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The Differential Impact of State Finance on the Romanian Party System

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Abstract

This article explores the influence that state finance has had on the Romanian party system by examining the entry and exit of parties throughout the period of 1990–2004 and focusing on the number of parties that gained representation in the parliament as well as the party incumbency rate. I find that state finance has had a limited influence on the party system as a whole but has been influential for specific parties. I argue that the influence of state finance partly depends on when the system was introduced. In developing party systems, the influence of state finance on individual parties is more differential.

THE FINANCING OF EUROPEAN PARTIES BY THE STATE HAS BEEN A FOCUS OF POLITICAL science research since the 1960s. While other aspects of the political system, such as regime type and electoral system, are rarely significantly reformed, the state financing of parties has undergone substantial changes in many democratic countries over the last 25 years. However, there is still much that we do not know about how the state financing of parties influences the types of parties and the party system. Heidenheimer articulated two core reasons why the relationship between finance and the party system is so difficult to establish:

> Advances toward the more genuinely comparative study of political finance processes require on the one hand greater amounts of data and information, and on the other unifying concepts which will help relate structures peculiar to various systems in terms of... common denominators (Heidenheimer 1963, p. 790).

Particularly in post-communist countries, determining even the amount of state financing can be a difficult endeavour. Moreover using the West European party and campaign finance experience as a basis for analysing post-communist finance is fraught with difficulties. As van Biezen argues, state finance in new democracies can have a very different impact on party formation than it has in more established democracies (van Biezen 2000b, p. 329).

Among post-communist countries, the difference in the impact of state finance on the party system is much more a function of the relative success of the transition to

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democracy as well as the acceptance of democratic 'rules of the game' within the political culture. Campaign reform is considered a remedy to corrupt political practices, and while terms such as 'corruption' and 'illegality' are assumed to be synonymous, there can be situations in which illegal acts are not corrupt, and corrupt acts are not illegal. The difficulty is crafting legislation which encourages transparency in accounting and reporting campaign activities. However, the reliance of parties on the state for financing can transform parties into what van Biezen calls 'public utilities' which calls into question the mode by which they interact with the state and the public (van Biezen 2004, p. 701). Indeed as parties transform into 'state-captured' organisations, corruption can become an institutionalised practice.

In this article, I explore the impact that party and campaign finance has had on the Romanian party system by examining the entry and exit of parties throughout the period of 1990–2004. More specifically, I analyse how state finance influences the party system by focusing on the number of parties that gained representation in the parliament as well as the incumbency rate of parties in the parliament. The first section of the article explores the rationale behind party and campaign finance, notes some of the criticisms of state finance and addresses how this finance generally influences the party system. The second section examines the Romanian state finance system and addresses under what conditions state finance influences parties and the party system. I find that state finance has had a limited influence on the party system as a whole but can be influential for specific parties.

Some general considerations: the rationale for state finance

While party and campaign finance are distinct mechanisms for the funding of parties, the distinction between these two forms of finance becomes blurred in practice. Party finance is provided to parties (mostly parliamentary parties) between elections, and campaign finance is provided to parties competing in a specific election cycle. However as Pinto-Duschinsky argues 'since it is hard to draw a distinct line between the campaign costs of party organisations and their routine expenses, party funds may reasonably be considered "political finance"' (Pinto-Duschinsky 2002, p. 70). Pinto-Duschinsky argues that public funding for parties, whether campaign-specific or designed for more general party operations, is ultimately used for electioneering purposes. Therefore in this article, I view party and campaign finance as entwined mechanisms for party campaign purposes, and while the exact form of party and campaign finance varies among countries, there are some common characteristics associated with state finance. Direct party and campaign finance normally consist of providing cash funds to parties. Party finance is a feature of many European states and consists of party subsidies in-between elections. Campaign finance is also a common feature in many public finance schemes in which state finance is provided to parties and candidates for a specific election cycle. While party and campaign finance vary from country to country, the general logic behind state subventions is rather uniform, and there are a number of reasons that have been advanced in favour of state finance.

First, state finance is advocated to create a more level playing field among parties. Mendilow argues that the expansion of voting rights and the growing importance of the mass media have placed significant financial burdens on parties, which results in those parties that have financial means having an enormous advantage in mobilising the electorate (Mendilow 1992, p. 90). Therefore, state finance is considered a mechanism for creating more open and fair party competition. Second, state finance is advocated in order to reduce the amount of money in campaigns. It is hoped that the state will enforce financial norms that limit party spending and the general costs of a campaign. Third, state finance is viewed as a remedy to corrupt campaign practices. Properly constructed, legislation can encourage more transparency in the reporting of contributions, reduce the influence of wealthy individuals and corporations and increase public trust in politics.

Some general considerations: criticisms of state finance

Although the use of party and campaign finance has grown considerably in the last few years, the state financing of parties has been criticised for several reasons. First, state finance becomes a shield for parties as they extract larger and larger sums of money from the state. Mendilow reports that in the case of Italy in the mid-1970s, public funding nearly doubled and in Israel, the major parties after 1988 passed an amendment to the state finance legislation to retroactively increase the expenditure ceiling (Mendilow 1992, p. 102). Heywood concludes that state finance 'was seen as a potential solution to the problem of escalating expenditure, [but it] appears to have little impact on the drive to seek extra funds' (Heywood 1997, p. 431).

A second criticism is that state finance discriminates against new parties in favour of parties that hold parliamentary seats. Not surprisingly, members of parliament (MPs) design state finance legislation which benefits parliamentary parties over extra-parliamentary and out-of-government parties. Katz and Mair argue that a cartel party system is created, based on the collusion of parliamentary parties to provide state subventions in order to prevent the establishment of new parties (Katz & Mair 1995, p. 20). Part of the problem with party finance is that it typically awards a subvention based on parliamentary representation. Either there is a relatively high threshold level which is established in order to deny new and smaller parties a subvention, so that the party system is frozen, or the threshold is established so low as to encourage the proliferation of new parties. While this approach fragments the party system, it can often be an electoral and ultimately parliamentary advantage for larger parties. As will be discussed below, this is the logic behind the campaign subvention provided in the 1990 Romanian election.

Third, many argue that state finance tends to concentrate power within the national party headquarters at the expense of local party branches. Because state finance awards the subvention to the national party, there is a tendency to concentrate the finances in the capital. The tendency of party centralisation can be less severe in federal systems but is still consequential. For example, Mendilow argues that all party national headquarters in Israel were strengthened following the first campaign held under state finance (Mendilow 1992, p. 101). The introduction of party and campaign finance leads to a decreased effort to recruit new party members and a general decline in grassroots activities. Moreover, the importance of party elites increases at the expense of rank-and-file members since elites decide how and where the public funds are going to be used.

Some general considerations: the influence of state finance on the party system

One of the important issues associated with state finance is how this practice affects the party system. In established democracies, party and campaign finance have an influence on parties as they transform in response to the possibility of obtaining state financing. For example, Mulé argues that state finance laws changed the character of West European parties from mass to electioneering (catch-all) parties (Mulé 1998, p. 62). Before state finance, parties relied on individual members to provide financing. This in turn forced parties to develop strong links with local constituencies. However with the advent of party and campaign finance, parties no longer relied on individual financial support in order to be competitive. As noted above, Katz and Mair argue that the creation of state finance ultimately transforms parties into cartels which shifts their focus from business to state patronage. Ultimately cartel parties 'rely increasingly for their resources on the subventions and other benefits and privileges afforded by the state' (Katz & Mair 1995, p. 20). In contrast to developed West European parties, van Biezen notes that the type of parties that have developed in post-communist states have an institutional (regime change) rather than societal focus (representation of a specific segment of society) (van Biezen 2000a, p. 395). She argues that post-communist parties since inception have placed electioneering as more central than mobilising and responding to social demands, which means that the party in public office (e.g. in parliament and in government) focuses activity around electoral competition.

The difference in the types of parties has an influence on the party system as a whole. While the party system encompasses all parties, generally the literature has focused on those parties that are relevant for determining the formation of government through competitive elections. In this article, I examine the influence of state finance on the party system and employ two measures for determining the effect of state finance. First, I use the 'effective number of parties' index developed by Laakso and Taagepera to calculate the number of parties represented in the Romanian parliament as an indication of the overall party system.[1] If state finance provides a more level playing field, then one would suspect that the number of parties that can realistically compete in any election would increase. On the other hand if larger parties reap the lion's-share of party and campaign finance, then state finance leads to the stability of larger parties. While the effective number of parties measure provides a comparative statistic over elections to determine whether the party system is fragmenting or consolidating, it does not allow us to see changes in the actual parties which enter parliament and form government.

Therefore, I also examine the relative change in the composition of parliamentary parties over time to determine the development of the party system. I calculate a party incumbency rate for each parliamentary term, which is the percentage of parties and coalitions which were retained from the previous parliament. A high incumbency rate

[1]The Laakso and Taagepera effective number of parties index has been widely used in the literature. It is based on the idea that determining the number of parties should be based on their relative strength. The formula for the effective number of parties is: $N=1/\Sigma p_i^2$ where p_i^2 is the fractional share of the *i*th component, in case the share of parliamentary seats) (Laakso & Taagepera 1979, p. 13).

indicates party consolidation as the same parties are re-elected. However, a low incumbency rate indicates a fluid party system in which party identification and loyalties change between elections. Calculating the incumbency rate among Romanian parties is difficult as they have splintered, re-formed and coalesced into new parties and associations, often several times. Therefore to simplify the process, I did not count new coalitions and alliances as incumbent even if they contained a party returning to parliament because the nature of alliance politics, especially in Romania, makes it difficult to discern whether in some cases the party would have been re-elected on its own.

The influence of Romanian state finance on the party system, 1990–96

In Romania, the use of party and campaign finance has become part of the larger debate over party registration and electoral fairness. For the founding election in 1990, the state provided limited campaign finance. Article 53 of the 1990 election law provided all parties that participated in the election a state subvention, and the law stipulated that donations from foreign sources would not be permitted.[2] Article 51 provided parties free access to television and radio during the campaign. What was the motivation behind Romania adopting party and campaign finance? Earlier, I discussed several reasons that are given for the creation of a state finance system. While the reasons vary, the general argument is that state finance can provide smaller parties access to crucial campaign funding and that proper enforcement and disclosure procedures can thwart corruption.

However, these were not the reasons behind Romania's adoption of state finance. In 1990, the ruling National Salvation Front (FSN) controlled the financial resources of the former Romanian Communist Party. Therefore the FSN had substantial funding for the 1990 campaign while the state subvention provided under the law amounted to less than $500.[3] Therefore, the subvention was not intended to create a more level playing field. Moreover, the prohibition against foreign donations was not created in order to minimise corruption; instead, the prohibition was designed to prevent Ion Ratiu (the opposition presidential candidate of the National Peasants Party Christian Democratic or PNTCD) from using the fortune that he amassed in Britain during the campaign. In addition, the electronic media did not provide equal access to parties. In the early 1990s, there was only one national television station, which was state controlled, and a handful of state and independent radio stations. While the FSN was prominently featured in every broadcast, the opposition 'suffered from limited access to programming, unpredictable placement and uneven access to recording studios and equipment' (Carothers 1992, p. 83). This phenomenon is not unusual as Katz and Mair argue that 'although new parties may get access to the state media if they nominate a sufficiently large number of candidates, that access is sometimes minimal, or is available only at the least attractive times' (Katz & Mair 1996, pp. 529–530).

[2] *Monitorul Oficial al României*, 18 March 1990.

[3] Carothers argues that few, if any, opposition parties actually received the state subvention (1992, p. 86).

The reason why the FSN created the state subvention was in order to encourage the proliferation of parties in order to overwhelm the public with choices and therefore increase the electoral fortunes of the FSN as the only stable, broad-based party. The party registration law only required a party to have 251 members, and this requirement coupled with state financing significantly increased the number of registered parties.[4] While more than 70 parties contested the election for the lower house, the FSN won over 68% of the lower house seats and FSN presidential candidate Ion Iliescu won over 85% of the vote. While the FSN held an absolute majority of parliamentary seats, 17 other parties gained seats.[5] The large number of parties represented in the parliament was a direct consequence of the party registration law and the lack of an electoral threshold. However, most of these parties held few seats, and because of the overwhelming dominance of the FSN, the effective number of parliamentary parties was actually quite low (2.11), which indicates a relatively consolidated party system centred on the FSN (see Table 1). At this early point in Romanian political development, state finance had no discernible influence on the electoral fortunes of smaller parties.

The first Romanian local elections were held in March 1992. In late 1991, a draft law supported by the opposition was debated in parliament. This would have provided campaign finance to all the competing parties.[6] Campaign finance was not only important to the opposition, including the PNTCD and the newly formed Democratic Convention of Romania (CDR), but also to certain members of the FSN. Prime Minister Petre Roman had been forced to resign by President Iliescu in September 1991, and the pro-Roman wing of the FSN felt that state finance was necessary to be able to compete. Ultimately, the pro-Iliescu MPs were successful in blocking the passage of the law, which affected not only the pro-Roman wing of the FSN but all opposition parties. While there was no campaign finance, the electoral law provided free television and radio coverage to parties. Even though there was no system of campaign finance, the opposition did extremely well, winning the mayoral contests in many of Romania's largest cities. The lack of state finance did not undermine the competitiveness of the opposition; however, these were local elections in which candidates had a greater opportunity to interact with their constituency. As a consequence, media exposure and financing were not critical. The real test for the opposition was to come in the forthcoming national elections.

By 1992, the view of the ruling party and several opposition parties was that there were too many 'couch' parties and so, in an attempt to further consolidate the party system and eliminate these smaller parties, a number of changes were enacted for the 1992 national elections. The 1992 election law imposed a 3% parliamentary threshold.[7] While in principle state finance was available, no party actually received campaign finance for the 1992 national elections because parliament never passed the required enabling legislation. The election law once again forbade parties from

[4]*Monitorul Oficial al României*, 30 December 1989.

[5]This number does not include ethnic minority parties which were guaranteed a seat in the lower house. Of the ethnic-based parties, only the Hungarian Democratic Union of Romania and the German Democratic Forum received enough votes to win an outright seat.

[6]The bill stipulated, however, that 85% of the finance was reserved for parliamentary parties.

[7]Significantly, there was no change to the party registration requirement of 251 members.

accepting funds from foreigners, public institutions or public authorities. Extra-parliamentary parties and independent candidates had media access on the basis of state negotiated contracts in which the parties and independent candidates had reduced charges. In addition, the law stated that parliamentary parties had to be allotted at least twice as much broadcast time as extra-parliamentary parties and in proportion to their number of parliamentary seats.[8]

Unlike the 1990 law, there was a contribution reporting requirement to the Ministry of Economics and Finance; although a ceiling was never imposed for contributions from either individuals or corporations.[9] The new threshold requirement coupled with the lack of campaign finance had a significant impact on the number of parties represented in parliament (see Table 1). The number of parties elected to the lower house (Chamber of Deputies) was less than half the total from 1990.[10] While the number of parties that entered parliament decreased, the actual size of these parliamentary parties increased so that the effective number of parties index more than doubled for this election (4.49). Therefore even in an election with no state finance, there was an actual increase in the number of seats which non-governing parliamentary parties gained, at the expense of the old FSN. Perhaps because of the dominance of the FSN in the 1990 parliament, it is not surprising that the effective number of parties would increase as parties chipped away at the FSN seat total. Moreover by 1992, many parties consolidated into larger party organisations. In addition, the incumbency rate for the second parliament (1992–96) was 18%, demonstrating considerable fluidity in the actual parties which passed the newly imposed threshold. Indeed, many of the 1990 couch parties simply vanished or merged into other parties.

TABLE 1

Party Incumbency Rates and the Number of Parliamentary Parties (1990–2004)

Parliament term	*Incumbency rate (%)*	*Effective number of parties*
1990–92	–	2.11
1992–96	18	4.49
1996–2000	83	3.98
2000–04	60	3.54
2004–Present	50	3.83

Source: Data compiled by the author. The incumbency rate was calculated for all parties and coalitions which were re-elected to parliament.

[8]The law made a distinction between pre-nomination and post-nomination broadcast time. After the nominating period, a new allotment of time was issued in proportion to the number of candidate lists a party had throughout the country. If parties did not have lists in at least 10 constituencies (there are 41 constituencies and the city of Bucharest) they forfeited their right to broadcast time (*Monitorul Oficial al României*, 15 July 1992, p. 68).

[9]Each party had to designate a specific fiscal agent that registered with the Ministry of Economics and Finance.

[10]Interestingly, the number of parties represented in the upper house, Senate, actually increased from seven to eight.

The influence of Romanian state finance on the party system, 1996–2000

After 1992, there was no significant party legislation until 1996. During spring 1996, the parliament finally addressed the issue of party registration and a new system of state financing. With local elections scheduled for June, the parliament approved a new party registration law in April 1996 which replaced the previous law adopted in 1989. By 1996, there were over 160 registered parties. Although the number of parties represented in the Chamber of Deputies had decreased between 1990 and 1992,[11] the low threshold for party registration encouraged a proliferation of parties. While the law had a number of features designed to reduce the number of parties, the principle provision increased the number of required members from 251 to 10,000.

The new law on parties also established a much more elaborate system of state finance than in 1990 or 1992. Under this law (which is still in effect today), parties are entitled to funding from member subscriptions (fees), donations (contributions), revenues from proper activities and the state budget.[12] Unlike previous regulations, the 1996 law was much more specific about reporting requirements. Under the 1996 law, the contribution does not have to be reported as long as it is less than the equivalent of 10 minimum salaries. In addition, a party does not have to report contributions as long as the total amount of contributions (from all sources) does not exceed 20% of the state subvention in a year. However the list of contributors who donate amounts greater than 10 minimum salaries must be reported and published in the *Monitorul Oficial* by 31 March of the following year.

Similar to the provisions of the 1992 law, parties cannot receive contributions from public institutions, state enterprises, foreign states and organisations. However, the law does provide international political organisations to which the party is affiliated the right to make contributions. Unlike the 1992 law, the current law provides for parliamentary and extra-parliamentary parties to receive party finance. Article 39 states that parties may receive a base subvention if, at the beginning of the yearly legislative session, they are represented by a parliamentary faction in at least one of the chambers. The total of the base subventions is one third of the total state subvention allocated to all parties. Parliamentary parties also receive a subvention in proportion to their number of seats. The amount awarded per seat is established by dividing the remaining two-thirds of the total state subvention by the total number of MPs (for the Chamber of Deputies and the Senate). The total amount allocated to extra-parliamentary parties cannot exceed one base subvention.

Because the allocation is based on the party's vote share in the last election, the subvention freezes the party system for four years.[13] In other words, parties receive four years of state financing even if by the third year the party no longer has significant

[11]Although only seven parties won seats, 65 parties participated in the election for the Chamber of Deputies in 1992.

[12]Contributions received by a party cannot be in excess of 0.005% of the country's budget revenues. In an election year, however, the amount is doubled. The sum of the dues paid over the period of one year by a single person cannot exceed the equivalent of 50 minimum salaries. A total yearly contribution made by an individual cannot exceed 100 minimum salaries, and a total yearly contribution made by a corporation cannot exceed 500 minimum salaries.

[13]Unless there are early elections, parliamentary elections occur every four years.

electoral support. By 1996, 15 parties were awarded some form of state subvention. As shown in Table 2, the two largest parties, the Party of Social Democracy in Romania (PDSR) and the PNTCD (as part of the CDR) received the largest subventions.

As discussed earlier, state finance in other countries has had a tendency to decrease the reliance of the party on individual members. Mendilow reports that prior to the passage of state finance legislation in Israel in 1969, membership dues accounted for 50% of party revenues. In just four years after the new law, member dues accounted for less than 10% of party revenues (Mendilow 1992, p. 99). In the case of Romania, party member dues have traditionally never been collected. However because the changes in state finance occurred only a few months before the national elections in 1996, it is doubtful that the state finance had any meaningful impact on the electoral fortunes of smaller parties. Indeed as seen in Table 1, the party system further consolidated after the 1996 election. The effective number of parties decreased (from 4.49 to 3.98) while the number of incumbent parties returned to parliament increased to almost 85%. Given that state finance occurred so late in the electoral cycle, it is not surprising that smaller and new parties had a difficult time entering the parliament.

By the time of the 2000 national elections, the trend towards party consolidation continued as the number of parties which passed the newly installed 5% threshold fell from six to five (the effective number of parties decreased to 3.54). Indeed what is most striking is that the ruling coalition, which received the greatest amount of state subvention during the period from 1996 to 2000, failed to pass the threshold for the 2000 national elections. Significantly, few parties that entered the parliament were a pre-electoral coalition of parties and organisations, which demonstrates the increasing maturity of the Romanian party system. While the system consolidated in terms of the number of parties, there was still considerable fluidity in terms of the types of parties which entered and exited the parliament (see Table 1). Approximately 40% of the parties from the 1996–2000 parliament failed to pass the threshold in the 2000 national elections (most significantly the ruling CDR), and the PNL re-entered the parliament for the first time since the 1990 national elections. It is difficult, however, to establish that the consolidation and fluidity of the party system by 2000 was directly

TABLE 2
SUBVENTION FOR PARLIAMENTARY GROUPS, 1997–2000 ($)

Parties	*Democratic Convention of Romania*[1]	*Party of Social Democracy in Romania*	*Union of Social Democracy*	*Party of Romanian National Unity*	*Hungarian Democratic Union of Romania*	*Party of Greater Romania*
1997	584,431	420,770	301,417	155,622	187,068	161,339
1998	723,823	521,126	373,307	192,739	231,685	199,820
1999	655,367	471,841	338,002	174,511	209,773	180,992
2000	741,111	533,573	382,223	197,342	237,218	204,592

Note: [1]The subvention for all CDR parties has been combined into a single Convention total.
Source: These data were computed by the author based on budget revenues reported by the International Monetary Fund (IMF), available at: http://www.imf.org/external/pubs/ft/scr/2000/cr00159.pdf, accessed 13 November 2005.

related to the system of state finance. As the number of private television and radio channels proliferated by 2000, free media access and other benefits of state finance proved less important. The failure of the ruling CDR to pass the threshold in the 2000 elections indicates that this was a party coalition that was out of touch with voters throughout the country, and no amount of state finance would assist the coalition in re-capturing voters.

The influence of Romanian state finance on the party system, 2000–04

The 2000 election marked the return of the PDSR to government as well as former President Iliescu, and as shown in Table 3, the largest parties enjoyed a substantial state financial advantage over smaller parliamentary and especially non-parliamentary parties throughout the early 2000s. By the time of the 2004 national elections, the two leading parties entered into coalitions. The renamed Social Democratic Party (PSD) entered a coalition with the Humanist Party of Romania (PUR), labelled the National Union PSD + PUR, while the PNL and the Democratic Party entered into the Justice and Truth Alliance. Once again, the Romanian party system was both fluid and consolidating at the same time. While the number of parties and coalitions which entered the parliament was reduced to four, a new party, the PUR, was elected, and the effective number of parties index slightly increased to 3.83. In addition, incumbent parties were re-elected at a slightly lower level than previously.[14] State finance neither froze the party system nor led to a more level playing field for smaller parties. While state financing can be an asset to party performance, the case of the Greater Romania Party (PRM) is instructive. This party received substantial party finance between the 2000 and 2004 elections (see Table 3). However, the performance of the party suffered

TABLE 3
SUBVENTION FOR PARLIAMENTARY GROUPS, 2001–2004 ($)

Parties	*Social Democratic Pole of Romania*[1]	*Democratic Party*	*National Liberal Party*	*Hungarian Democratic Union of Romania*	*Party of Greater Romania*
2001	778,640	244,821	242,186	231,644	447,741
2002	779,987	276,694	270,572	258,329	509,313
2003	821,072	246,068	340,937	226,346	495,876
2004	832,484	139,212	138,606	125,878	391,272

Note: [1]The Social Democratic Pole of Romania includes the Party of Social Democracy in Romania, the Romanian Social Democratic Party and the Humanist Party of Romania.
Source: These data were computed by the author based on budget revenues reported by the Romanian Ministry of Finance, available at: http://www.mfinante.ro/engl/bug_scurt_engl/A%20Note%20to%20the%20Reader, accessed 13 November 2005.

[14]The incumbency rate for the 2004 election is a reflection of the new coalitions which emerged before the election. The actual retention rate of parties was higher than 50%, but these parties were now part of new coalitions (often with new parties or groups).

TABLE 4

PARLIAMENTARY GROUP SUBVENTION AS A PERCENTAGE OF INCOME, 2001 – 2003 ($)

Parties	*Social Democratic Pole of Romania*[1]	*Democratic Party*	*National Liberal Party*	*Hungarian Democratic Union of Romania*	*Party of Greater Romania*
2001	53	46	–	50	78
2002	31	43	64	22	83
2003	20	35	60	26	73

Note: [1]The Social Democratic Pole of Romania includes the Party of Social Democracy in Romania, the Romanian Social Democratic Party and the Humanist Party of Romania.
Source: These data were computed by the author based on subventions and income reported by the Ministry of Finance.

considerably as it lost almost 50% of its seats. This demonstrates that parties that are personalistic (the PRM is an election vehicle for the ultra-nationalist Corneliu Vadim Tudor) can suffer a reversal of fortune no matter how much money is at the party's disposal.

The importance of the party subvention varies—for some parties the subvention forms the vast majority of yearly income that the party receives. However over the last few years, the importance of the party subvention as a form of party income has actually decreased for all parliamentary parties. In Table 4, I calculate the percentage of income that the party subvention represents for all parliamentary groups. In every case, the percentage of income that the subvention represents has decreased since 2001. In some cases, such as the PSD and PUR coalition, the importance of the subvention has decreased by well over 50%. Interestingly, only the extremist PRM relies heavily on the subvention. Because of changes in coalitions and factions, it is more difficult to calculate these figures prior to 2001; however for the Hungarian Democratic Union of Romania (UDMR) and the PRM, the pre-2001 pattern is largely the same. In 1999, the party subvention represented 50% of the UDMR income while it represented 84% for the PRM. In 2000, the reliance on the subvention decreased for both parties (45% and 70% respectively). While I do not have data for the few non-parliamentary parties that received a subvention, it seems reasonable to expect that the party subvention as a percentage of income for these parties would be substantially higher than for parliamentary parties.

Conclusions

The relationship between state finance and party development is complex. On the one hand, state finance laws can be designed by politicians to exclude the entrance of new parties. However as Katz and Mair argue, the attempt to use state finance to suppress new parties can actually backfire and provide these parties with a rallying cry against the political establishment (Katz & Mair 1995, p. 20). In the Romanian case, we have seen considerable fluidity in the type of parties that have entered parliament. Governing parties have failed to re-enter parliament (for example the CDR in 2000), and older parties re-appeared after not having achieved electoral success for many years. Indeed during the period from 1992 to 2004, the average incumbency rate in Romania was approximately 50%. While this figure is partially an artefact of coalition-building before elections, we have witnessed parties come and go and come back again.

The discussion of the impact of party and campaign finance on the party system must also be broadened to include such issues as party membership requirements and the electoral threshold. In fact by raising the parliamentary threshold requirements in 1992 and again in 2000, Romania placed party system consolidation as the primary goal rather than providing a level playing field. State finance was seen as tangential to this overriding concern. Politicians and parties have devised finance laws in order to promote partisan or intra-party factional advantage, and the Romanian case shows that the effect of state finance on the electoral fortunes of a party varies widely and that the use of state finance does not guarantee electoral success for the party. Moreover while the larger Romanian parties have attempted to create a cartel party system, they have been unsuccessful in preventing the establishment of new parties and ultimately maintaining their political power. The case of Romania illustrates that state finance in isolation has a marginal influence on the party system as a whole but can be important to the electoral performance of individual parties.

In addition, the Romanian case also demonstrates that the influence of state finance on the party system depends on when the system of finance was introduced. Perhaps systems of state finance in Western Europe have been more influential because of the maturity of parties. In many cases, state finance in Europe has transformed the relationship of parties to voters and the state. This is because other aspects of the party and electoral systems have remained largely unchanged. However in newly developing party systems in which parties, politicians and voters are in a formative period, the influence of state finance is more differential and less dispersed because the actors are still learning and changing the institutional rules and adopting new forms of political behaviour. While funding is still crucial in a newly developing party system, it is one of many fundamentals that parties and politicians can use to gain political advantage. In Romania, other institutional rules such as membership requirements and the electoral threshold have been as or more consequential than state finance in the fortunes of parties.

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