, p. 3]

In Hungary the property of parties comes from dues, donations from corporations and natural persons,

¹ In Europe this term (political finance) can be used as a synonym for party finance but not in campaign and candidate-oriented North-America – M. Walecki Ibid.

² This problem is one of the hottest political topics nowadays but here I will paraphrase only the legal regulations.



testamentary descents and profit of the party's own enterprises. [6]

But political parties cannot accept contributions from state-owned corporations or other state-controlled organizations because it is prohibited to rearrange their own resources from the budget. Every kind of hidden budget favour is also prohibited as well as every kind of donations from abroad (to prevent foreign influence) and anonym donations. [7, p. 237]

In 2006 Bill No. 237 contained the same proposals as those in the Venice Commission guidelines. It tended to prohibit donations from corporations and urged disclosure requirements: parties would have had to publish donations exceeding 250.000 HUF from natural persons in their annual account and donations exceeding 50.000 HUF on their own web site every year. Parties failing to publish these data would have been dissolved. [8] Bill No. 4190 contained the same ideas.

2. Public funding

Public financing from a state's budget is universally accepted but, as the German Federal Constitutional Court declared it, it must be completed with private donations to guarantee the parties' independence from the state. [9]

The Venice Commission states that the aim of public financing must be the representation of each party in the Parliament but to ensure the equality of the different political forces public finance cannot be limited to those parties. [5, p. 2] The level of financing can be based on objective criteria connected to the party's political activity.

Usually financing has two forms: direct and indirect financing. Direct financing means donations from the budget, indirect financing can be free broadcast time, free posting service or offices and also several forms of tax preferences. Tax preferences effect much more private donations and raise democratic legitimacy because political parties try to transmit their supporters' will in the Parliament hoping that in this way they can win the supporters' favour and money. That is why tax preferences are preferred and applied in Germany: voters think that it can be an adequate tool of raising democracy in the political process. [10] Sensible systems can favour low amounts of donations to hinder higher classes from disadvantageous influence. We can find the same proposals in Hungary but not in concrete bills, only in learned journals. [1, pp. 86-89]

Nowadays in Hungary only one index is considered: the result of parliamentary elections. If a party can collect 1% of the votes it will receive public finance from the budget. The whole amount is allocated in the budget, parliamentary parties get ¾ of the whole sum. [6] Other indicators are disregarded.

New reform bills do not try to change this illogical system, all in all, some proposals brought up the issue of raising the limit of campaign expenditures.

3. Campaign finance

We cannot talk about a uniform, generally accepted opinion in this matter. The Venice Commission guidelines regard parties as private organizations "which have a free hand in raising the funds necessary for their day-to-day

functioning but which require assistance during the holding of elections". On the other hand, it can be reasonable that the state should support their existence. Anyway, it is reasonable to accept a campaign expenditure limit, adequate to the situation in the country and the number of voters concerned. [4, p. 12]

Venice Commission guidelines contain several requirements: electoral expenses of each candidate should be limited by a certain maximum; the public power should participate in campaign expenses; private contributions should be attributed to each candidate; the transparency of expenses should be attained through the publication of campaign accounts and states should engage in a policy of financial transparency of political parties that benefit from public financing. [5, p. 3]

In Hungary there is only one limitation on campaign expenditures: the expenses of each candidate must remain under 1.000.000 HUF. This unrealistically low ceiling effects that parties try to cheat in their annual accounts. This ceiling was enacted in 1997 and nowadays this is one of the most serious problems in Hungary's campaign regulations.

Another problematic issue of the legislation is that campaign expenditures have no clear definition. [1, p. 85] The State Audit Office of Hungary pointed out several times that the definition of the campaign period is not the same in political and legal interpretation. Legislation does not contain norms on the account for expenses of independent candidates, does not provide enough time to publish the accounts, does not solve the problem of the account of common candidates and the form of the account is deficient. [11, pp. 208-212]

All new bills and other proposals reacted on these anomalies. The bill lodged by the government in 2006 suggested that campaign accounts controlled by the State Audit Office should be established, which would have supported the monitoring of payments. [7, p. 237] The bill also tried to clear away the phenomenon called "third party", when an independent person or the government boost a party.

In bill No. 4190 a new idea appeared: considering the consumer price index, raising the expenditure limitation to 10.000.000 HUF on each candidate. [12] This change would have solved the problem of the unrealistically low spending limits which undermine the whole system of political finance regulations, effect corruption in the whole reporting system and make it difficult to assess the true levels of expenditure. [13, p. 36]

The bill also tried to stop the activity of "third parties" and limit campaign communication (in my opinion this rule would have amounted to a full ban) but this limit could have generated handicaps for new political forces. [14]

The latest bill, elaborated by Transparency International and Freedom House, contained the same ideas about campaign account, contained a shorter period for campaign, tried to avoid "third parties" and raised the expenditure limits to 5.000.000 HUF for each candidate. [15]

4. Monitoring

As Evgeni Tanchev writes, "states should provide for independent monitoring in respect of the funding of



political parties and electoral campaigns. The independent monitoring should include supervision over the accounts of political parties and the expenses involved in election campaigns as well as their presentation and publication.” [13, p. 47]

In Hungary a specialized organization to administer and enforce campaign rules does not exist, unlike in the USA where the Federal Election Commission was created in 1975 by the Congress. FEC is an independent regulatory agency which discloses campaign finance information, enforces the provisions of the law such as the limits and prohibitions on contributions, and oversees the public funding of Presidential elections. [16]

Hungarian legislation delegates this power to the State Audit Office. The Office can audit public funding but it is not authorized to penalize violations. In addition, the Office has to use the party's own accounting so it has no real chance to observe the real use of money. It is an implausible idea that parties will disclose their real financial background. [17]

A study compiled by Karoly Eötvös Institute claims that Hungarian legislation allows of the expansion of the monitoring process but the Audit Office misunderstands its

own function. Maybe the Constitutional Court's interpretation would help; another opportunity is to refine the relevant regulations by the legislator. [1, p. 90]

It is also an interesting idea to consider converting competences of election commissions. If so, it would be necessary to guarantee the commissions' independence from the government and provide them with the necessary financial and other resources. In this structure the Audit Office could monitor the functioning of the parties and the commissions could control campaign expenditures. [1, p. 90]

At last, we have to answer the main question: What is the result of this comparative review and what is the main conclusion? If there is... Well, we saw that legislation on campaign financing follow the same pattern in Europe. We can state that there are not huge differences between the main principles and these principles are well-known in Hungary. We can find them in different bills and publications but not in Acts. Of course, legislation is dependent on political intention. No matter how things turn out, the legislators have to solve this huge problem as soon as possible because political parties are the lifeblood of our democracy. But we have some good news: politics and jurisprudence have started to discuss this complex issue.

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