

Preferences for Financing Political Parties in a New
Democracy: A Case Study of Political Parties in
Indonesia

A thesis submitted for the degree of Doctor of
Philosophy by

Rhevy Adriade Putra

Department of Social and Political Science,
Brunel University London

ABSTRACT

This study examines political parties' attitudes toward funding options. The condition of lack of funding is argued to indirectly impact the political parties' preferences toward the state as their source of funding. To do so, this study utilises the rational-institutionalism approach and compares two main motives of political parties in political financing, namely revenue maximisation and economic electoral motives. Building upon these two funding motivations, scarcity is then understood as a starting point that affects actors' behaviour by affecting the incentives available to them.

This thesis suggests two distinct types of funding incentives: economic incentives, such as the financial health of political parties' treasuries, and political incentives, such as political competition among parties and the leverage of public sentiment on political parties' behaviour.

These theoretical claims will be demonstrated by an examination of Indonesia's 1999–2019 party funding reform. Based on Indonesia's experience with party finance reform, it is also argued that the private sector has played a prominent role in political financing in Indonesia since the process of political liberalisation began in 1998, both as an external and internal donor. Additionally, based on the discussion on political finance reform following the 2014 election, it appears that political parties' preferences for funding reform are better aligned with the electoral economy than with the revenue maximisation.

Acknowledgments

In the name of Allah, the Most Gracious and the Most Merciful

Alhamdulillah, all praises to Allah the Almighty for the strengths and His blessing for me to complete my thesis.

First and foremost, I would want to convey my heartfelt gratitude to my primary supervisor, Prof. Justin Fisher, who has led and assisted me tremendously throughout this PhD process. He accepted me as one of his PhD students in 2016, and he has continued to give me helpful counsel ever since. Many things I learned from him, including not only how to become a competent political researcher, but also how to work with enthusiasm, professionalism, dedication, and a high level of commitment. Through his invaluable assistance, critical remarks, and ideas throughout the thesis work, he has significantly contributed to the accomplishment of our investigation.

My grateful appreciation also goes out to Dr. Martin Hansen, who acted as my second supervisor. He led and encouraged me throughout this journey, and he was a source of encouragement during my doctoral research. He constantly inspires me to be more self-assured in my abilities. All of the feedback and guidance I received assisted me in completing this thesis.

A very special thank you goes out to all of the faculty, staff, and doctoral researchers of the Department of Social and Political Science, CBASS, Brunel University. Although practically all activities over the last two years have been conducted via online media, being able to assemble online at the PhD Annual Conference is a huge boost to my morale. I always find it energising and exciting to listen to your research journey.

Finally, I would want to express my heartfelt gratitude to my dear parents in Indonesia for their endless love, prayers, and encouragement. A special thank you goes out to my other family members and friends who have been encouraging and supportive during this process.

Last but not least, a special thanks to my lovely wife, Dewi Nur Aisyah, for her patience and continuous love throughout this memorable journey. Thank you for looking after myself and the kids while you are simultaneously juggling your responsibilities as a member of the COVID-19 national task force. My heartfelt gratitude and affection also go to Najwa Falisha Mehvish, my first daughter; Mu'adz Fathan Saifurrahman, my second son; and my darling little baby girl, Amira Zafiratunnisa Mehvish, who have accompanied and supported me on this journey. May Allah bestow a beautiful reward on all of our patience.

A special thank you goes out to the Indonesia Endowment Fund for Education (LPDP), which was the scholarship institution that accepted me as an awardee in 2016. Thank you to the LPDP for their financial and moral assistance throughout my PhD path. It provided me with the opportunity to pursue my dream, and I intend to use the knowledge I gained from Brunel University London to contribute to the advancement of political studies in Indonesia.

To those who indirectly contributed to this research, your kindness means a lot to me. Thanks for all your encouragement!

Table of Contents

ABSTRACT	i
Acknowledgments	ii
Table of Contents	iv
List of Tables	vii
List of Figures	viii
1. Introduction.....	1
1.1. Research Question	1
1.2. Significance of the Study.....	2
1.3. Thesis Structure	7
2. Literature Review	10
2.1. The Debates on Party Finance	11
2.1.1. Issue of Equality in Political Party Finance.....	12
2.1.1.1. Equality of Outcome.....	13
2.1.1.2. Equality of Opportunity	15
2.1.2. Discussions around the idea of Public Funding.....	18
2.2. How to understand the origin of party finance regime?.....	20
2.2.1. Rational Choice approach in the discussion of Party Finance	21
2.2.2. New Institutionalism in the discussion of Party Finance	25
2.3. Identifying the Gap and the Utilisation of Rational choice institutionalism to understand party finance in new democracies	28
2.4. Conclusion.....	30
3. Methodology.....	31
3.1. The research method: Case study method.....	31
3.1.1. Why Indonesia?	35
3.2. The data collection techniques and the analytical instruments.....	40
3.2.1. The data collection: elite interviews and documentary sources.....	40
3.2.2. Qualitative data analysing.....	43
3.3. Conclusion.....	45
4. Indonesia's Party Finance in the post-Suharto Era (1999-2014 elections).....	46
4.1. Democratization in the Post-Suharto era: Re-evaluating the idea of cartel party	46
4.1.1. Private contributions for political parties	50
4.1.2. Rent-seeking activities by the elites hardly contribute to finance the party.....	54

4.1.3.	The Rise of Personalism	55
4.1.4.	A New Form of Politico-Business relationship	56
4.2.	Party Financing in Indonesia: Between Private donations and Corruptions	59
4.2.1.	A Central Role of Private Contributions on Party's Funding.....	59
4.2.2.	Corrupt behaviours from the elites (political scandals) in Indonesia's party finance 62	
	The scandals of Bulog-Gate and Brunei-Gate.....	63
4.2.3.	State Subsidies in Indonesia	64
4.2.3.1.	Lessons from the implementation of state subsidies in a variety of democracies.....	67
4.3.	Conclusion.....	70
5.	Internal Motivations for State Subsidies in Indonesia.....	72
5.1.	Treasury condition of political party.....	72
5.1.1.	Party financial resources are not effective	74
5.1.1.1.	Membership dues do not work as expected.....	74
5.1.1.2.	A limited involvement of small donors in political donations.....	79
5.1.1.3.	The unit price for party needs is unclear	81
5.1.2.	High Political Costs in Indonesia.....	83
5.1.2.1.	The use of capital-intensive campaigns to attract voters	85
5.1.2.2.	The use of candidate-centred electoral systems has made the cost even higher. 86	
5.1.2.3.	The size of Electoral districts.....	88
5.1.2.4.	Witness Funds	89
5.1.2.5.	The presence of vote buying and money politics	91
5.2.	Parties' Attitude towards subsidies: Money as a Support?.....	93
5.3.	Conclusion.....	96
6.	External Motivations for state subsidies in Indonesia.....	98
6.1.	Political Competition in the discussion of political finance reform	98
6.1.1.	Electoral Economy Interest on the idea of increasing the state subsidies	100
6.1.2.	The State Subsidies as a lobbying tool.....	101
6.1.3.	The debate of the state subsidies for political parties in Indonesia	104
6.2.	Public Opinion.....	120
6.2.1.	The attitude of government and parliament during the discussion of increasing political funding	121
6.2.2.	The attitude and position of political parties towards the government plan to increase the political aid	122
6.2.3.	The role of scandal in the discussion of increasing political assistance	125

6.2.4. Money Politics and Corruption Eradication	126
6.2.5. The increase in political assistance must be adjusted to the state budget	127
6.3. Conclusion.....	129
7. Conclusion.....	131
7.1. The Party System and The Preference for Funding	131
7.2. Internal Incentives for Party Funding.....	133
7.3. External Incentives for Party Funding	136
7.4. Contribution to the Body of Knowledge.....	138
7.5. A Note on Future Research	141
References	144
APPENDIX	160

List of Tables

Table 3.1. Political finance goals: predictions generated by different interest definitions	44
Table 4. 1 Type of Party Finance Model based on Hopkin (2004)	48
Table 4. 2 Indonesia's Oligarchic Democracy.....	52
Table 4. 3 Donations' limit on Individual and Business	62
Table 4. 4 State Subsidies and the 1999 Election Results	65
Table 4. 5 Party Finance Laws in Indonesia	66
Table 5. 1 The role of Party's Treasury Condition: Predictions generated by different interest definitions.....	73
Table 5. 2 The Implementation of Membership Dues in Indonesia's Political Parties in 2011	76
Table 5. 3 Campaign Fund Contribution Report	87
Table 5. 4 The role of Party's Perception toward State Subsidies: Predictions generated by different interest definitions	94
Table 6. 1 The role of Political Circumstances: Predictions generated by different interest definitions.....	99
Table 6. 2 The Discussion between for and against the state subsidies.....	104
Table 6. 3 Number of Seats for Political Parties in the DPR RI (1999-2019)	107
Table 6. 4 Composition of Parties Coalition during Election and	111
Table 6. 5 The role of Public Attitude: Predictions generated by different interest definitions	121

List of Figures

Figure 2. 1 The Prisoners Dilemma.....	22
Figure 6. 1 Opinion polls about increasing political assistance to the political parties in 2015	124

1. Introduction

This thesis examines the factors that shape political parties' financial preferences in a newly democratic country. This thesis draws on the experience of Indonesian political parties in financing their organisations over the last two decades (1999 - 2019). The study's main argument is that understanding of political financing reforms in a new democratic country like Indonesia requires one to account for political factors such as political competition and public opinion, as well as economic factors such as the state of a party's finance, in terms of the electoral economy model.

1.1. Research Question

Money is essential in politics. Money is required for a political party to function as one of the pillars of democracy. This includes funding the organization's ongoing expenses, such as office expenses, political education, political recruitment costs, and other routine expenses. Money, in addition to financing the organization's regular activities, has the power for "electioneering" (Pinto-Duschinsky, 2002) in the sense of the extent to which money spent by political parties can help them to perform well in elections (Abramowitz, 1988, 1991; A. Gerber, 1998; A. S. Gerber, 2004; Green & Krasno, 1988, 1990; Jacobson, 1978, 1985, 1990). To meet all these needs, funds must be found somewhere, whether from private or public sources.

The demand for these funds is not limited to political parties in developed democracies, which have been grappling with rising political costs amid low political recruitment rates for some years (Heidenheimer, 1963). Political parties in emerging democracies face a similar problem. Political parties in this newly democratic country have a twofold dilemma of high democratic costs and an inability to fund all of their organization's activities (van Biezen, 2000). Due to the party's limited capacity to earn such revenue, political parties in relatively new democratic countries, such as Spain and Portugal, rely heavily on government support (van Biezen, 2000).

In contrast to the emerging democracy countries highlighted by van Biezen (2000), new political parties that arose in Indonesia following the reformation of 1998 tended to have their own connections and financial supporters, thereby establishing them as

self-sufficient from the state. Despite the fact that the regime and the rules of administration have changed, the financial backers of political parties have remained the same. As Robison & Hadiz (2004) note, the majority of Chinese business groups that were nurtured during the Suharto's era (1965-1998) adjust to new democratic rules. This was accomplished by allowing some room for political reformers to emerge, while still nurturing their interests through a patron-client relationship. As they put it, "political parties have been less a vehicle to advocate contending policy agendas than machines for the capture of the terminals of patronage" (Robison & Hadiz, 2004, p. 232).

The difference in these new democracies' experiences in choosing their methods of political financing (either private or public sources) is the main reason that motivate this study. This variation prompted this thesis to gain a deeper understanding about the factors influencing a new democracy's decision to favour one party's financing policy over the other.

The principal question is: what motivates political parties to use state funding in addition to other sources of funding (e.g., private donations)?

Other questions include: If actors are thought to be rational, are such decisions driven by a revenue-maximizing motive or an electoral economy motive? And how do these interests influence actors' motivations to increase state funding for political parties?

To that end, this study uses Indonesia as a case study, focusing on the debate over state subsidies for political parties that occurred between 1999 -2019.

1.2. Significance of the Study

Several empirical observations sparked the idea for this study. To begin with, as briefly presented above, Indonesia's experience differs significantly from that of other new democracies (e.g., Spain and Portugal) (see van Biezen, 2000) in terms of its choice of party finance regime. According to van Biezen (2000), political parties in new democratic countries (as demonstrated in Spain and Portugal) are heavily reliant on public funding due to a lack of revenue-generating capacity. She goes on to say that this will, to some extent, create a clientelistic relationship between parties

and the state (van Biezen, 2000, p. 336). In contrast, Indonesian political parties in the aftermath of democratization in 1998 were heavily reliant on private donations.

This is because (as the second point), as explained by Robison & Hadiz (2004), while Indonesia's democratization resulted in a change in the political regime, it did not result in a change in the economic regime that underpins the power that lies beneath the political sphere. Robison & Hadiz (2004) further argued that conglomerates nurtured during the Suharto era continued to play a significant role in financing Indonesian political parties. After 1998, new political parties in Indonesia mostly had their own connections to financial donors, allowing them to be relatively independent of the government. Concerning those conglomerates, they are not only donors, but some are also directly involved in politics by forming new parties.

Third, in terms of government subsidies, the Indonesian government has provided some funds to assist in the financing of political parties since 2001, albeit in limited amounts. Since the early days of democratization in 1999, there have been discussions about state subsidies to political parties. Following a lengthy debate in Parliament, which included the political bargaining process between the legislative and executive, Indonesia provided significant political assistance to national parties for the first time in 2001. The state valued one vote for GBP 0.05 in the first election after democratisation (in 1999). This was the most generous subsidies given to political parties by the government.

The political assistance, however, did not last long. Following the change of government in 2004, the amount of political aid was reduced by a significant amount - nearly 90% less than it was previously¹ (Mietzner, 2007). It was reduced from IDR 1000/vote (GBP 0.05/vote) in 2001 to IDR 21 million/Seat (GBP 1050/seat) between 2005 and 2009, and then to IDR 108/vote (GBP 0.005/vote) between 2009 and 2014. Since 2004, the state has provided very little political assistance to political parties.

Fourthly, not only are the subsidies limited, but the government also restricts their usage to political education (up to 60 percent) and office administrative expenditures (up to 40 percent). Meanwhile, it has been generally known that the biggest

¹ Subsidies totalled GBP 577 thousand in 2005, down from GBP 6.2 million in 2001. See Mietzner (2007).

expenditure has always been for campaigning purposes (Mietzner, 2015, p. 594). As a result of the paucity of funds, private donations are critical to party financing. In terms of their reliance on private funding, political parties in Indonesia fall into one of two categories, namely those that rely on external financing provided by business groups or those that rely on personal funding provided by the party chairperson in the form of a self-funded elite party, as I will demonstrate in Chapter 4.

Finally, despite Indonesian political parties' historical reliance on private funding, there has been a succession of conversations regarding boosting public subsidies to political parties since 2015. Political parties' inability to generate income amid increased political costs has had a negative impact, prompting calls for political financing reforms. Following the formation of a new government in 2014, the government proposed a new policy aimed at increasing the value of political aid. After a series of reform debates, the government's proposal was realized in 2018 with the publication of Government Regulation No. 1/2018. As I will explain in Chapters 5 and 6, this idea has a number of advantages and disadvantages, and we also discovered that parties have a range of responses to it, despite the fact that they all agree that sufficient funding is urgently needed to enable parties to function effectively as one of democracy's most important pillars.

Theoretically, state subsidies for political parties are believed to have the potential to reduce corruption while also reducing the negative effects of Indonesia's patronage culture, which has hijacked the country's democracy (Mietzner, 2007). However, little is known about the extent to which state subsidies are effective and efficient in financing Indonesian political parties. This is especially true when considering the debate over state subsidies in the aftermath of the 1998 political reforms. Indonesian party finance demonstrates (as I will show in Chapter 4) that the debate over state subsidies from 1999 to 2019 was highly political in the sense that actors' interests played a significant role in influencing policy outcomes. However, little is known about the underlying motivations that drive actors' behaviour during policy debates, and how these motivations are shaped during the discourse.

In addition, it has been argued that the factors that motivate actors to favour one policy (i.e. state subsidies) over another can be divided into two categories: the electoral economy model by Scarrow (2004) and the cartel party model by Katz &

Mair (1995). Scarrow's electoral economy model stipulates that actors consider money as a means to an electoral victory (electoral motives) (Scarrow, 2004), whereas Katz & Mair's cartel party model states that gaining more money from state funding is the ultimate motivation (revenue maximizing motives) (Katz & Mair, 1995). However, because these theories were developed in the context of Western democracy, it is necessary to put them to the test in a new and different setting.

Therefore, by using the experience of Indonesia as one of the world's biggest and newest democracies, the aims of this thesis are the following:

1. To provide a comprehensive understanding concerning party finance in Indonesia by conducting an in-depth analysis of Indonesian party finances.
2. To shed another possible explanation, besides the revenue maximizing motive, on the main factors that drive political actors in determining their actions.
3. To gain a better understanding of the underlying motivations that drive that drive actors' behaviour during policy debates (concerning party finance), as well as the ways in which these motivations are shaped by the discourse.
4. To contribute in a novel way of understanding the actor's behaviour in financing their political parties.

This study uses a rational choice institutionalism approach to make sense of political parties' behaviour in reforming political financing policies to answer this question. This research aims to offer an alternative perspective on how new democracies determine their political finance regimes. If, as van Biezen (2000) asserts, a scarcity of funds causes political parties to rely on the state as their primary source of funding, this study aims to provide a more detailed explanation of how a scarcity of funds (economic factors) influences political actors' behaviour in the debate over political finance reform. Scarcity of funds is considered an early condition in the rational choice institutionalism approach, which shapes the structure of choices (incentives) for political parties. Before deciding whether to accept or reject the proposed political financing reforms, political parties will consider a number of incentives.

To see what incentives might influence actor behaviour, this study looked at two major factors. The two factors are economic factors that use the cartel party model

(Katz & Mair, 1995) and political factors that use the electoral economy model (Scarrow, 2004). On the one hand, the cartel party model stipulates that the ultimate motivation that drives political parties in the debate over political finance bills is to gain more money from state (revenue maximization motives) (Katz & Mair, 1995). Scarrow's electoral economy model, on the other hand, stipulates that actors regard money as a means of achieving electoral victory (electoral motives) (Scarrow, 2004).

By comparing the two models above, there are four main incentives. In terms of economics, the main motivator is the political parties' financial situation, which is exacerbated by rising political costs. This incentive will influence political parties' attitudes toward state-funded political subsidies. Subsidies could then be treated as a fund accumulation by the parties, allowing them to strengthen their existing political cartels. Subsidies can also be viewed as a way to help political parties perform well in elections. When we consider the political incentives available, the perception of this party toward state subsidies will become clearer. Political competition and public opinion are two of these incentives. If the party follows the first model, it is expected that it will be unconcerned about public opinion due to a lack of (or minimal) political competition. Because of the intense political competition among political parties, the second model predicts that the party will pay close attention to the role of public opinion.

Considering the aforementioned incentives, the study suggests that Indonesian political parties are more likely to follow the electoral economy model than the cartel model, particularly in their discussions about political financing reform. Although some scholars, such as Slater (2004) and Ambardi (2008), use cartel politics to discuss political parties in Indonesia, other political factors such as cross-party competition and the importance of public opinion should also be considered when discussing political financing in Indonesia.

As a result, there are two implications that will be discussed in this study. First, this study contends that, since the 1998 political reforms, the typology of political parties in Indonesia has been more akin to that of elite parties than to that of cartel parties. This is supported by the study's findings, which show that political parties tend to rely on external financing (also known as externally financed elite parties) or internal financing (also known as self-financed elite parties) rather than the state as a major

donor (known as the cartel party)². Second, by comparing the above incentives, the electoral economy model is better suited to explain the preferences of political actors when discussing the political financing reform in Indonesia. Although the scarcity of funds prompted the party to seek other alternatives to finance its organization, the party's decision to accept, temporarily suspend, or to reject political financing reforms was influenced by their calculations of political incentives such as political competition and public opinion.

1.3. Thesis Structure

The writing of the study's findings is divided into several chapters to explain all of the arguments presented in detail and in a logical manner.

This study begins with a review of the relevant literature, on political finance. The second chapter focuses on academic discussions of political financing that have primarily focused on practices in developed democracies. While the existing study is useful in explaining the practice of political financing in developed democracies, empirical studies on the practice of political financing in new democracies is still required. This chapter also discusses recent debates on this topic, as well as identify gaps and propose a new understanding to fill them.

Established theory in political finance believes that public funding in new democracies is driven by institutional weakness, which in turn encourages political parties' dependence on the state (van Biezen, 2000). To enrich academic discussions regarding political financing in new democracies, this thesis offers a new alternative to understanding the preferences of political parties to finance their organizations. This is done by applying a rational choice institutionalism approach and comparing two models, which are the cartel model and the electoral economy model, to predict the behaviour of political actors towards political financing reform. To understand the behaviour of actors in political financing, one must consider not only the economic side, as emphasized by the first model, but also the political side, as highlighted by the second model. This is important because the inability to generate income is a common problem faced by political parties in emerging

² Hopkin (2004) classified political parties into four categories based on how they were funded. The clientelistic mass party, the externally financed elite party, the self-financing elite party, and the cartel party are the four types.

democracies, so understanding the political side of political financing is expected to provide a clearer picture of the actor's behaviour toward political financing.

Chapter 3 outlines the methodology used to answer the main question in the thesis - what motivates a new democracy to choose one party financing policy over another. The methodology discussion begins with a discussion of the case study as a research design. The study uses Indonesia as a case study to explain the actors' preference for political financing reform. Indonesia was chosen as a deviant case to illustrate the global experience of reforming the political financing in new democracies. Following the discussion of Indonesia as a case study, an explanation of data collection techniques and analytical instruments used to interpret the data is outlined. The data were gathered qualitatively through semi-structured interviews with several Indonesian political leaders. The data were then organized into several themes, and the analysis conducted using the cartel model and the electoral economy model, both of which were used in this study.

Chapter 4 contextualises Indonesia's post-reform experience with political finance, as well as the party financing rules that have developed. This chapter discusses the concept of the cartel party, which has become prevalent in explaining Indonesia's political system. In this chapter, this study argues that the concept of political cartel is insufficient to describe the typology of Indonesian political parties based on how they are financed. The continuation of the role of business groups, which were nurtured during the Suharto era, after political reform in 1998 has pushed Indonesian political parties closer to the elite party typology rather than the cartel party. The debate over political financing reform resurfaced after the new government was elected in 2014. This prompted this study to dig deeper into the factors that influenced Indonesian political parties' perceptions toward reforming their political finance policies. The analysis is discussed in chapters 5 and 6.

Chapter 5 discusses the internal factors that shape political parties' preferences for political financing reform. Internally, political parties' perceptions of political financing reform are shaped by their lack of financial resources, which is compounded by the high cost of political needs. To determine whether political parties' perceptions are more akin to the cartel model or the electoral model, the analysis is conducted

further in chapter 6 by considering political factors as external incentives for political parties. Chapter 6 presents data to support the main arguments in this thesis, which is that Indonesia's political financing is more akin to the electoral economy model than to the cartel model. In a broader context, the findings suggest that political factors, in addition to economic factors, play an important role in understanding political actors' motivations for political financing reform. All discussions in this study are concluded in chapter 7. This concluding chapter summarizes all the findings and discussion from previous chapters as well as highlighting its theoretical impact in the discussion of political finance and making recommendations for future research.

2.Literature Review

The purpose of this chapter is threefold. This chapter will review existing discussions on the subject area of political party financing, highlighting potential gaps in knowledge that will be addressed in this thesis, and proposing a new understanding to advance our understanding of political parties' behaviour in relation to funding sources.

Generally, the discussion of party funding has been circulated around two main issues such as the issue of equality and the issue of state funding. A lot of research has been done in the context of advanced and Western democratic countries, meanwhile from the side of developing and newly democratic countries this topic is still under-studied hence needs special attention.

In order to fill the gap, this chapter will offer a theoretical basis that will be used to discuss the motivations of actors in implementing state subsidies to help financing political parties in emerging democracy like Indonesia. A rational choice institutionalism approach is used to understand these motivations since it captures not only the economic reasons but also the political competition between actors that shape the actors' preferences in the discussion of state subsidies. The analysis is done by comparing two model namely a cartel model by Katz and Mair (1995)³ which focus on the capital accumulation interest and an electoral economy model by Scarrow (2004) which focus on the political competition interest.

Before explaining further on this rational choice institutionalism approach as well as the comparison of the two models, the discussion in this chapter is opened first by explaining the issue of equality which emerges from the discussion of political finance. Following this, it will proceed with explaining several principal theories that

³ The comparison of these two models was first introduced by Scarrow (2004), with special reference to the concept of cartel party that was introduced by Katz and Mair (1995). Katz and Mair refined the cartel party thesis in 2009 in response to criticism and misinterpretations of the concept. However, the key tenet regarding political parties' motivation toward state subventions remains constant: the provision of state subventions toward political parties is still considered a "self-referential" act (Katz & Mair, 2009, p. 755). Therefore, in order to better understand parties' motivations for party financing, this research uses the notion of "cartel party" to categorise political parties' inclinations towards revenue maximisation. This will be discussed later in the chapter.

have been used so far when discussing the choice of political finance policy in democratic countries. After describing the theories that has been used previously and also its limitations in understanding patterns of relationships between actors, it will be followed by a discussion of which approach is suitable for analysing the motivations of actors in the case of political finance reform in Indonesia.

2.1. The Debates on Party Finance

Understanding the origin and the impact of various political finance systems are two main agendas in the discussion of political finance (Scarrow, 2007). Concerning the first, the scholar discussed how democratic countries establish their political finance regimes (Scarrow, 2007). This agenda is specifically related to the supply side (the origin of funds), which is defined as which funding mechanism party adopts in order to possibly obtain sufficient funds related to its need. On this research agenda, scholars have been examining what factors contribute to democratic countries having a diverse system of political financing, whether private or public.

Numerous studies have been conducted to account for this. Among others, van Biezen (2000) discusses the factor of scarcity of finance, which is the primary cause for state financing to be the primary source of financing political parties in the new democracy. Additionally, Koß (2011) presents the causal mechanism of State Funding in order to address the topic of why state funding is a source of income for political parties with varying degrees of advocacy. Within the context of this research agenda, this thesis will explore the political party preferences toward the funding options in Indonesia.

On the other hand, from the expenditure side of party finance, the research agenda has been focused on the impact of funds, which is defined as the extent to which a party can benefit from the money spent during elections. Many studies have been conducted to investigate the effect of campaign spending on electoral outcomes in countries such as the US (Abramowitz, 1988, 1991; A. Gerber, 1998; A. S. Gerber, 2004; Green & Krasno, 1988, 1990; Jacobson, 1978, 1985, 1990), Britain (Clift & Fisher, 2004; Fisher, 1999b; R. J. Johnston et al., 1989; R Johnston et al., 2011; Ron Johnston & Pattie, 2014; Pattie et al., 1995), Canada (Carty & Eagles, 1999; Eagles, 1993), French (Palda & Palda, 1998), Australia (Forrest, 1997; Forrest et al., 1999), Ireland (Benoit & Marsh, 2003, 2010), and Belgium (Maddens et al., 2006).

Furthermore, the scholar has also discussed the impact of public financing, such as state subsidies to political parties and the party system (Scarrow, 2007).

2.1.1. Issue of Equality in Political Party Finance

The debate over the origin of political party funding is centred on the issue of equality. Equality in party finance is defined as a condition that ensures all candidates and political parties have an equal opportunity to compete fairly in elections (K. D. Ewing, 1992; Oliver, 1992). Ewing (1992) emphasized some criteria of political equality in his work on campaign finance in Canada, including the rights of electors and candidates. For the former, political equality means that each elector has an equal right to vote and that each person's vote is equally valued, while for the latter political equality means that each candidate has an equal right to run for office and an equal chance of winning (K. D. Ewing, 1992, pp. 13–14). It means that those who stand for election should do so on equal terms, and that the wealthiest candidates or parties, as well as those in positions of power, cannot disproportionately influence election outcomes (K. D. Ewing, 1992, pp. 13–17).

Oliver (1992) uses a similar definition in her study of election campaigns in the United Kingdom. Both Oliver (1992) and Ewing (1992) recognize the importance of equitable resource distributions for election campaigns, and both agree that one party or candidate should not have a disproportionate amount of resources. However, Oliver (1992) emphasizes that when discussing the issue of party finance equality, it is not just about fairness for the sake of candidates or political parties, as Ewing has argued (1992). One should be more concerned about voters' rights, which is the extent to which it affects voters and society in having better and transparent information about political parties, so that they can make more informed decisions when casting their votes (Oliver, 1992, pp. 130–131).

Scholars have stressed the importance of equality in the political sphere. A major requirement for any system to be considered democratic, argues Ewing (1992, p. 13), is the establishment of formal political equality. This ensures that every citizen has the right to participate equally in political activities and that every citizen has the right to be involved equally in political activities. Party finance is particularly important because failure to do so results in “inequality of opportunity between those who compete, thereby undermining the right to equal participation by candidates, political

parties, and the members and supporters of the parties” (K. D. Ewing, 1992, p. 16), and thus there will be no competitive election, which has traditionally been one of the most important characteristics of democracy. Thus, Adamany and Agree (1975) argue that the impact of income inequality in terms of money resources is likely to be more significant than the impact of any other type of inequality that contributes to political life. The fact that money, unlike any other political resources, is liquid in nature, allowing it to move freely means that those with money can purchase virtually any kind of political resources that are offered directly by citizens (Adamany & Agree, 1975, pp. 2–4).

In order to ensure that each candidate has an equal chance of winning the election and that candidates with significant ownership of sources of funds do not have a disproportionate impact on election results, the state can take a number of steps to ensure equality in party finance. These methods can be divided into two major categories: those in which the state guarantees equality of outcome and those in which the state guarantees equality of opportunity.

To ensure a level playing field for all political actors, both types of equality must be met. The two types of equality will be discussed here.

2.1.1.1. Equality of Outcome

According to the above-mentioned definition of equality, equality of outcome is defined as the state's way of ensuring that all election participants have equal chances of winning the election. There are at least two options that the state can pursue to ensure that every political party or candidate has an equal chance of winning the election: imposing a spending cap or enacting political financing regulations.

Spending Cap

To begin, the state has the authority to regulate the amount of money that can be spent during the campaign period. This approach is also referred to as the British approach because controls on campaign spending were first implemented in Britain in 1883 with the passage of the Corrupt and Illegal Practices (Prevention) Act, and it has since been adopted by several other countries, including the United States and Canada (K. D. Ewing, 1992; K. Ewing & Issacharoff, 2006). The primary reason for capping spending is to avoid corrupt and illegal practises (K. D. Ewing, 1992, p. 15),

as there is concern about wealthy candidates engaging in vote-buying activities (Cliff & Fisher, 2004, p. 683).

There has been some debate about whether it is necessary and effective to limit campaign spending in party finance. As previously stated, the goal of instituting this policy is to reduce the risk of corruption in party finance, as there is a widespread belief that “extravagant expenditure was so near alien to corruption that it was almost the very father of corruption” (K. D. Ewing, 1992, p. 15).

However, there is concern that this policy may have a negative impact on political competition as donors become less willing to invest in political parties as a result of the policy.

Fisher (2002, p. 397) points out several flaws in the concept of campaign spending caps. To begin, it has the potential to reduce voter awareness of political activities, thereby undermining their decision to vote in an election. Second, it has the potential to reduce donors' motivations to donate to political parties. Third, when political parties are funded according to an electoral cycle in which funding is concentrated on campaigning purposes, fewer donations mean that almost all parties can be left underfunded, as their financial needs are more constant. As a result, political parties will become less competitive.

Political Finance Regulation

Another way to ensure equality of outcome is to prohibit practices that are thought to have contributed to the initial financial imbalance. The state accomplishes this by outlawing rent-seeking practices such as clientelism and the patronage system.

Historically, clientelism or a patronage system can be found in both the United Kingdom and the United States in their early days of democracy. The main reason for encouraging this type of practise is nearly identical to the underlying reason for clientelistic practises found in new democracies. According to Ware (1998), the patronage mechanism of party finance can occur when the supply of funds through the self-generated funding system is insufficient to meet the demand side of the nature of party competition.

In the North American context, before the nature of competition became more complex, as it does today in the democracy system, political parties met their needs through a voluntary system that relied on partisan contribution, particularly from wealthy individuals. Afterwards, as parties required more funds to participate in the electoral contest, American political parties began to rely on patronage systems, such as business firms and banks, beginning in the 1830s. The same pattern was observed in Canadian political parties dating back to the 1860s. (Ware, 1998, pp. 36–38)

The same spoils system, characterised by high levels of bribery, vote buying, and clientelistic relationships, was found in the early days of British political finance. According to Pinto-Duschinsky (1981, p. 15), “during the earlier part of Queen Victoria’s reign, it was still possible to buy a seat in the House of Commons”. Patronage was used systematically to provide parties with the electoral resources they required. Even though it has some negative consequences, particularly when it comes to parties’ relationships with society, the patronage mechanism has been shown to be effective in running democracy since its inception (Ware, 1998). Therefore Alan Ware (1998, p. 23) points out that “It is not helpful for the purpose of political analysis to label practise as corrupt, simply because they would not be acceptable today”.

However, in order to provide equal opportunities for all candidates to win elections, the state’s involvement is required to regulate or prohibit these shadow financing practices. In fact, political party regulation is required not only to ensure equality among political parties, but also to encourage transparency and accountability of political parties, while avoiding political party policy biases that are feared to only represent the interests of large donors (Bértoa et al., 2014).

2.1.1.2. Equality of Opportunity

In addition to the equality of outcome, the equality of opportunity, from the revenue side, concerns about to which funding mechanism party adopts so that it can possibly obtain sufficient fund related to its needs. This is due to the fact that political parties require a consistent flow of income in order to survive (Fisher, 1999b, p. 523). What the state can do is provide financial assistance in the form of political party subsidies. However, before we discuss state subsidies, let us first discuss alternative

sources of funding for political parties and their relationship to the party system's typology.

Party funding sources and its type of party system

Literature suggests that equality side of source of funding are associated with a specific type of party organization (Hopkin, 2004; Mulé, 1998). Mulé (1998) for example discusses the linkages between party organizational characters including parliamentary grouping, cadre, mass and catch-all parties with their funding sources which is derived from personal wealth, the combination of personal wealth and maintaining patronage relationships, membership dues, and the combination of membership dues and donations from pressure and interest groups respectively.

Historically, a political party emerges and then develops as a 'voluntaristic organisation' (Pierre et al., 2000). This voluntaristic organisation functions as a legal political organisation to represent specific groups of interest, and its funding sources are derived from a self-funding mechanism that incorporates member contributions as well as donations from interest groups. This type of funding can be found in the form of cadre, mass, or catch-all types of party organisations. The only difference between these three types of party organisations is the proportion of money raised through membership dues and donations from interest groups that goes toward financing political parties' activities.

Due to the limited nature of the cadre party, which only represents the interests of elite groups, the proportion of a party's funding is weighted towards private donations or relies on the significant assistance of patrons. Meanwhile, the mass party adopts an independent funding system that relies on the strength of membership dues, where its emergence is followed by an expansion of party members who are not only from the elite but also provide equal opportunities and rights for workers and social groups that were not previously represented. As a party grows and is encouraged by advances in information technology, the need for money grows, and relying on internal party strength alone is no longer sufficient. With rising campaign costs as a result of the party's desire to reach more voters, the party becomes a catch-all organisation with contributions from members' dues as well as donations from interest groups as funding sources. For party organisational types such as party

cadres, mass parties, and catch-all parties, this self-financed funding system is effective (Mulé, 1998).

In addition to Mulé's type of party funding, Hopkin (2004) divides 3 types of party funding models in response to the increasing political costs. Due to rising political costs, parties have two financing options: private sector financing or state financing. According to these funding sources, the party's typology can be classified into several categories, including clientelistic mass parties, elite parties (both externally and internally financed), and cartel parties. If political parties rely heavily on the private sector as their primary source of funding, they can transform into two types either externally financed elite parties or self-financed elite parties. Meanwhile, if a political party receives primary funding from the state, the party can transform into a clientelistic mass party or a cartel party. Mulé (1998) differs from Hopkin (2004) in that the former considers parties to be self-financed organisations. Meanwhile, Hopkin (2004) considers another type of funding, which is public funding (or state funding).

The self-financed funding system worked well until the 1960s, but since then, there has been a shift toward another type of funding, namely public funding mechanisms, as complementary sources of funds (Heidenheimer, 1963). Since the 1960s, state funding has been a growing trend in established democracies (Alexander & Federman, 1989; Mendilow, 1992). In fact, since the introduction of public subsidies, it have replaced private sponsorship as the norm in political finance (Nassmacher, 1993). This type of funding spread for the first time from (West) Germany and Sweden through the work of organisations such as the Council of Europe and the Inter-Parliamentary Union (Koß, 2008; Pierre et al., 2000, pp. 18–20).

There have been different arguments as to what is causing this phenomenon. According to Heidenheimer (1963, p. 792), this diversification of funding is primarily due to party members becoming less enthusiastic to donate on behalf of the party's existence. This has prompted the party to actively seek funding sources other than their specific interest groups, as well as to propose a new type of funding. Another common reason for the introduction of public funding is a declining trend in party membership (Katz & Mair, 1995), despite the fact that Pierre et al. (2000, p. 1) empirically discovered that there is no evidence “to suggest that the subsidies were

introduced as a response to membership decline”. Aside from the debate over the main factors that encourage the proliferation of state subsidies as a source of party financing, one thing is clear: “the combination of rising costs and decreasing revenues has encouraged the search for compensation through alternative sources of income” (van Biezen, 2004, p. 706), which can be fulfilled through state assistance.

2.1.2. Discussions around the idea of Public Funding

It is important to note that, since the introduction of public funding mechanisms, there has been an ongoing debate about the extent to which public funding is efficient in supporting political parties and the extent to which the state's need to regulate political parties (van Biezen, 2004). Public funding, it is argued can support parties to optimally do their roles by covering most or at least some part of their costly expenditures. State subsidies as well as state's codification of parties for both political donations and political spending is believed can safeguard political equality among parties and candidates (van Biezen, 2004). From the perspective of a constituent, the concept of political equality provides them with hope and reason to become politically involved, either by joining political parties or by expressing their concerns and interests through political parties. This is because public subsidies are thought to help create a level playing field, allowing everyone, including those with limited resources, to participate in elections (Scarrow, 2007). Furthermore, supporters of state subsidies see it as a tool for combating corruption (Mietzner, 2007; Scarrow, 2007).

Aside from the optimistic view of public funding, some are sceptical of its effectiveness. To begin with, the argument that public funding can help solve the problem of illicit funding is rarely demonstrated; instead, countries with political financing scandals are those that provide substantial financial assistance (Pinto-Duschinsky, 2002, p. 78). This is primarily because this mechanism is amenable to state co-optation by political parties, or what Katz & Mair (1995, 2009) referred to as the cartel party. Due to their high reliance on the state, parties compete for various types of state resources, which frequently results in corruption scandals. This will deteriorate the relationship between the party and society, both because the party

will become a tool for political elites and also because the party will be preoccupied with maintaining a positive relationship with the state (van Biezen, 2000, 2004).

Additionally, this funding mechanism may raise additional concerns, most notably regarding the efficiency and equality principles. The mechanism's inefficiency can be traced back to the way the state finances political parties. State subsidies to political parties can take two forms: first, the state provides in-kind subsidies or free political broadcasting during campaign periods (Heidenheimer, 1963) and second, the state provides annual lump sums directly to political parties, either in the same amount for each party or in proportion to their performance in elections (van Biezen, 2004).

Concerns are always raised when it comes to money. To begin, if a party is only eligible for state funding based on its electoral performance, some parties will be underfunded as a result of their poor electoral performance. In addition, while giving a same amount of money is more favourable to small parties since it is believed can level the field of competition between parties, this idea of level playing field rarely occurs as big parties tend to always get more than small parties. van Biezen (2004) notes for example in Hungary and Portugal that while parties are entitled to receive state funding as much as 25 per cent and 20 per cent from their needs respectively, the remaining (another 75 or 80 per cent) is distributed based on party's performance in election. It means that big parties will get double money compared to small parties, thus the application of public funding to some extent is not as efficient as it hopes to be.

The provision of sufficient funds for a party should, arguably, be based on electoral considerations rather than on an evaluation of the party's performance. Empirically, in the British case, Fisher (2000, p. 179) finds that the best predictor of party income is the necessity of a well-funded general election campaign rather than party performance. Political parties require substantial funds in order to carry out their duties properly. But on the other hand, parties cannot fully ascertain whether they will have sufficient amount of funds. At this point, the rationale for instituting state funding becomes justifiable. This is not to say, however, that state funding can be applied blindly. Fisher (2002) suggests that policymakers should have a strong demonstration rather than an assumption that state subvention has a beneficial

effect on party performance, which can be quantified by closely examining the impact of spending on electoral payoff.

This is where the discussion of spending effectivity comes into play, as it assesses the impact of party campaign spending on the number of votes received. If campaign spending has a positive impact on party performance (Scarrow, 2007, p. 201), any policy aimed at providing wider and more equitable access to finance for all candidates is logically acceptable. Even though this research does not extend its discussion into the spending side of political parties, describing this is necessary to capture the complete picture from the discussion of equality of opportunity for political parties.

Returning to the discussion of public funding as one of the ways that the state can attempt to achieve the goal of equality of opportunity, Hopkin (2004) argues that, while public funding is not an ideal type of party finance regime, it is a logical choice of funding other than private sources when membership dues or political donations cannot possibly fulfil parties' needs. Following an explanation of the theme of equality and how to achieve equality in political party finance, the following section will describe approaches used to understand how the origins of political finance regimes differ from one democracy to the next.

2.2. How to understand the origin of party finance regime?

The primary goal of this thesis is to explain in greater depth how political parties' incentives influence their preferences on political financing policy reform. The argument developed in this thesis is an attempt to provide an alternative approach to understanding political party behaviour in the context of the debate over state subsidies to political parties. According to existing research, the scarcity of funds situation faced by political parties in emerging democracies has encouraged political parties to rationally choose the state as their main donor (van Biezen, 2000). As an alternative to understanding variations in political finance regimes in new democracies, this study proposes a rational choice institutionalism approach. As will be explained in this section, political parties' decision to make the state a donor is not directly influenced by the internal conditions of their organisations, which have been unable to generate consistent income. However, by employing the rational choice institutionalism approach, political parties will consider the structure of choice and

information (incentives) available, both from an economic and political standpoint, and this will shape the actor's perception of political financing reform, namely whether the preference is closer to revenue maximisation or electoral economy interest.

Before delving deeper into the use of rational choice institutionalism to understand the origins of party finance regimes, the following sections will explain two approaches that have been used to explain the reasons for the adoption of political finance policies in democratic countries, namely, rational choices and new institutionalism. The distinctions between the two approaches are discussed further below.

2.2.1. Rational Choice approach in the discussion of Party Finance

In terms of rational choice, the analytical tools that underpin this approach are predicated on the assumption that political actors are rational actors whose political actions are best understood in terms of maximising their self-interest. In essence, this approach is based on the use of economic methods in the study of political science (Hindmoor & Taylor, 2018).

The rationality of actors and their self-interest are mapped into a model of situations and actions by rational choice theory. Theorists can use this model to predict what actors would do in different situations, each with its own set of incentives. A game theory model, such as the prisoner's dilemma, is an example of a model used by a rational choice theorist. In general, this model predicts what each prisoner (as actor) would do in the presence of certain incentives or in the absence of certain incentives (Hindmoor & Taylor, 2018).

Because actors are rational and seek to maximise their self-interest, each actor is expected to choose to admit his fault if the actor admitting the fault is aware that the other actor chooses not to admit his fault. This is due to the fact that the former will receive no sentence at all (0 year), whereas the latter will receive a maximum sentence of 4 years. However, in the absence of certainty about the other actor's choice, both actors are expected to admit their mistakes. This is due to the fact that if both actors 1 and 2 admit their guilt, they will receive a light sentence (3 years in

prison). When both actors have clear incentives, however, they will choose not to admit their mistakes because each will only serve one year in prison. (See figure 2.1)

Figure 2. 1 The Prisoners Dilemma

		Actor 1	
		Don't	
		Confess	Confess
Actor 2	Don't	1	0
	Confess	1	4
	Confess	4	3
		0	3

The utilisation of this theory in the discussion of political finance can be seen, for example, in Katz & Mair's (1995, 2009) concept of cartel party. Their ideas on the emergence of the cartel party can be understood through the application of game theory model which is the game of coordination (Fisher, 2009, p. 301). Katz & Mair (1995) argue that the main reason of the emergence of cartel party is primarily related to the scarcity of funding as a result of declining trend of party's membership. To resolve this collective action problem, all established parties collude themselves forming a cartel and depends on the state to finance their political activities. Since all parties face the same of problem of the scarcity of funds, instead of conflicting they choose to cooperate to ensure their own survival while at the same make barriers to resists the presents of new players.

This development is possible because when the parties collude themselves into a cartel, they have transformed into 'semi state agencies' (Katz & Mair, 1995, p. 16). Members of the cartel have placed their members in key positions in government so that they can assist the parties in passing their proposal to adopt public funding. Concerning this, they emphasize that the introduction of state subvention 'is far from exogenous to the parties, in that it is the parties, in their role as governors, who are

ultimately responsible for the rules of state subventions as well as for the amounts of money and resources that are made available ' (Katz & Mair, 1995, p. 15). Since being member of political parties has been considered as a professional career and parties' members are considered as rational actors which will try their hardest to safeguard their interest, these members will make sure that political parties can obtain sufficient and continuous funds from the state. Unfortunately, the side effect of this practice is that political parties become very dependent on the state and clientelistic relationship between parties and the state is formed.

Departing from Katz and Mair theory of cartel party, Susan Scarrow (2004) introduces the electoral economy model. Comparing these model, she argues that there are two main party interests that shaping the discussion of party finance reforms. The first is revenue maximation interest. The perspective of this interest is inspired by the notion of cartel party by Katz & Mair (1995). As previously stated, the idea of the cartel party argues that the parties which are driven by their need to meet financial demands collude to choose financing policies that depend on the state as well as to put barriers to competition in order to protect their interests. This cartel model believes that money accumulation is the parties' main interest (Scarrow, 2004, p. 656). The party do not have concern about their financial condition. Even though the party has sufficient financial resources to run the party, the party's interest on capital accumulation makes them collect as much as money they can. In terms of political incentives, this perspective does not consider competition between parties, nor does public opinion (Scarrow, 2004, p. 657). Party competition becomes irrelevant in this perspective since the parties has colluded themselves to protect their interests. Parties, in fact, has become a semi state agency and their relationship with voters has become very tenuous. The party only needs the voters as the source of legitimacy. "Parties are now perhaps best understood in terms of their temporal linkage with society and their more permanent linkage with the state" (Van Biezen & Kopecky, 2007, p. 237).

The second interest that can shape party's position of political finance reforms are based on the electoral economy perspective. This electoral economy model does not only explain economics' motive of cartel parties (endogenous factor) but also highlights another motive of electoral gain (exogenous factor). This model suggests

that parties may seek to gain a competitive electoral advantage by actively opposing state subventions, even if such a move would be financially damaging (Fisher, 2009, p. 302). While the first perspective utilise the game of cooperation between parties, this second perspective utilise the game of conflict between parties since this perspective is more 'politically competitive' than the former one (Scarrow, 2004, p. 656). First, from an economic view, parties are expected to consider their economic circumstances while at the same time they consider money as a means to excel electorally compared to other parties (Scarrow, 2004, p. 656). In contrast to the first perspective which makes money accumulation as their main motivation, money in the second approach is used only as a support. This is done because the party must maintain its relationship to the voters. Second, from a political view, this perspective considers parties competition and parties are expected to maintain their good public opinion when choosing a policy reform (Scarrow, 2004, p. 657). Since competition is an important consideration for the party, this motive is primarily used by opposition parties to challenge the cartel and to some extent it is effective to drive the discourse of political finance policy.

The decision of the state to provide public subsidy to political parties in Germany's case reflects this idea of electoral economy model. The Greens Party in Germany in the 1980s, for example, became an opposition to the cartel by rejecting state subsidies. At this time the Greens became the only party that put forward the parties competition in debates about state aid proposed by the cartel that were driven by revenue maximation motivation (Scarrow, 2004, p. 666). When economic downturn as well as the changing nature of political competition between parties affected the status quo of four major political parties in Germany in the 1970s, these parties agreed to form a cartel and from here they passed regulation to expand the role of state subsidies to political parties. However, in this case the cartel defined their financial needs by promoting the extension of public funding as an end to increase their revenue rather than as a mean to support their activities (Scarrow, 2004, pp. 660–662). Interestingly, as the story continued, this cartel was challenged by alternative forces outside the cartel (i.e., the Green party) in the 1980s. The opposition from Green party brought significant changes in the governance of political finance regime in Germany. In 1992, the constitutional court ruled in favour of the Green party lawsuit, stating that political party subsidies were to be used

exclusively for campaign financing. In this sense, as demonstrated by the Green Party, the party views financial interest as a means of electoral competition rather than as a source of revenue for the party (Scarrow, 2004, pp. 662–664). Therefore, using rational choice theory Scarrow proposes an electoral economy model, arguing that the way parties define their financial interests, public funding as either a source of revenue/economic gain or a source of electoral competition, and interest group pressure are the main factors that shape and influence the debate over political finance regulation (Scarrow, 2004, p. 669).

2.2.2. New Institutionalism in the discussion of Party Finance

The new institutionalism approach is another approach that has been used to understand the origins of the party finance regime. As an approach, new institutionalism generates some variants that can be used as an analytic tool, such as normative, rational choice, historical, empirical, international, sociological, network, constructivist, and feminist institutionalisms (Hall & Taylor, 1996; Lowndes, 2010; Peters, 1999). Institutionalists developed this approach in response to criticism from behaviouralists, rational choice theorists, and other political science approaches that institutionalists failed to capture the politics that occur within institutions (Lowndes, 2018). While institutionalism helps political scientists in comprehending politics legally and formally (that is, in comprehending political institutions or policies), it was deemed insufficient in explaining the political processes that occur within the institution itself.

In the new institutionalism approach, an institution is no longer understood in its limited meaning of a collection of individuals, their roles and status as the criticism of behaviouralists; nor is it limited to the accumulation of individual rational choices that always maximize their profits, as the criticism of rational choice theorists (Lowndes, 1996, p. 183). However, the institution in the new institutionalism approach is further understood as “political actors in their own right” (March & Olsen, 1984, p. 738) which has its own goals and protects its own interests. In the new institutionalism approach, formal institutions (i.e., laws, contracts, etc) are not the only factors that shape human action but also other elements. The elements that influence human actions include, but are not limited to, the interpretation of meanings and culture as

in sociological institutionalism or the elements of "path dependent"⁴ as in historical institutionalism, or the elements of utility maximization as in rational choice institutionalism (Hall & Taylor, 1996) as well as the elements of "values, norms, interests, identities and beliefs" as in normative institutionalism (March & Olsen, 1989, p. 17). In this approach, human behaviour is shaped by context (the previously described elements), which then accumulates into a pattern of behaviour.

Two variants which have been used in the discussion of political finance are normative institutionalism and historical institutionalism. To explain the political finance reform, these two approaches begin with the premise that there are elements other than the institution that interact to constrain or guide actors' behaviour. The application of the normative institutionalism approach in political finance, for example, highlights the role of norms and values in determining the characteristic of one political finance regime. Meanwhile, in the historical one it emphasises the impact of policy choice which was made in the past in shaping the decision-making process of actors at the present.

The implementation of normative institutionalism can be seen in the discussion of the introduction of state funding in France in the 1988. The norm of *laissez-faire*, which had been coloured French political finance tradition by putting a bigger portion to private funding since 1958, is replaced by a new value of *étatiste* which was effectively enlarge the portion for state funding to political parties (Clift & Fisher, 2004, pp. 687–692). In the case of British political finance reform, the implementation of new institutionalism approach can be seen by using both of normative institutionalism as well as historical institutionalism. Some values which have been characterized as being "British exceptionalism" (Fisher, 2009) in political finance regime which includes its lack of regulation, the spirit of voluntarism and the bigger role of private donations can be best explained by the former approach as these values keep shaping the behaviour of actors towards political finance regulations which oppose to the idea of public funding. In addition, the regulation of national campaign ceiling which has been passed in 2000 legislation can be explained using historical institution as this regulation has its root from the same concern (equality

⁴ In historical institutionalism, path dependent means that historical development is dependent on the contextual features that often inherited from the past. See (Hall & Taylor, 1996)

and corruption prevention) and the same policy in the level of local campaign which has been placed since 1883 (Clift & Fisher, 2004, pp. 692–694).

In addition, the application of new institutionalism in the discussion of political finance can also be found the work of other scholars (Eisenstadt, 2004; Koß, 2011; Power, 2017; van Biezen, 2004).

With regards to party finance reform in British politics, Power (2017) explains how the stagnation in the discussion of party finance reform can be explained by paying attention to both the historical and normative dimensions of the voluntarist tradition of financing political parties. In light of the 2014 Collins Review, Power (2017) argues that this could be a deciding factor in the future of British political party funding. By utilising a historic-normative institutional framework, Power (2017) demonstrates how the 2014 Collins Review can influence the future of British party funding, determining whether it will remain inert or whether it will end British exceptionalism or cause the death of consensus. Koß (2011) makes comparisons between the introduction of state subsidies in Sweden, Germany, France, and the United Kingdom. According to him, the primary criterion for implementing this state funding is political party consensus. Consensus can be achieved by considering a variety of variables, including institutional veto points, the strategic objectives pursued by parties, and the discourse surrounding political corruption.

In addition, Eisenstadt (2004) discusses the best model of elections organiser for regulating campaign finance, whether it is an electoral management body (EMB) or an ombudsman model. Contrary to popular belief, he concludes in his study that the EMB model is an appropriate organisational form for managing elections in Mexico. Along with formal institutions, the prevailing context, such as informal political conditions, is critical for understanding a country's political finance regime. Then, van Biezen (2004) offers a novel perspective on the transformation of political parties into cartel parties. In terms of institutionalism, this transformation can be understood in relation to the redefining of the meaning of political parties, which is believed to be a necessary component to maintain democracy. This transformation of meaning will result in the implementation of state funding to political parties.

From the approach taken in this new institutionalism approach, we can see how the context surrounding the institution in its broadest sense shapes the pattern of behaviour. This research is also explained through the lens of new institutionalism. In particular, rational choice institutionalism is used to examine how context influences actors' perceptions of political finance prior to the decision-making process. This will be explained below.

2.3. Identifying the Gap and the Utilisation of Rational choice institutionalism to understand party finance in new democracies

Following an explanation of the approach used to understand the origins of party finance reforms in a democratic country, the following section will discuss the approach that will be used in this research to understand party finance reform in a new democracy such as Indonesia. As previously stated, this study will employ new institutional analysis, specifically the rational-choice institutionalism approach, to better understand political parties' choices in determining the source of their party financing. Using the approach, the rational choice of political actors is influenced by their consideration of the available incentives. The available incentives are explained by contrasting the cartel model and the electoral economy model. This approach is expected to be a viable alternative for comprehending political parties' attitudes toward political financing reform.

The decision of political parties in new democracies to accept state subsidies, according to the literature, is based on their rational assessment of the situation of political parties that are unable to generate financing sources. According to van Biezen (2000), the scarcity of funds in new democracies' political parties, as demonstrated by the study of Spain and Portugal, is becoming a motivating factor for new democracies' political parties to adopt state funding. This decision, however, change the relationship between parties and the state due to their heavy dependence on the state (van Biezen, 2000), made the parties become the semi state agencies (as explained by Katz & Mair (1995, 2009) and the role of parties has transformed from voluntarist organisation towards parties as public utilities (van Biezen, 2004).

In rational choice institutionalism, the actor's choice towards a policy is not directly influenced by the actors' rational calculus to maximize their profits, instead it is the result of the actor's evaluation of 'the structure of choice and information' formed by the institution (Hall & Taylor, 1996, p. 943). Institutions directly affect 'the structure of situation' and the actors "select actions from a set of allowable actions in light of the full set of incentives existing in the situation" (Ostrom, 1986, p. 6). Institutions do not directly affect the set of actions because, in the rational choice institutionalism, actors are assumed to be a rational actor who have a fixed personal goal for achieving their self-interest (Hall & Taylor, 1996, p. 944).

Then, to explain the motivations of actors in the discussion of state financial aid to political parties, this study will use a model of rational choice approach in political finance developed by Scarrow(2004). This model is a 'set of allowable actions', that is known in the rational choice institutionalism approach (Ostrom, 1986, p. 6), which set some incentives for actors to determine their actions in the discussion of state subsidies policy to political parties. In this model, an actor's motivation towards state subsidies can be mapped into 2 groups, namely revenue-maximation interest and electoral economy interest.

Considering the rational choice institutionalism and the two perspectives on party's interest above, this study argues that state subsidies for political parties in Indonesia are chosen based on the evaluation of political actors on "the structure of situation" to optimise their self-interests. The scarcity of funding is the institutions that affect the structure of the situation in which actions are selected. In this approach, the scarcity of funding is not the main motivation that directly affecting the parties' choice on the state subsidies, as explained by Katz & Mair (1995) and van Biezen (2004). Instead, the scarcity of funding affects the structure of the situation as incentives for actors that determine their actions.

In the Indonesia's case, the scarcity of funding causes illegal funding practices and acts of corruption. These two things give incentives to actors to push the state to provide financial assistance to political parties. From the economic perspective, the actors consider the state financial assistance is beneficial for them. Not only because they have been facing a financial shortage, but also because of the increasingly expensive political costs. From the political perspective, political parties evaluate two

main incentives which are the political competition between them and their motivation to win the sympathy of the voters before decision are made.

2.4. Conclusion

This chapter demonstrated that academic debates about political funding have historically been dominated by studies of Western; developed democracies' practises. While the existing study is instructive in explaining the practise of political financing in developed democracies, empirical evidence regarding the practise of political financing in emerging democracies is still required. This is critically important in order to comprehend how political parties in emerging democracies determine the direction of their party finance regimes.

Previous research concluded that political parties' inability to generate revenue is the primary reason for the adoption of state subsidies to political parties in new democracies. As an alternative, this study compares the cartel and electoral economy models using rational choice institutionalism, which emphasises the interests of each actor in shaping the preference for financing political parties in Indonesia.

After elucidating the existing debate over party finance, identifying gaps and proposing a new understanding to fill them, the following chapter of this thesis will describe the methodology that will be used to address the new democratic country party finance problem raised in this thesis.

3. Methodology

This chapter discusses the methodology adopted to address the thesis's primary questions. The discussion of the methodology is started by a discussion of the case study as a research design, followed by data collection techniques as well as analytical instruments used to interpret the data.

3.1. The research method: Case study method

This research is qualitative in its nature. This research wants to examine deeply how the actors (in this case is the political parties) define their motivations through their understandings or meaning that they have upon their experience (see Blatter & Haverland, 2012, pp. 10–11; Vennsson, 2008, p. 24). This research is done in contrast to the tradition of quantitative research that emphasises the model of natural science that attempt to understand the social phenomena through patterns or an arrangement of the chain of causality (see Blatter & Haverland, 2012, pp. 9–10; Vennsson, 2008, p. 23).

This research utilises case study as its research method to make sense of the behaviour of Indonesian political parties toward party financing. In the broadest term, case studies can be used to gain an in-depth and focused examination of a single unit (or small groups of units). A case in the case study method is always unique in its quality, and it does not necessarily be regarded as a sample from a bigger population (Schwandt & Gates, 2018) and its theoretical propositions or principles can be used to shed light on other situations (Yin, 2018).

The case study as a method has both strengths and weaknesses. With regard to its strength, the case study has been used by researchers due to its quality of in-depth and focused study of a phenomenon in its real-world context (Gerring, 2004). This type of quality is the main reason that encourages researchers to adopt the case study as its method. A lot of research in political studies has used case studies as a research method, and this method has also given researchers a lot of information about the world around them (Gerring, 2004, p. 341). Despite the fact that there has been much debate about the use of case studies as a method, the discipline of

political science, in particular, continues to produce a significant amount of research due to the method's strength (Gerring, 2004).

In addition to the strength quality of the case study, this method is best used in two types of research, which are research that focuses on how or why forms of research questions and when the research focuses on contemporary events (Yin, 2018). The explanatory types of research questions (i.e., why and how questions) in the case study method are used to gain a deep understanding of an event under study. In the context of this research, the case study method is used to gain more knowledge about the decisions and behaviour of political parties concerning the state subsidy. This research would like to understand what motivates political parties in Indonesia to increase the state subsidies to political parties and how their interests shape their motivations. In terms of the quality of contemporary events, this research employs the case study method due to the unique characteristics of democracies (i.e., the electoral system and political culture) under study as well as the availability of data concerning political finance itself. As has been emphasised by Yin (2003, p. 13), the need for contextual analysis is the essence of case study methods:

“A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context especially when the boundaries between phenomenon and context are not clearly evident”.

It is also worth noting that political finance research has generally been of the case study type in approach. If we look back to our previous discussion in chapter 2, we found that the case study method has been used in the majority of political finance research. This is because the studies were mainly focused on finding an explanatory answer on how effective the candidates' spending was on their electoral performance. An extensive study of the effectiveness of campaign spending on elections in the US, Britain, Canada, Australia, Japan, Brazil, and several other countries could be used as evidence (as was discussed in the chapter 2). In addition to these in-depth single case studies, comparative case studies have also been used in the study of party finance, as evidenced by the work Koß (2011), Clift & Fisher (2004), van Biezen (2000), van Biezen & Kopecký (2008) and Scarrow (2004, 2007).

The fact that case study research dominates political finance research could be argued to be a weakness. Particularly if the criticism is linked to the issue of generalization. One aspect that has sparked much debate among academics is the method's ability to generalize findings from small-N samples to a broader understanding of a population. For example, Toshkov (2018) asserts that this method provides little basis for scientific generalization because it uses a small number of samples (in some cases, only one sample, $n=1$).

However, if we consider one of the method's primary strengths, that this method is more effective for gaining a deeper understanding of a unique and contextual social phenomenon, the use of case study as a method could be considered advantageous. It is even possible to argue that the use of the case study method is an advantage that we can gain from the collection of research on political finance. Furthermore, each democracy has a unique political system and political culture. As a result, it would be difficult to impose a single theory on all democracies to explain their political finance regimes. It is also similar to Scarrow's (2007) assertion that political finance researchers face at least two challenges, namely the significant difficulty in collecting data on political financing and the lack of agreement among scientists on the generality of concepts that can be accepted and compared to every democratic country. Therefore, she further pointed out that research on political finance has been "by their nature more focused on national experiences than on cross-national generalizations" (Scarrow, 2007, p. 195).

Scientists have also proposed several possible solutions to the generalisation problem. So, despite the existing criticism, the case studies method can still contribute to the overall body of knowledge. Denzin and Lincoln (2018) propose four strategies that researchers can take to address the problem of generalisation. For starters, researchers can disregard the question of generalisability because it was not the goal that prompted them to conduct a study. As Denzin and Lincoln put it, "the case is simply the case" (Denzin & Lincoln, 2018, p. 609) that it can be used to understand a phenomenon or to propose solutions to problems encountered by the researchers.

Secondly, researchers can assert that the case they choose is representative of a larger group of cases because it is typical or unremarkable (Denzin and Lincoln,

2018). When it comes to determining whether a particular case is representative of the population, there are at least two approaches that can be used. To begin, the case can be chosen using the statistics method. It is predicated on the premise that “the case should stand for a population” (Seawright & Gerring, 2008, p. 306).

Researchers can then use the statistics method to select a case using one of several approaches, including typical, diverse, extreme, deviant, influential, most similar, or most different (see Seawright & Gerring, 2008). Alternatively, in the second case, the researcher must first determine what constitutes “being typical” before choosing a case that matches that set of characteristics (Denzin & Lincoln, 2018, p. 609).

Thirdly, researchers can use a concept known as naturalistic generalisation to answer questions about generalisation (Denzin & Lincoln, 2018). Naturalistic generalization is a generalization process that is based on the researcher's personal experience with the phenomenon being studied, allowing the reader to feel as if they are inside the phenomenon being studied.

Finally, generalization can be accomplished through the use of the analytic generalisation principle (Denzin & Lincoln, 2018) or theoretical generalisation using congruence analysis (Blatter & Haverland, 2012). In principle these two terms refer to a similar understanding that theory is used as a framework for analysing the phenomenon being studied. According to Yin (2014), researchers employ “a carefully posed theoretical proposition... [that] can take the form of a lesson learned, working hypothesis, or other principle that is believed to be applicable to other situations” to generalize case studies with a small number of cases (Denzin & Lincoln, 2018, p. 610).

Blatter & Haverland (2012) elaborated on the same idea, stating that in theoretical generalization, researchers can compare several theories relevant to the phenomena under investigation, and generalizations can be made by drawing conclusions based on the explanatory power of existing theories. Therefore, using these two terms (analytic and theoretical generalization), a case study can be generalized by following the explanatory power of existing theories, which is expected to explain other phenomena related to the theory used. This approach's principle is diametrically opposed to the statistical generalization commonly

employed by quantitative approaches (Blatter & Haverland, 2012; Denzin & Lincoln, 2018).

Because this research is not a problem-solving study (as discussed in proposition 1), nor is it intended to provide a broader understanding regarding party finance in the global context (a representative sample of the population as discussed in proposition 2), nor is it conducted using the participant observation method (naturalist generalization as described in proposition 3), this thesis uses fourth propositions, which are theoretical or analytical generalization, to answer the question of generalization. The Indonesian case is connected to the theories and approach employed in this study.

The first is that this thesis uses the rational choice approach to explain why actors want to receive state subsidies for political parties by contrasting two existence theories: the Katz and Mair's cartel party model and the Scarrow's electoral economy model, both of which were discussed in Chapter 2. In the discussion of state subsidies for political parties, this study compares four explanatory powers from the two theories (see Table 3.1) to explain the preference of political parties in Indonesia. Second, the following section will explain why Indonesia was chosen as the subject of this study.

3.1.1. Why Indonesia?

Indonesia was selected as a case study for two reasons:

Firstly, this research argued that Indonesia can serve as a good example to “disconfirm a deterministic proposition” (Dion, 1998 cited Seawright & Gerring, 2008, p.302) about the party finance regime in the new democracy. Theoretically, van Biezen (2000) contends that the scarcity of fund led political parties in new democracy to rely on state funding to survive. In contrast, this thesis argues that the scarcity of fund seems to have no direct impact on the adoption of state subsidies to political parties. Utilising the rational-choice institutionalism approach, the scarcity of fund will affect the structure of choice and information (incentives) available to political parties. The parties then evaluate these incentives when they discussed the proposal to increase the state subsidies to political parties in Indonesia.

According to van Biezen (2000), new democracies such as Spain and Portugal chose to fund their political parties through government subsidies. This is what it means to be "typical" (Denzin & Lincoln, 2018, p. 609) in a new democratic country when it comes to political party financing. This is particularly pertinent to how new democracies decide on the course of their political financing policies. Indonesia was chosen because it provides a unique characteristic that disproves van Biezen's theory.

Second, aside from Indonesia's unique experience of financing political parties at the beginning of its democratisation, there are other factors that can support the argument that Indonesia is important in the global discussion of political finance, such as:

- a. Indonesia was chosen due to the characteristics of its newness and the continuity of democracy within the country. It has been argued that Indonesia, as the largest Muslim nation, is one of the democracies in Asia which has not only survived, but also managed to improve significantly despite the decline in the number of democracies around the globe prior to 2011 (Carothers, 2009, p. 6; Mietzner, 2012, p. 209). The democracy in Indonesia is also reasonably stable compared to other new democracies. Some problems exist such as corruption, weak law enforcement, inefficiencies of institutions; etc. However, its decisive move toward democracy by introducing direct elections both in the national and local level, increasing the freedom of expression and limiting the army's role both in politics and economic activity has been praised as an important achievement in Indonesia's democracy (Carothers, 2009).

The reasons for this are arguably due to economic modernization and the minimum risk of ethnic cleavage (Aspinall, 2015, p. 890). As for the economic modernisation, while it is debatable that not all economic modernisation will lead to democratisation, scholars has been argued that it is one of the factors which determines whether democracy could persist or not (Aspinall, 2015, p. 891; Teorell, 2010, p. 5). By way of illustration, the data on Indonesia's Human Development Index (HDI), as the most essential measure of economic modernization, shows that it has improved considerably by 14.5 per cent from 59 per cent in 1998 (when the democratization started) to 69% in 2014. This rapid

increase is considered better than many of its neighbours like Philippines and Thailand (Diamond, 2009) and it helps to understand why Indonesia's democracy is more stable than its peers in the region.

Indonesia has been praised as one of Asia's largest democracies, with ethnic fractionalization that is highly diverse (Aspinall, 2015, p. 893). Despite this diversity, Indonesia's democracy does not suffer from instability. The accommodating nature of Indonesia's democracy in the post-Suharto period, it is argued, aids in conflict reduction and democracy stabilization. The elite has adopted a series of inclusive policies to maintain stability, such as decentralization of power and financial resources to the districts as incentives for locals to develop their regions (Aspinall, 2015, p. 894).

Furthermore, ethnic diversity in Indonesia does not encourage political system divisions. In Indonesia, there are over 1000 ethnic groups⁵, with 15 ethnic groups accounting for 84.89 percent⁶ of the population (Ananta et al., 2013). However, unlike its neighbours Malaysia and Sri Lanka, Indonesia's political parties are not organized around ethnicities or regional characteristics. Malaysia, for example, has a political structure based on ethnic politics, with several ethnic-based comprising both the government coalition parties and the opposition coalition parties (Segawa, 2013). In contrast to ethnicity, Indonesia's political structure is primarily based on "aliran"⁷ competition, which ranges from political Islam to secularism, and within political Islam, there is also competition between traditionalist and modernist Islam (Andreas Ufen, 2008a).

Moreover, in order to promote equality, election laws mandate that each party have a nationwide presence in order to be eligible to run in elections, regardless of ethnicity. As a result, "regional and ethnic political parties are entirely absent from Indonesia's legislatures, except in the province of Aceh, which negotiated

⁵ In one record, it has been noted that there are 1331 ethnicities in Indonesia. See Ananta, Arifin, Hasbullah, Handayani, & Pramono (2013)

⁶ The 15 big ethnicities are consisted of Javanese (40.06%), Sundanese (15.51%), Malay (3.7%), Batak (3.58%), Madurese (3.03), Betawi (2.88%), Minangkabau (2.73%), Buginese (2.71%), Bantenese (1.96%), Banjarnese (1.74%), Balinese (1.66%), Acehnese (1.44%), Dayak (1.36%), Sasak (1.34%), Chinese (1.20%). See Ananta, Arifin, Hasbullah, Handayani, & Pramono (2013)

⁷ Aliran is called streams in English. This term is used by Clifford Geertz to describe the structure of Indonesia's party system in the 1950's which was deeply rooted around specific world views and social milieu.

an exemption to the national rules as part of a peace deal to end the separatist conflict there in 2005” (Aspinall, 2015, p. 895) and this distinguishes Indonesia’s democratic experience from that of its neighbours such as Malaysia or Sri Lanka where ethnic cleavage has been one of the reasons that undermines their democracy (Aspinall, 2015, p. 890). This once again demonstrates that Indonesian democracy is comparatively more stable than that of other newly democratic countries. As a result, by using Indonesia as a case study, it is expected to serve as a representative for other new democracies.

- b. Indonesia is also important in the discussion of party finance because it captures the dominant role of businesspeople in influencing the debate over party finance. The social class conflict approach of Robison and Hadiz (2004) and the theory of power resources of Jeffrey A Winters (2011) have both been used to examine the involvement of these business groups in Indonesian politics.

According to Robison and Hadiz (2004), Suharto's incubated business groups⁸ survive political liberalization by adapting to the new set of rules. These business groups were incubated using a set of economic policies that were originally aimed at strengthening the domestic economy following the oil crisis in the 1970s. The collapse of authoritarian rule in 1998 has not extinguished these business interests, but their power has found a new way to protect itself by exploiting ill will within Indonesia's newly democratic institutions. In fact, they "continue to be the key determinant of how private wealth and social power is accumulated and distributed" (Hadiz & Robison, 2013, p. 35).

Meanwhile, according to Winters (2011), Indonesia's political and social formation has been shaped in favour of powerful businesspeople (oligarchs⁹) due to extreme material inequality. He points out that oligarchs' wealth-defence strategy has changed in order to protect their fortunes. The pattern adopted during the Suharto period is termed as “Sultanistic oligarchy”, in which the oligarchy was directly protected under the Suharto's regime as a leader who controlled almost all form of the power resources (Winters, 2011), whereas the pattern followed after Suharto's fall is known as "electoral ruling oligarchy,"

⁸ They term these business groups as politico-business oligarchy

⁹ Winters defines the oligarchy as “the politics of wealth defense” (Winters, 2013, p. 15).

where the oligarchy became an integral part of political life due to the weakness of civil society and rule of law (Winters, 2013).

Despite the fact that these arguments stem from two different perspectives, they both acknowledge the importance of material inequality in determining Indonesia's political orientation and its significant role in driving democratic transition in favour of business interests. In relations to political financing, the businesses nurtured during the New Order regime find new opportunities as investors since they own a big sum of capital (C. Chua, 2008). Even though the democratization has been running for almost two decades, “the Indonesian economy remains dominated by the massive conglomerates that had first risen to prevail over the heights of the Indonesian economy under the protective embrace of the Suharto regime” (Aspinall, 2015, p. 897).

They have not only survived the democratization, but they have also institutionalized themselves as major sources of funding for emerging political parties. As has been put by Winters (2013, p. 19), “The oligarchs have the money, media empires, networks, and positions in the parties (or the resources to create new ones) that allow them to dominate the new democratic system and pursue strategies of wealth defence outside the political theatre”. Considering these two reasons has made Indonesia important in the discussion of political finance. That there are many factors to consider when determining a new democratic country's political financing regime, such as whether political parties should rely on state funding or private funding based on business donations, as happened in Indonesia. Furthermore, the thesis contends that in a newly democratic country, a scarcity of funds in party financing does not directly make political parties reliant on the state fund. Other economic and political factors may influence the actor's preference for how political parties are funded.

- c. Finally, we saw in Chapter 2 how research on political financing is dominated by the experience of developed countries such as the United States, Canada, Western European countries, and Australia. Assuming that developed democracies' experience with political finance differs from that of developing democracies, it is empirically important to determine whether Western models can be applied in a reasonably stable new democracy like Indonesia.

3.2. The data collection techniques and the analytical instruments

We have already discussed the benefits of using case study methods to delve deeper into a specific and unique phenomenon in order to provide a deeper understanding regarding the practice of party financing in a new democracy like Indonesia. In this section, we will demonstrate how this research collects the data required for the subsequent analysis process. In general, elite interviews will be used as primary evidence in this study. As additional sources of data, this study draws on information from the media and previous studies. And the rational choice approach is then used to analyse the data.

3.2.1. The data collection: elite interviews and documentary sources

In order to investigate the motives of political elites when they choose to accept or to deny public funding, the multiple participants involved in the thinking/doing process under study are interviewed. It is critical to complete this task. This is because our understanding of actors' preferences for financing their political parties cannot be based solely on assumptions. That motivation needs to be empirically tested. To this end, this study compares two main theories: whether actors' preferences are primarily motivated by a desire to maximize revenue on the one hand, or by a desire to improve electoral performance on the other.

This study conducted elite interviews to obtain data to analyse this motivation. I interviewed a speaker of the House of Representatives (DPR) and several elites from the House of Representatives' leading parties (including Democrat Party; Golkar Party; Prosperous Justice Party (PKS); National Mandate Party (PAN); United Development Party (PPP); Great Indonesia Movement Party (GERINDRA); National Democrat (NasDem) Party). Respondents from political parties were chosen based on their position in political parties or their involvement in the debate over political assistance in Parliament. Respondents for the former came from the political party central office, either as a vice chairman, treasurer, or chairman of a special field within the central office. As for the latter, respondents were chosen by considering their status as members of the House of Representatives commission 2, where the discussions of political assistance were held.

Using elite interviews as the primary data source, this research interviewed ten political elites from seven of Indonesia's nine parties (the winner of 2019 election) (see Table 6.3), including the Democrat Party (1), the Golkar Party (1), the PKS (3), the PAN (2), the PPP (1), the GERINDRA (1), and the National Democrat Party (1). This study classified these ten parties into three broad categories based on their number of parliamentary seats, which are as follows:

1. Large parties with more than 70 seats, such as PDIP (128 seats), GOLKAR 85 (seats), and Gerindra (78 seats),
2. Medium parties with 41-70 seats, such as Nasdem (59 seats), PKB (58 seats), Democratic party (54 seats), PKS (50 seats) and PAN (44 seats).
3. Small parties with fewer than 40 seats, such as, PPP (19 seats).

When conducting the interview, one of the primary goals is for the respondents chosen to be able to explain the expertise required to answer the thesis question. All respondents provided a range of responses, allowing their responses to be compared using Scarrow's (2004) model of electoral economies, both in terms of politics and economics.

The interviews were done by using semi-structured interviews with open-ended questions. The main reason for using semi-structured interview in this study was because of their flexibility and versatility (Magaldi & Berler, 2020). This method allows researchers to stay focused on specific themes they want to investigate while also allowing them to explore new topics that arose during the interview as a result of participant responses. Another advantage of this method is that it allows interviewers to delve deeper into the information they require by establishing rapport with the participant through a natural conversation (Galletta, 2013; Leech, 2002; Rubin & Rubin, 2011). This method is also commonly used in elite interviewing (Leech, 2002), which is one of the primary data sources for this study.

Semi-structured interviews are a middle ground between unstructured and structured interviews because they allow researchers to test hypotheses while also allowing them to gain new perspectives during the interview (Leech, 2002). In terms of the former, unstructured interviews can help researchers enrich their data by allowing them to generate new ideas during the interview. They are less reliable as a data

source, however, because comparing the data is difficult. As for the latter, while structured interviews are useful for hypothesis testing, the use of closed-ended questions by researchers may cause them to overlook important information that should be asked of respondents (Leech, 2002). Semi-structured interviews, on the other hand, allow researchers to obtain “detail, depth, and an insider's perspective, while at the same time allowing hypothesis testing and the quantitative analysis of interview responses” (Leech, 2002, p. 665). In contrast to the structured interview, this method allows the interviewer to ask follow-up questions based on the responses of the participants, allowing researchers to obtain clearer information and avoiding misunderstandings if respondents express themselves in ways that researchers do not understand (Seidman, 2006).

To focus the interview questions, this study uses four main themes extracted from two theories that compare respondents' perceptions of revenue, political circumstances, public attitude, and economic circumstances (see Table 3.1). By reflecting on these four main themes, several basic questions are then developed. However, while there are some key questions to help focus discussions and interviews can yield relevant information, this does not imply that interviews become rigid. As previously stated, follow-up questions can be developed in response to the responses of participants to the main question asked in order to make interviews more natural and flow in a conversational style. This allows the interview to delve deeper into the participants' information and enrich the new side of the question that can be included in the next interview.

However, one disadvantage of this method is that there is a new aspect of the question that was not asked to the previous respondent, so the new data cannot be compared to the previous data. In order to address this issue, this study conducted interviews in two stages. Some new ideas from the first stage of the interview have been added to the question in the second stage interview. Although each interview will always yield a new idea that cannot be compared to previous data, it is expected that conducting a two-stage interview will solve the problems mentioned above.

In addition to the elite interviews, this study draws on other sources of information, such as media reports on Indonesian political finance between 2004 and 2019. Several Indonesian as well as international media outlets were used in the study.

Some examples of media including Kompas, Republika, DetikNews, Kontan, CNNIndonesia, and the BBC. Our selection of media outlets was based on their well-known dedication to journalistic ethics. The information from the media coverage was used as a complementary data to support the argument presented in this thesis. This thesis also incorporates data and information from reports, books, and journals pertaining to the topic of political financing in Indonesia. These documentary sources came from the Corruption Eradication Commission (KPK) reports and journals, LIPI (Indonesian Institute of Sciences) journals, PERLUDEM (Association for Elections and Democracy) books and reports, ICW (Indonesian Corruption Watch) reports, and international accredited journals.

3.2.2. Qualitative data analysing

The information obtained from interviews is organized into themes. The themes are then classified into four groups, as shown in Table 3.1, and then analysed using the rational choice institutionalism approach. To begin, this study considers whether the respondent values increased revenue or electoral advantage more. In the first situation, the actor is expected to maximize fund fulfilment, albeit far beyond what is needed. On the other hand, the second point of view predicts that actors will only do fundraising when it is absolutely necessary to support their electoral performance.

Second, this study investigates whether political circumstances influence political parties' decisions regarding the adoption of state subsidies. If the actor's primary motivation is to maximize funds, this model predicts that political competition will have no effect on the actor's decision to refuse or accept financial assistance from the state. It will be different if actors use electoral economics as their primary motivation. The actor's stance on subsidy policy will be influenced by existing political circumstances. It is expected that they will not let the policies chosen to interfere with their electoral performance because the policies are deemed anti-people. These political circumstances will be related to their assessment of voter perceptions, which will be the study's next point of analysis.

Third, this study also asks whether public opinion influences a party's decision-making process. This third point predicts that the party will exercise extreme caution when making policy decisions. Although fund fulfilment is beneficial to a party's

performance, if it undermines public trust in the party, actors in the second view are expected to prioritize electoral interests over fund fulfilment.

Finally, this study inquires whether the party's financial situation influences their decision to accept state subsidies. In this model, the revenue-maximizing viewpoint predicts that actors will support state aid policies even if their capital is adequate. This is consistent with the cartel's theory that state subsidies are required to sustain the formation of political cartels that have evolved into state parties or public utilities (Katz & Mair, 1995; van Biezen, 2004). Meanwhile, in the second viewpoint, because it is driven by the need for funds, it is expected that parties will support the same policies to support their electoral performance, even if it is potentially negative for the party in the long run.

The data from participants are mapped into revenue-maximizing or electoral economy views using Scarrow's (2004) categorisation, as shown in Table 3.1. The results of the data analysis will be presented in chapters 5 and 6.

Table 3.1. Political finance goals: predictions generated by different interest definitions

<i>Revenue-maximizing view:</i> money as an end in itself	<i>Electoral economy view:</i> money as a means to an electoral end
1. <i>More revenue is always better</i>	1. <i>More is better only if it creates an immediate electoral advantage</i>
Example: A candidate will actively fundraise beyond what is needed for the current campaign	
2. <i>Political circumstances do not matter</i>	2. <i>Political circumstances matter</i>
Example: Large parties will not try to penalize smaller parties unless the overall payoff is fixed	Example: The less likely a party is to influence the outcome of legislative reforms, the more likely it is to endorse popular reforms that would reduce its own revenues.
3. <i>Public attitude does not matter</i>	3. <i>Public attitude matters</i>
Example: Parties will ignore unfavourable recommendations by independent advisory committees	Example: After scandals, parties may back reforms which reduces their expected income

<i>Revenue-maximizing view:</i>	<i>Electoral economy view:</i>
money as an end in itself	money as a means to an electoral end
4. <i>Parties' economic circumstances do not matter</i>	4. <i>Parties' economic circumstances matter</i> Example: Parties with immediate financial shortfalls may be more willing to endorse rules that bring immediate benefits but are coupled with long-term liabilities

Source: Scarrow, S. E. (2004). *Explaining Political Finance Reforms: Competition and Context*. pp 658

3.3. Conclusion

This chapter has laid the groundwork for the methodology that will be used in this study. To summarize, this chapter has covered some important aspects of the methodology used in this study. First, this study employs a case study method to generate a more in-depth discussion of the experience of financing political parties in a newly democratic country like Indonesia. In addition to this case study method, this study uses Indonesia as a research subject for two main reasons: Indonesia's experience is arguably different from the existing theory and the newness and the continuity of Indonesia's democratic experience as the world's largest Democratic Muslim country, which is reasonably stable in comparison to other Asian countries. Second, as a data source, this study employs semi-structured interviews as well as documentary sources.

The data are then analysed using the rational choice approach by comparing two theories, namely the revenue maximization view and the electoral-economy view. This analysis will be covered in detail in chapters 5 and 6. In the following chapter, I will first discuss the state of party finance in Indonesia in the aftermath of political reforms in 1998. This is significant as a foundation for understanding how the discourse on political party financing evolved from the early days of political liberalization in 1998 to the agreement to increase the amount of state aid for political parties in 2015.

4.Indonesia's Party Finance in the post-Suharto Era (1999-2014 elections)

This chapter examines the situation of political finance in Indonesia following the country's 1998 democratic transition. The topic is divided into two parts. First, this chapter examines the situation of Indonesian democracy following the 1998 reform. It examines the evolution of the party's system from the 1999 election through the 2014 election. This chapter next examines how this party structure influenced the development of party fundraising restrictions between 1999 and 2014. This chapter argues that Indonesian party funding has always been a balance between private donations and rent-seeking activities by party members since the 1999 elections. As a result, the term political cartel is insufficient to characterise the financing of Indonesian political parties.

4.1. Democratization in the Post-Suharto era: Re-evaluating the idea of cartel party

Following the 1998 political reforms, various studies sought to explain the evolution of Indonesia's party systems. These include the party system's inter-party competition (Mietzner, 2008), the institutionalisation of political parties (Tan, 2006; Andreas Ufen, 2008b), and the impact of corruption and rent-seeking activities on Indonesian party systems (Allen, 2014; Ambardi, 2008; Slater, 2004). Concerning the latter, Ambardi (2008) and Slater (2004) suggested that Indonesia's party system has devolved into a cartel party system as a result of rent-seeking actions within the parties. However, it might be argued that the type of cartel party in Indonesia is not the case, particularly in terms of how the parties are funded. This first section, therefore, re-evaluates the prevailing typology of political parties in Indonesia (the cartel party typology) by looking at the type of parties in regards of how they are financed. To put the discussion into a theoretical context, we shall employ Hopkin's (2004) typology of party systems depending on how they are funded.

In regard to party financing, especially from the experience of political parties in Western Europe, Hopkin (2004) differentiated four types of political parties into the clientelistic mass party model, the externally elite party model, the self-financed elite party model, and the cartel party model. The clientelistic mass party model is a form of the mass party model facing the problem of declining party membership and also the free-riding type of members who do not contribute to finance their party. To overcome the problem of scarcity of funding due to the high cost of the campaign and the organization that grows bigger, this party model will then exploit the state's resources by utilizing their clientelistic relationship between public office and the grass roots. Rent seeking behaviours can be done, for instance, by allocating state jobs, public contracts, or allocations of welfare benefits to the members or their family members. And this type of party is very likely to emerge when the state bureaucracies are still underdeveloped (Hopkin, 2004, p. 632).

In regard to party financing, Hopkin (2004) distinguished four types of political parties based on their experiences in Western Europe: the clientelistic mass party model, the externally elitist party model, the self-financed elite party model, and the cartel party model. The clientelistic mass party model is a variant of the mass party model that addresses the issue of diminishing party membership as well as free-riding members who do not contribute to the party's financing. To address the problem of a shortage of money due to the high cost of the campaign and the developing organisation, this party model would then use the state's resources, exploiting their clientelistic relationship between public office and the grass roots. Rent-seeking behaviour can be done, for example, by awarding state positions, public contracts, or allocating welfare benefits to members or their family members. And this type of party is likely to emerge when the state bureaucracies are still underdeveloped (Hopkin, 2004, p. 632).

The elite party model addresses the issue of financing by allowing private donors to participate in party funding. It can be done by relying on external or internal resources (Hopkin, 2004, pp. 632–634). Turning to external funders is one of the rational ways that political parties can pursue given the increasing political costs associated with the more modern campaign strategies used by political parties. However, the presence of external donors in financing political parties raises

potential issues that parties must avoid. Bribery, corruption, or other unethical behaviour is quite likely, which might harm the reputation of political parties. In addition to relying on external donors for party financing, this “top-heavy” type of elite party can also rely on self-financing as a mode of funding, which usually comes from the party chairman's personal wealth (Hopkin, 2004, pp. 634–635). Similar to the externally financed elite party, this self-financed elite party model also has the potential to be very biased towards policy outcomes. The policies, therefore, are made in order to protect the interests of the party donors.

Finally, another strategy used by political parties to compensate for a lack of funds is to form a cartel party that relies on the state as its primary source of income (Hopkin, 2004, pp. 635–636). Unlike the other modes of political party above, this cartel party model is made up of multiple political parties that work together to exploit the state's resources. Political parties grow more dependent on the state as a result of this party model, and their relationship with citizens becomes more tenuous and tangential. When elections are held, the party appeals to the populace, but their voices are drowned out after the elites are elected and gain control of state offices. Because this cartel party controls state resources, political competition is hindered and hurdles to entry are formed, making it difficult for new parties to enter the system. Therefore, the parties that are opposed to this system are usually aggressive and against the system (Hopkin, 2004, pp. 635–636).

Table 4. 1 Type of Party Finance Model based on Hopkin (2004)

	The Clientelistic Mass Party	The Externally Financed Elite Party	The Self-Financed Elite Party	The Cartel Party
Source of Funding	1. Contribution from party members (minimum) or 2. Exploiting State Resources	Private contribution	Self-financing elite (the elite own and finance his/her party)	Public (state) funding
Problems	1. Free-riding members (refusing to contribute to the party) 2. Declining of party membership	1. Policies' sale 2. Bribery, corruption	1. Strong private interest in their policy outcomes 2. Party as the vehicle to protect	1. Forming cartels to secure state funding (Depending on the state)

	The Clientelistic Mass Party	The Externally Financed Elite Party	The Self-Financed Elite Party	The Cartel Party
	3. Citizen's alienation from the political party (Declining of party ID)		its corporate interest	2. New parties cannot enter the system 3. Opposition is from aggressive anti-system party 4. Undermining the competition 5. Detachment from electorates

Source: This table was made from the summary of Hopkin, J. (2004). The Problem with Party Finance: Theoretical Perspectives on the Funding of Party Politics. *Party Politics*, 10(6), 627–651.

Ambardi (2008) highlighted that the term “cartel party” was utilised differently in Indonesia's political system than the definition of cartel party used by Katz & Mair (1995). As with the latter, the cartel party is defined as a new type of political party that emerges as a result of its interactions with the state. One of the implications of the relationship is the funding of political parties is taken directly from the state budget. Because of the growing high cost of democracy, the state has become the primary funding option for political parties. This eventually drives political parties' reliance on the state to the point that political parties form a cartel system among themselves to protect the primary source of funding for their organisations, while also preventing new political parties from entering a stable cartel system. In contrast to the cartel party theory, Ambardi (2008) used the cartel party framework to describe the rent-seeking and corrupt behaviour of the Indonesian political elite following the 1998 political reforms. As he said, that “it goes beyond Katz and Mair by specifying the source of cartelization in the state's non-budgetary funds, which encourage political parties to perform illegal rent-seeking activities because these funds are not intended for financing the parties”(Ambardi, 2008, p. iii).

While it is understandable that the concept of cartel party used by Ambardi (2008) in the case of Indonesia was important to capture the nature of party competition that performs illegal rent-seeking activities, using this concept of cartel party to describe how the parties are actually financed could be misleading. In the following, this

section will explain several reasons to support this argument, which are: first, following the political reforms in 1998, parties have been mainly funded by private contributions rather than state subsidies. Second, the benefits of rent-seeking practices which have been done by the elites do not contribute to financing the party. Third, the rise of personalism supports the reason that illegal financing activities are carried out to finance self-interest compared to political parties' ones. Fourth, the relationship between business and political groups is mainly personal relations instead of institutional ones, thus the money invested by business groups is generally for personal reasons rather than for financing political parties in general.

4.1.1. Private contributions for political parties

The 1998 political reform is seen as an important catalyst that increased people's political engagement. This can be seen, for example, in the establishment of 148 political parties following the fall of the Suharto dictatorship. Furthermore, public's excitement for democratic politics is demonstrated by the fact that the largest number of parties participated in the 1999, 2004 and 2009 elections, namely 48 parties, 24 parties, and 38 parties, respectively. Not only the general public, but also business conglomerates, seized this opportunity. As a result, scholars have emphasized the critical role of private contributions in Indonesian politics (C. Chua, 2008; Robison & Hadiz, 2004; Winters, 2011, 2013).

Private contributions to political parties are theoretically possible in two ways: through the establishment of self-financed elite parties or through the sponsorship of externally funded elite parties (Hopkin, 2004). In the Indonesian case, conglomerates can be seen as either passively funding political parties (Aspinall, 2013; Robison & Hadiz, 2004) or actively participating in politics by providing money for dowries (*uang mahar*¹⁰) to be nominated by political parties as candidates for legislative or executive elections. This is consistent with Hopkin's definition of an externally funded elite party (2004). Alternatively, some others choose to become directly involved in politics by founding new political parties. These conglomerates not only finance the

¹⁰ Dowries (or in Indonesian is known as *uang mahar*) is culturally known as a sum of money that husband gives to his wife when they marry. In the recent discussion of 171 regional direct elections in June 2018, La Nyalla Mattalitti (Chairman of East Java Chamber of Commerce and Industry) claimed to have been requested IDR 40 billion (GBP 2 million) by Gerindra Party Chairman Prabowo Subianto as *uang mahar* (dowries) for his nomination as governor of East Java. See (Tempo, 2018)

self-funded elite party, but also control the national media (where 96.6 percent TV stations are owned by only 5 oligarchies) (Winters, 2013) (see table 4.2).

Chua (2008) argues that post-Suharto billionaires hedged their political bets by diversifying their political funding. This was done to address the issue of business protection uncertainty, particularly now that the conglomerate's business interests are no longer protected by a primary patron. Tomy Winata, one of the billionaires, confirmed this, saying, "Up to now businessmen do not want to be seen as supporting just one party ... You cannot put all money on one horse, because the uncertainty of winning is too high" (C. Chua, 2008, p. 126). Tomy Winata, owner of the Artha Graha Group, not only invested in every political party in Indonesia, but he also found a new political partner (Chua, 2008, p. 125).

James Riady is another conglomerate that funds this type of elite party. As Chua (2008, pp. 124–125) explains, Riady is one of the conglomerates that actively promotes itself as a strategic partner to the government, hoping to emulate Liem Sioe Liong, founder of the Salim Group, who served as the New Order's primary strategic partner. He, for example, supported General Wiranto for president. However, because Habibie was nominated as the new president following Suharto's demise, Riady rapidly turned his allegiance to the new president (C. Chua, 2008, p. 124). Riady was also suspected of assisting Susilo Bambang Yudhoyono in winning the 2004 presidential election (Winters, 2013). (see table 4.2). Apart from Riady, Anthony Salim, who succeeded his father, Liem Sioe Liong, as head of the Salim Group, was also another conglomerate who managed to find their partners in politics (Chua, 2008, p. 125).

The relationships between business and political groups occur in all political parties (Robison & Hadiz, 2004, p. 214). And the involvement of conglomerates in political parties does not only come from Chinese business groups, but also from conglomerates of *pribumi* (indigenous). Golkar, for example, is a party that has maintained its status as one of the country's leading parties and is backed by a large number of businessmen (C. Chua, 2008, p. 78).

Two indigenous conglomerates, Jusuf Kalla and Aburizal Bakrie, backed the Golkar party following the 1998 political change. Jusuf Kalla held the position of Vice

President twice (2004-2009, 2014-2019). And Aburizal Bakrie was a Minister from 2004 to 2009 and the chairman of Golkar's party from 2009 to 2014. As shown in Table 4.2, these two conglomerates contributed to Susilo Bambang Yudhoyono's 2004 election victory (Winters, 2013).

Fuad Bawazier was another example of businesspeople getting involved in politics. He was a close ally of Suharto's and served as his final Finance Minister. Not only did he become a PAN member during the 1998 democratisation, but he was also suspected of financially supporting PAN activities (Robison & Hadiz, 2004, p. 232). Additionally, there was also Arifin Panigoro, who was also alleged of financing the PDI-P (Robison & Hadiz, 2004, p. 232) along with Taufik Kiemas, the husband of PDIP Chairperson Megawati Sukarnoputri (Robison & Hadiz, 2004, p. 214).

Additionally, several conglomerates organize and finance their own parties in the form of self-funded elite party. For example, Prabowo Subianto founded his own political party (the Gerindra party) in 2008 and co-financed it with his brother Hasjim. Surya Paloh, the owner of a media conglomerate that controlled 36% of Indonesian television, established his own party, the NasDem party, in 2011. Additionally, Susilo Bambang Yudhono founded the Democratic Party with the assistance of several conglomerates in 2001, eventually becoming a conglomerate himself (Winters, 2013, p. 27). Hary Tanoesoedibjo also did the same thing. Following his support for President Yudhoyono (Table 4.2), he joined Surya Paloh's NasDem party in 2011, then moved to the Hanura Party in 2013 before establishing his own party, the Perindo party (Indonesian Unity Party) in 2015 (Kompas, 2015a).

Taking all of these facts into account, the elite party type, both externally and self-financed, is a more accurate description of the type of party in terms of finances than the cartel party type.

Table 4. 2 Indonesia's Oligarchic Democracy

Politician	Oligarch	Oligarch Bakers	Media	Own/Bought Party
Aburizal Bakrie (11% of TV)	Yes	Self	TVOne, ANTV, Visi Media Asia, Vivanews.com (Anindya)	Yes (Golkar)

Politician	Oligarch	Oligarch Bakers	Media	Own/Bought Party
		Dahlan Iskan (also SBY links)	Jawa Pos Group (Radar, TV Network)	
Susilo Bambang Yudhoyono (27% of TV)	Hidden (Yes)	Budi Sampoerna, Sunaryo Sampoerna, Ramadhan Pohan	Media Nusa Pradana (<i>Jurnal Nasional</i>)	Yes (Democrat Party)
		Chairul Tanjung	Trans Corp (Trans TV, Trans 7), Detik.com	
		James Riady (Peter Gontha)	Lippo Media, Berita Satu Media Holding (<i>Suara Pembaruan, Jakarta Globe, Investor Daily, BeritaSatu.com</i>)	
		[2004 Aburizal Bakrie, Jusuf Kalla]		
		Squeezed Chinese		
Surya Paloh (36% of TV)	Yes	Self	MetroTV, Media Indonesia	Yes (NasDem)
Prabowo	Yes	Self Hashim (Brother)	Trying to buy TV Stations	Yes (Gerindra)
Wiranto	Yes	Self (Cendana?)	-	Yes (Hanura)
		Hary Tanoesoedibjo (had SBY links, then Surya Paloh links)	MNC Group, RCTI, Global TV, MNC TV, Sindo Radio, Seputar Indonesia, Okezone.com	
Megawati	Hidden	Taufik Kiemas Arifin Panigoro	-	Genetic (PDIP)
Jusuf Kalla	Yes	Self	-	Yes (Golkar 2004, 2014?)

Source: Winters, J. A. (2013). "Oligarchy and Democracy in Indonesia". P. 28

4.1.2. Rent-seeking activities by the elites hardly contribute to finance the party

As previously stated, Ambardi (2008) stated that the spoils accrued by elites through illegal rent-seeking activities were not intended to finance the party. Rather than that, it goes into their own pockets, as they invested a significant amount of money in the campaign. Once they have the office, they must recoup their investment. According to Mietzner (2015, p. 591), one 2014 legislative candidate stated, “as I now have to beat a rival from my own party, elections have become more expensive and more complex; my party asked for money, but at the same time, I have to fund my own campaign too”. While candidates disclosed the value of in-kind contributions to parties, they retained cash contributions for themselves (Mietzner, 2015, p. 591). As a result, these cash contributions are never included in expenditure reports.

Suspicion that donations to candidates are being funnelled into the candidate's personal pocket arise, as does the issue of accountability for the campaign finance reports that parties submit each election cycle. Not only in the campaign funds reported in the 2004 elections (Tempo, 2006), but also in the 2019 elections, suspicion of candidates being dishonest in reporting these funds continues (Kompas, 2019b).

The weakness of the law that regulates elections might be the reason to investigate. Since Law Number 12 of 2003, which regulated the 2004 legislative elections, to Law Number 7 of 2017, which regulated the 2019 elections, it is stipulated that the election participants are political parties (Kompas, 2019b). Meanwhile, the electoral system has shifted the focus of the campaign away from the parties and toward the candidates. Accountability for campaign finance reporting has become ineffective as a result of the law's designation of parties as election participants. Meanwhile, it is actually the candidates who receive and spend the campaign funds. Hence, it needs to be evaluated. As one of the legislative candidates above stated, while party cadres report their campaign funds to political parties, they retain a portion of the campaign funds.

As discussed previously, donors' contributions to parties should provide them with a guarantee of profit, i.e., protection of their own business. This will be significantly

easier to accomplish if the relationship remains personal rather than institutional. According to Mietzner (2015, p. 595), the PDIP treasurer stated in 2006 that “many donors express their reluctance to give a donation to the party as an organization because they cannot be sure how – and by whom – their contribution will be spent”. On the other hand, because the electoral system places the financial burden on candidates rather than political parties, some politicians prefer to raise funds privately. While some donations are reported to the parties, others may not be, as discussed previously. The following section will discuss the issue of personalism in Indonesia's democracy.

4.1.3. The Rise of Personalism

The 2004 elections marked the beginning of a new era in Indonesian democracy. Not only are the president and vice president directly elected by the people for the first time (Law No. 23/2003), having previously been elected by representatives in the legislative (MPR, *Majelis Permusyawaratan Rakyat*, the People's Consultative Assembly), but the electoral system has also shifted from a party-centred to a candidate-centred system. This is governed by Article 6 of Law No. 12/2003, which states that parliamentary member elections must be held in a proportional system with an open list.

According to Tan (2006), personalism has been a key factor in Indonesian politics, particularly during the 2004 national elections and the 2005 regional elections. Since then, the electoral system has continued to employ an open-list proportional system to elect members of parliament in the 2009, 2014, and 2019 elections, raising concerns about personalism. Because this system has made candidates more important than political parties in winning elections, the importance of candidate personalism is becoming more essential than the role of political parties.

This makes sense for a number of reasons. To begin with, the level of party identification in Indonesia is relatively low. In fact, comparing party identification between two elections suggests a weaker association between political parties and voters in the 2004 and 2009 elections. Party identification dropped from 60 percent in the 2004 election to roughly 22 percent in the 2009 elections (Mujani & Liddle, 2010, p. 41). This implies that the electorates have no strong affiliations to the

political parties (Mujani & Liddle, 2010, p. 41). This low level of party identification is exacerbated by the highest level of corruption perception for political parties, with respondents perceiving political parties as the most corrupt institutions in Indonesia in 2013, with a score of 4.3 (on a scale of 1-5, where 1 means not at all corrupt and 5 means extremely corrupt) (Global Corruption Barometer, 2013).

Second, because political parties have a negative reputation among the people, candidates have used personal traits such as social, political, and cultural capital to increase their election success (Mas 'oed & Savirani, 2011, p. 91). Voters typically have stronger bonds with politicians than with political groups. They can use cultural capital to exploit qualities such as their educational quality and connections, for example, in a clientelistic sense. They can use political capital to leverage their experiences as student activists who advocate for others in need. And through social capital, they can leverage their social embedment with the society they want to represent (Mas 'oed & Savirani, 2011, p. 91).

The growing concern about personalism in Indonesia's democracy could signify two things. First, personalism may imply that people appreciate the qualities of politicians as individuals rather than their membership with political parties. As a result, the emergence of personalism in the framework of the elite-voter connection has resulted in the de-institutionalization of political parties. Second, the growing worry about personalism may lead to capital owners developing a tighter relationship with politicians rather than political parties. As argued by Mietzner (2007, p. 250) "None of those funds [donations from entrepreneurs] ever made it to the treasury [of political party], of course, with top leaders instead using the money to establish personal patronage networks within the party". This implies that, as we will see later, the interaction between business and political parties is mostly personal rather than institutional.

4.1.4. A New Form of Politico-Business relationship

Concerning the discussion of political finance in Indonesia, scholars have suggested that the country's democratic transition after 1998 was accompanied by certain changes in the pattern of governmental and business relationships (C. Chua, 2008; Fukuoka, 2012, 2013; Robison & Hadiz, 2004). The key reason is the growing

number of “patronage-driven career politician” in the Indonesian political system (Fukuoka, 2012, 2013). After a very long concentration of power (for 32 years) in the hands of the Suharto regime, the fall of the Suharto in 1998 opened up a wider access for many to join in politics. Following this fall, the number of political parties increased considerably from three to 148, despite the fact that only 48 parties ran in the June 1999 election.

During the New Order, the interaction between businesses and politicians had exclusively kept the former out of the arena of political activities (Robison & Hadiz, 2004). Because the corporate group did not have direct access to politics, they had to go through the state bureaucracy to establish connections. Suharto, as a patron, benefited his networks financially by selecting them to lead state-owned firms or by shielding them through a set of regulations. However, with the fall of the Suharto government in 1998, both business groups and state bureaucrats who had previously enjoyed a plethora of financial benefits and protection had to alter their relationships with the new democratic system. This was accomplished, as previously said, by positioning themselves as the government's strategic partner, by donating to political parties, or by establishing their own political vehicles. As a result, it has been stated that political parties in the post-Suharto period “...have been less a vehicle to advocate contending policy agendas than machines for the capture of the terminals of patronage” (Robison & Hadiz, 2004, p. 232).

This growing phenomenon of entrepreneurs-turned-politicians aided in the transformation of state-business ties following the fall of the Suharto administration (Fukuoka, 2012; Reuter, 2015). According to Fukuoka (2012), the fall of the Suharto administration permitted the transformation of the state-business relationship from a “patrimonial administrative state” to a “patrimonial oligarchic state.”

Traditional leadership takes precedence over the rule of law in a patrimonial state. This is because those in authority in this type of state find it easier to maintain their followers' loyalty by serving their financial interests via the patron-client mechanism. In the case of Indonesia, it has been asserted that this type of relationship began

during the Guided Democracy¹¹ era, was institutionalized during the New Order era, and has persisted into the post-Suharto era (Crouch, 1979; Fukuoka, 2012).

The contrast of power between bureaucratic elites and business groups is the distinguishing feature between the types of patrimonial between before and after the Suharto administration. During the New Order era, the former had an edge over the latter since Suharto's dictatorship kept business groups (dominated by Chinese ethnicity) outside of the political realm. This form of patrimonial is known as a "patrimonial administrative state" (Fukuoka, 2012). Meanwhile, following the fall of Suharto's government, the latter groups had a relatively stronger advantage than the former, resulting in the formation of a new type of patrimonial state known as the "patrimonial oligarchic state" (Fukuoka, 2012). This growing number of businesses involved in politics has superseded the major function of bureaucratic elites, as the former have direct access to political matters and are no longer dependant on the latter (Fukuoka, 2012).

Despite the fact that the political pendulum has swung in favour of business groups, the characteristic of post-Suharto Indonesia demonstrates continuity rather than discontinuity of the patrimonial characteristic. In this regard, Indonesia's democratic transition is comparable to Russia's democratic transition. Before the Soviet Union's demise, the growth of Stalinism in the 1920s was frequently described as the re-emergence of patrimonial characteristics that were prominent in Russia in the 17th and 18th centuries (Bach, 2011). The patrimonial type that existed at the time was sometimes referred to as neo-patrimonialism. This word is frequently used to refer to a combination of Weber's traditional authority and rational-legal authority in which patrimonial values coexist with modern values (Erdmann & Engel, 2006). This neo-patrimonial can be classified into three sorts of forms (such as bureaucratic, oligarchic, and sultanistic) based on where the locus of power sits (state, businessmen, or megalomaniacal leaders, respectively) (Hanson, 2011). Prior to the democratic transition, the locus of power was in the hands of Stalin, resulting in his kind of patrimonial being known as the patrimonial bureaucratic state (Bach, 2011). Following the democratic transition in 1990, Russia faced the same problem as

¹¹ Guided democracy is a term which has been used to describe the characteristic of Sukarno's leadership as the first president of Indonesia.

Indonesia, namely "state capture," in which the state was controlled by a minority group of business conglomerates known as oligarchic patrimonialism (Bach, 2011).

Following the 1998 political changes, the changing structure of relationships between business groups and politicians has made the former's position in Indonesian politics increasingly essential. The reform in the voting system, which expands people's roles in politics, has also fostered the establishment of a new interaction between business groups and politicians. Donations from businesses are becoming an important source of funding for the elite parties. Furthermore, the option to participate in politics created new opportunities for business groups to form their own political parties, establishing self-funded elite parties.

4.2. Party Financing in Indonesia: Between Private donations and Corruptions

After suggesting for the use of the term "elite party" rather than "cartel party" to describe the financing of Indonesian political parties, this section will examine how democratisation affected the evolution of party financing policy in the post-Suharto era. Contrary to the practice of political parties in new democracies, as demonstrated by van Biezen (2000), political parties in Indonesia appear to rely more on private funding than on state funding.

However, the private sector contributes significantly to political finance in Indonesia through shadow financing, which involves the illegal funding of activities carried out by party elites for their personal gain. The discussion will be divided into three parts: the role of private contributions in financing political parties, the occurrence of scandals that encourage state financing of political parties, and a discussion of state subsidies.

4.2.1. A Central Role of Private Contributions on Party's Funding

The law governing political party financing in Indonesia has undergone numerous revisions. The first was Law No. 2 of 1999, which was subsequently repealed and replaced by Law No. 31 of 2002, Law No. 2 of 2008, and Law No. 2 of 2011. Since 2002, Indonesian law has regulated three significant sources of funding for political parties: membership dues, contributions, and government subsidies. The only distinction was in the 1999 Law, which stated that, in addition to the three revenue

streams mentioned previously, political parties may engage in other legal business (see Article 12 Law No. 2 of 1999).

Despite the fact that the law regulates these three forms of funding, some scholars contend that, with the exception of private donations, the other two types of fundraising are ineffective in funding political parties (Faisal et al., 2018; Junaidi, 2011; Mietzner, 2007, 2015; Surbakti & Supriyanto, 2011). In terms of membership fees, practically all political parties do not collect them, despite the fact that it is required by law and is also outlined in the Statutes and Bylaws of Political Parties (Junaidi, 2011, p. 83). The reason for this is twofold. The first is identical to the one that political parties face in almost all democracies. That is, in a utilitarian sense, as discussed by Hopkin (2004), regular party members' contributions are not believed to have a significant effect on the benefits they will receive (Junaidi, 2011, p. 85).

Parties in Indonesia have only successfully implemented member contributions through salary deductions from party members who have won legislative and executive elections. On the one hand, membership dues that are only paid by a portion of members (through salary taxation) might bolster the number of free-riding members in political parties while also encouraging corrupt behaviour. On the other hand, these members are obligated to donate to the political parties that have served as their vehicles for political office.

Second, along with the absence of incentives to pay membership dues, the majority of regular members, like many other Indonesians, do not feel obligated to contribute to the party. This is because they believe that it is the party's responsibility to fulfil social commitments to society through the provision of money, jobs, food, and healthcare, and not the other way around. (Mietzner, 2015, p. 592).

Concerning state subsidies, as will be discussed later in this chapter, the level of subsidies which have been given to political parties is considered very small. These insufficient subsidies have also been exacerbated by regulations that limit the use of state subsidies only to political education (60 percent) and office administration costs (40 percent). Meanwhile, the biggest expenditure is always for campaign purposes (Mietzner, 2015, p. 594). As a result of the lack of funds, private donations play a significant role in party fundraising. As previously stated, political parties in Indonesia

follow one of two models: they either rely on external finance provided by business groups or they rely on personal funding provided by the party's elites in the form of a self-funded elite party.

The law governing political parties provides that legal contributions to political parties may be made by people or business entities, each with its own contribution limit (see Table 4.3). However, accountability is a significant issue that political parties in Indonesia have been confronted with. Numerous factors cast doubt on the recording of these contributions.

To begin, major donors typically divide their contributions into multiple fictitious names in order to avoid their contributions being recorded, or they may divide their contributions between several firms in order to stay inside the limit (Husodo, 2012, p. 29). For example, in 2004, the Election Oversight Committee (PANWASLU) disclosed fictitious contributors who made donations to presidential candidates Mega-Hasyim (IDR 11 Billion) and Yudhoyono-Kalla (IDR 3.5 Billion) (ICW, 2004; Tempo, 2004). This is particularly the case when rules require contributors to give their tax identification number when making donations, particularly to campaign funds. As a result, donors are hesitant to record their names in order to keep tax authorities from learning about their genuine financial condition (Mietzner, 2015, p. 596).

Second, large contributors frequently make donations to political parties through intermediaries (Junaidi, 2011, p. 92). Initially, major contributors make direct contributions to elected party officials. Following that, these funds are transferred to political parties. However, the status of the donations is modified to indicate that they are made by a party member rather than a private donor. Alternatively, donations are made surreptitiously to political parties in order to avoid them being recorded in the political party's financial accounts (Junaidi, 2011, p. 93). The reason for this is because personal relationships make it simpler for contributors to patronise their customers in times of need, either to protect or expand their business earnings. The illegal activities of party officials have resulted in various corruption scandals, which have prompted the party to seek financial support from the state. This will be discussed in further detail below.

Table 4.3 Donations' limit on Individual and Business

	Law No. 2 of 1999	Law No 31 of 2002	Law No. 2 of 2008	Law No.2 of 2011
Limit of Individual Donation (per year)	IDR 15 Million (GBP 750 ¹²)	IDR 200 Million (GBP 10.000)	IDR 1 Billion (GBP 50.000)	IDR 1 Billion (GBP 50.000)
Limit of Business Donation (per year)	IDR 150 Million (GBP 7500)	IDR 800 Million (GBP 40.000)	IDR 4 Billion (GBP 200.000)	IDR 7.5 Billion (GBP 375.000)

Source: All of regulations above is taken from the official website of Ministry of law and human rights Republic of Indonesia: <https://www.peraturan.go.id/>

4.2.2. Corrupt behaviours from the elites (political scandals) in Indonesia's party finance

Theoretically, a consensus among political parties as a precondition for the establishment of public subsidies may be sparked by an existing discourse on political corruption (Koß, 2011). This relevance of political scandal in advancing party finance rules is consistent with Clift & Fisher's (2004, p. 682) theory of institutional change, which said that "an increase in political scandals associated with party finance will provide a spur for changes in regulation". This theory implies that the scandal perpetrated by those in authority will result in a disjunction between promises and realities; between the values expected and the deeds demonstrated. As a result, "the greater the disjuncture, the greater the chance of change" (Clift & Fisher, 2004, p. 681).

In the case of Indonesia, three political scandals were cited as justifications for the state's financial support of political parties. The first two scandals, Bulog-gate and Brunei-gate, led in the 2001 approval of state financing to political parties. The other was the Century scandals and other elites' corruption in 2011, which prompted the KPK to suggest an increase in political support at the end of 2016. Given that this chapter is devoted to the topic of party finance up to the 2014 election, the discussion of the 2011 scandals, which have an impact on future discussions regarding state assistance increases, will be covered later in Chapter 6.

¹² Exchange rate used is 1 GBP = 20.000 IDR

The scandals of Bulog-Gate and Brunei-Gate

Bulog-gate and Brunei-gate were two political scandals that President Abdurrahman Wahid was accused of prior to his impeachment. The term "Bulog" refers to the Indonesian Bureau of Logistics (Badan Urusan Logistik). Bulog-Gate was a word used to refer to President Wahid's claims of embezzling non-budgetary funds from the bulog (USD 5 million) (ICG, 2001, p. 7). Meanwhile, Brunei-gate refers to the suspected corruption of USD 2 million in aid payments from Sultan Brunei Darussalam via President Wahid's inner circle. These two funds were used to support Aceh's development. Although President Wahid denied all claims and the Attorney General's Office (*Kejaksaan Agung*) likewise said that President Wahid was not involved in each case, these controversies were used by parliament to investigate the president and ultimately resulted in his dismissal (ICG, 2001).

The two major scandals opened a window of opportunity for parliament to bargain with the government over public subsidies. Despite the fact that the majority of political parties in Indonesia demanded that the government formalise the possibilities for state subsidies prior to 2001, this consensus alone was insufficient to support state subsidies. Subsidies were available only until President Abdurrahman Wahid was accused of political scandals prior to 2001. This disjunction compelled the president to support the parliament's proposal for public subsidies to political parties. As has been put by Mietzner (2007, p. 243), "Only in his last days in office, when he already faced dismissal by the MPR (*Majelis Permusyawaratan Rakyat*, People's Consultative Assembly), did Wahid issue a Government Regulation on Financial Assistance of Political Parties (PP 51/2001)...to appease the parties that were about to impeach him..".

The existence of a scandal in Indonesian politics indicates that political competitiveness between players is a significant factor driving the usage of state subsidies to assist in financing political parties in the country. This is consistent with previous research, which indicates that agreement between parties is critical for the adoption of state funding for political parties (Köß, 2011). However, this does not mean that political party competition has ceased (Piccio, 2014).

Prior to the first ratification of laws in 2001, there was a lengthy political battle between the executive and legislative branches. When President Wahid was elected

president in 1999, he lacked a sizable foundation of support in parliament. In comparison to his vice (Megawati Sukarnoputri of the PDI-P), his party (PKB) holds only 11% of the parliamentary seats, whereas Megawati's party holds up to 33%. As a result, in order to establish a stable administration, he forged a broad coalition known as the rainbow cabinet (*kabinet pelangi*), which included the seven major parties and six military leaders (ICG, 2001).

Despite the coalition's vulnerability, President Wahid challenged the parliament on numerous occasions (Mietzner, 2007). He disregarded several of the parliament's policy recommendations, including the legislation governing public support to political parties, resulting in deteriorating relations between the president and the parliament (Mietzner, 2007). Eventually, the political competition between the President and the parliament found its end when the parliament succeeded in articulating the issue of corruption, which was addressed to the president. Consensus between parties is one of the reasons that political parties agreed to provide political assistance to political parties. However, a long and fierce political competition, utilising the issue of scandals, between actors is a reason that needs to be considered in the discussion of party funding in Indonesia.

4.2.3. State Subsidies in Indonesia

In terms of state subsidies, various legislation has been enacted to subsidise political parties in the post-Suharto era. To begin, the government issued government regulation No. 51/2001, the first systematic plan for public subsidies for political parties. This regulation established eligibility for the subsidy on the basis of a party's vote share in the 1999 elections. By enacting this regulation, the government determined the value of one vote to be GBP 0.05. As a result, the government allocated GBP 5.2 million (in total)¹³ to support political parties in exchange for 105 million votes¹⁴ (see table 4.4). By comparison, subsidies were disproportionately distributed to five major parties, with 33.74 percent, 22.44 percent, 12.61 percent, 10.71 percent, and 7.12 percent going to the Indonesian Democratic Party of Struggle (PDIP), GOLKAR Party, National Awakening Party (PKB), United

¹³ Total state subsidies for political parties in 2001 was IDR 105 billion (GBP 6,176,470.59). 1 GBP equivalent 17.000 IDR.

¹⁴ Total votes in the 1999 election was 105.786.661 votes.

Development Party (PPP), and National Mandate Party (PAN), respectively. Meanwhile, subsidies ranged from 1.9 percent to 0.03 percent for the remaining 43 parties, with the top receiving GBP 120 thousand and the lowest receiving GBP 2 thousand. With this much money received by every party (even the smallest parties which had no representative in parliament), compared to the amount of assistance provided by the state from 2004 to 2014 (we will explain this below), this scheme of state subsidies is considered as the most generous subsidies in the history of Indonesia's party financing (Mietzner, 2007).

Table 4. 4 State Subsidies and the 1999 Election Results

Ranking	Political Parties	Votes	Percentage of Vote	State Subsidy
1	Indonesian Democratic Party-Struggle (PDIP)	35.689.073	33,74%	£ 1.784.454
2	Golkar Party	23.741.749	22,44%	£ 1.187.087
3	National Awakening Party (PKB)	13.336.982	12,61%	£ 666.849
4	United Development Party (PPP)	11.329.905	10,71%	£ 566.495
5	National Mandate Party (PAN)	7.528.956	7,12%	£ 376.448
6	Crescent Star Party (PBB)	2.049.708	1,94%	£ 102.485
7	Justice Party (PK)	1.436.565	1,36%	£ 71.828
8	Justice and Unity Party (PKP)	1.065.686	1,01%	£ 53.284
9	Nahdlatul Ummat Party (PNU)	679.179	0,64%	£ 33.959
10	United Party	655.052	0,62%	£ 32.753
11 to 47	The rest	8.233.235	7,78%	£ 411.662
48	People's Choice Party	40.571	0,04%	£ 2.029
	Total	105.786.661	100%	£ 5.289.333

Source: Data on election is taken from General Election Commission (KPU), <http://www.kpu.go.id/>.

The second law governing political party financing was enacted in 2005, when the newly elected president (Susilo Bambang Yudhono) issued a new government regulation (No. 29/2005) repealing the previous rule. This law specified that the state subsidies would be counted using a seat-based system rather than a vote-based system. This rule threw several parties into chaos, as the new counting formula reduced funding from GBP 6.2 million in 2001 to GBP 577 thousand¹⁵ in 2005 by nearly 90% (Mietzner, 2007, p. 245).

¹⁵ Total state subsidies for political parties in 2005 was IDR 11.5 billion (GBP 577 thousand). 1 GBP equivalent 20.000 IDR.

However, there was only a hazy justification for this new regulation. As Mietzner (2007, p. 245) argued, fiscal concern could not excuse this choice because the cut saved only 0.01 percent of the national budget in 2006. The government noted merely that this legislation was consistent with the 2002 modification to the political party statute. Following Wahid's impeachment in 2001, his successor, Megawati Sukarnoputri (2001–2004), immediately began revising Government Regulation No. 51/2001. This was prompted by complaints that the regulations had enabled even the tiniest party without a representative in parliament to obtain funding (Mietzner, 2007, p. 244). The most plausible explanation for this choice is that the government believed that state subsidies would exacerbate the problem of rent-seeking behaviour rather than assist political parties in becoming well-institutionalized (Mietzner, 2007, p. 245).

Given the difficulty of rationalising this cut, it is not surprising that the government did not anticipate the cut wreaking havoc on the financial health of the parties. Rather than eradicating political parties' rent-seeking behaviour, it has been argued that this cut drive political parties to seek alternative sources of income (Mietzner, 2007, p. 244). Political parties have attempted to finance themselves in any way possible, including by utilising state institutions (Mietzner, 2007).

In reaction to the detrimental effects of this cut, the government reinstated the vote-based methodology with the issuance of new government regulation No.5/2009 and Kepmendagri¹⁶ No.212/2009. However, the identical counting formula did not result in the same amount of subsidies. By comparison, prior to 2005, political parties could earn up to IDR 1000 per vote (GBP 0.05), but new restrictions enacted in 2009 and 2012 valued each vote at IDR 108 (GBP 0.005). In response, following the 2014 elections, the government (Joko Widodo (Jokowi) as President for 2014-2019 and 2019-2024) committed to reintroducing a major increase in public subsidies for political parties, up to ten to twenty times the previous level (Kompas, 2015c). The increase was approved in 2018, and the following two chapters (chapter 5 and 6) will cover these subsidies in further detail.

Table 4. 5 Party Finance Laws in Indonesia

¹⁶ Kepmendagri is a law that is issued by the Ministry of Home Affairs.

	Government regulations No. 51/2001	Government regulations No. 29/2005	Government regulations No. 5/2009 and Kepmendagri No.212/2009	Government regulations No. 1/2018
Counting Mechanism	vote-based	seat-based	vote-based	vote-based
Price	IDR 1000/Vote (GBP 0,05)	IDR 21 Million/Seat (GBP 1050)	IDR 108/Vote (GBP 0,005)	IDR 1000/Vote (GBP 0,05)
Eligibility	Every party participating in the elections	Every party in the parliament	Every party in the parliament	Every party in the parliament

Source: All of regulations above is taken from the official website of Ministry of law and human rights Republic of Indonesia: <https://www.peraturan.go.id/>

4.2.3.1. Lessons from the implementation of state subsidies in a variety of democracies

This sub-section discusses the experience of Spain, Italy, and France with state subsidies for political party financing. Comparatively, the evolution of party finance laws tells us several critical lessons, including the importance of scandals in promoting regulatory reform and the persistence of illicit funding in financing political parties or elections.

Spain

Since the democratic transition began in Spain, the state has historically subsidized political parties (van Biezen & Bertoa, 2014, p. 87). Government funding was not, however, the only source of funding for political parties. Rather than that, Spain has opted for a mixed public-private system, owing to the inadequacy of state subsidies to finance political party activity (especially for election purposes). Additionally, private contributions are made because the subsidy is restricted to non-election activities and is available only to parliamentary parties (Gillespie, 1998). Private donations were mostly made by banks, and this arrangement worked well until 1985, when the parties' debt ballooned as a result of the banks' loans. As a result, in 1985 and 1987, the government implemented the first reform, increasing political party funding.

This increased share of state subsidies, however, did not deter parties from engaging in illicit financing. During the 1990s, a series of major scandals occurred. These controversies had put the Socialist government in a difficult position, compelling the government to revise the party's fundraising procedures. According to Heywood (1996, p. 115), it has been “widely seen as Spain's most serious political crisis since the attempted military coup of 1981..” which “...generated a sense of near panic in government circle”. In terms of party finance, the scandals have swayed public opinion on government subsidies, alienating political parties as citizens' representatives and transforming them into “self-serving lobbies” (Gillespie, 1998, p. 88).

Italy

Politico-finance scandals have played a part in Italy legal reforms. In the case of Italy, there were potentially two waves of party finance law revisions that adjusted for Hopkin's (2004) three types of party organisations¹⁷. Prior to 1974, when state subsidies were implemented, the majority of Italian parties were funded by clientelistic mass party techniques. Several of these techniques are characterised by the fact that parties employ intensive labour strategies and that each party pledges financial benefits once political power is achieved (Hopkin, 2004, pp. 631–632). The use of this illicit transaction to fund political parties sparked the discovery of party financing scandals in the early 1970s, which was followed by the introduction of state subsidies to political parties.

However, the introduction of state subsidies in Italy did not result in the abolition of illicit finance. At the time, the party organisation may be classified as an externally financed elite party, as the party relied on private donations despite receiving a sizable amount of governmental funding. Favours are exchanged by awarding public contracts to the private sector in exchange for remuneration (a bribe) to a political party. This corrupt system sparked other scandals in the early 1990s, resulting in the second change of party funding rules, which reduced public payments. Following this, some parties disbanded and reformed due to their inability to survive due to a

¹⁷ There are four type of party organization strategies which party can chose in order to meet their financial needs. They are the clientelistic mass party model, the externally financed elite party model, the self-financing elite party model and the cartel party model. See Hopkin (2004).

shortage of cash within the party. One political party then opted for the third method, relying on a self-financed elite party, as Silvio Berlusconi founded and self-financed Forza Italia (Hopkin, 2004, p. 634).

France

Indonesia's history of back-and-forth adoption of state funding also reminds us of France's experience with state funding. As Clift & Fisher (2004) and Koß (2011) have emphasised, the introduction of state support for political parties in France occurred only after 1988. Nearly two decades ago (between 1970 and 1988), despite the introduction of 29 party financing regulations, none of the policy proposals were executed properly (Clift & Fisher, 2004, p. 683). This could be because of the lack of consensus between political parties at the time (Koß, 2011, p. 179) or it could be because of the period's dominating value of voluntarism (Clift & Fisher, 2004, p. 687).

State funding was successfully implemented for the first time in 1988. It is suggested that the circumstance that precipitated this shift was the existence of a corruption scandal that received widespread media coverage. This controversy precipitated the change of normative institutions from a *laissez faire* to an *etatiste* orientation (Clift & Fisher, 2004, p. 690). Alternatively, it is suggested that this transformation occurred as a result of political parties consenting to adopt public funding. In contrast to its German and Swedish counterparts, where consensus was formed on the basis of the parties' strategic objectives, the French consensus was regarded weak, having been built mostly through discursive means on political corruption (Koß, 2011, p. 203).

As previously said, the presence of scandal in France, Italy, and Spain may result in the strengthening of state subsidies. Following the 1988 corruption crisis in France, the state gradually increased its subsidies to political parties. Since then, the state has altered the legislation multiple times, increasing the amount of subsidies in order to discourage corporate organisations from engaging in unlawful financing (Clift & Fisher, 2004, p. 686).

Indonesia's experience demonstrates that mere agreement between political parties was insufficient to establish public assistance. Political competitiveness, which may

include the use of the scandal issue, is a significant aspect in the debate over political financing reform. State subsidies in 2001 were not implemented until President Abdurrahman Wahid was hit by two major scandals. This decision to accept the state subsidy system was deferred until the president's alleged corruption scandals led in the impeachment of parliament in February 2001. This incident provided the biggest impetus for the parliament to win its political competition, which resulted in the adoption of substantial public subsidies in 2001.

Regarding the possible impact of state funding on reducing corruption, a comparison of state subsidies in Spain and Italy demonstrates that adopting state subsidies does not guarantee that all shortcomings, such as illicit funding activities in party finance, will be resolved¹⁸. However, in the case of Indonesia, it is believed that state subsidies could potentially mitigate such behaviour. Although state subvention is often suspected as being vulnerable to corruption, the provision of money in an appropriate and legitimate mechanism can potentially solve the problem of corrupt behaviour (Mietzner, 2008). In addition, increasing a significant amount of state subsidies can potentially compensate the disadvantages of state subsidies or at least can lessen its negative impacts (Mietzner, 2007, p. 240). Therefore, it has been argued that by increasing the financial support from the state to the political parties as much as 30% of their need (Kompas, 2015d) can weaken the continuing dominance of oligarchic power in Indonesia's politic as well as minimizing the elite's corrupt behaviour (Kompas, 2015c). By increasing the amount of state subsidies to political parties, it is expected that the parties could optimally function as grassroots party instead of party of state (Mietzner, 2007).

4.3. Conclusion

To summarise, this chapter has explored a number of interconnected topics in order to put Indonesia in the context of political finance. It begins with an examination of the situation of party financing in 1998, when the democracy process began. Reassessing the notion of cartel party, which has been widely used in discussions of

¹⁸ There are large number of literature which have highlighted the shortcomings of state subsidies such as it is the proof of parties co-optation of the state (Maier, 1987); it encourage parties to collude themselves forming cartel of parties (Katz & Mair, 1995; van Biezen, 2004); it may jeopardise parties' organisational roots as representative and voluntaristic organisations (Lipow, 1996); it hinders the development of new parties (Katz & Mair, 1995); it discourage parties to increase their membership (Pierre et al., 2000); etc.

political parties in Indonesia, this chapter argues that in terms of how the party is financed, it may be more beneficial to utilise the concept of elite party rather than the former. Instead of being supported by the state, the parties have primarily relied on private contributions, either as an externally funded elite party or as a self-funded elite party.

In addition to the party system that is more prone to the pattern of the elite party, the political finance regime in Indonesia from 1999 to 2014 was always a battle between the dominant influence of private contributions on the one hand and the corrupt behaviour of the elite who used the clientelistic relationship on the other. This dishonest behaviour has resulted in a larger schism in the shape of a scandal, which has resulted in the introduction of public subsidies for political parties.

Despite criticism, the majority of democracies around the world have adopted state subsidies (Van Biezen & Kopecky, 2007, p. 245). Political assistance to political parties in Indonesia began in 2001. This is regarded as the most generous form of political support in Indonesian political party finance history. Not only was the amount of money significant, but so was the fact that it was granted to all parties that ran in the 1999 elections. However, in 2004, this considerable aid was drastically reduced, and very minimal political assistance was provided until 2014.

After ten years, the new government of President Joko Widodo recommended increasing financial support to political parties. After a period of ups and downs in the debate over the rise, the government finally adopted a new regulation in 2018 that restored political assistance to IDR 1000/Vote (GBP 0.05/vote). Thus, the question arises as to what factors influence the parties' attitudes on political finance reform. This topic will be covered in further detail in the following two chapters.

5. Internal Motivations for State Subsidies in Indonesia

This chapter discusses the internal incentives that political parties consider when deciding whether to approve the government's proposal in 2015 to increase political party state aid. These incentives will be explicated through a comparison of revenue maximization and electoral economy interests. By contrasting these models, this chapter argues that the state of a party's treasury is the primary factor influencing how Indonesian political parties perceive state subsidies. After examining their treasury, political parties determine whether additional state subsidies are necessary to resolve internal organizational problems. This will be discussed in greater detail in the sections that follow.

5.1. Treasury condition of political party

Comparing the revenue maximization and electoral economy perspectives on the party's treasury condition reveals a significant distinction between the two: in the former, the party's treasury condition is not the primary incentive for actors to approve state financial aid to the parties. Taking this view into account, regardless of the state of the party's treasury (whether in surplus or deficit), the accumulation of funds is always beneficial to the party. Not only can it bolster the party's position within politics, but its continued existence within the system is highly dependent on the amount of money they can extract from the state. As parties become increasingly reliant on the state, they collude and transform their organizations into "semi-state agencies", as the cartel theory predicted (Katz & Mair, 1995, p. 16). This will make it more difficult for new players to enter the system, thereby reducing competition. As a result, we would anticipate that parties will disregard their financial situation when discussing party finance reform policy.

However, in the electoral economy model, we anticipate a different behavior on the part of the party. Their actions will be driven by their assessment of both financial viability and electoral advantage. This perspective seeks to explain parties' attitudes toward their own and other parties' circumstances. As a result, if the party's financial situation is sound, it is expected that the party will not require additional state

funding. However, during times of crisis, parties can choose between improving their financial situation (from an economic standpoint) and enhancing their electoral advantage by opposing the adoption or enhancement of state funds. Table 1 summarizes these expectations.

Table 5. 1 The role of Party's Treasury Condition: Predictions generated by different interest definitions.

Revenue-maximising view: money as an end in itself	Electoral economy view: money as a means to an electoral end
Parties' economic circumstances don't matter Example: - The party will accumulate the fund, no matter their financial condition	Parties' economic circumstances matter Examples: - In time of Crises, parties may be more willing to endorse rules that bring immediate benefits (to increase the state subsidies to parties) - However, in term of politically competitive perspective, this model would predict that the party will oppose the subsidy (since this will be electorally more advantageous)

Source: This table was summarised from Scarrow, S. E. (2004). Explaining Political Finance Reforms: Competition and Context. *Party Politics*, 10(6), 653–675.

Economically speaking, the initial conditions affecting incentives for political parties in Indonesia when discussing state subsidies to political parties are non-functional sources of party financing. This is similar to the argument made by van Biezen (2000) in a case study of Spain and Portugal, that political parties adopt the state funding mechanism due to a lack of funds. The distinction between this thesis and van Biezen (2000) is that scarcity of funds does not directly encourage political parties to seek state assistance. By embracing rational-choice institutionalism, this thesis argues that funding constraints affect only the structure of available choices and information to political parties. The scarcity of funds has no direct effect on actor choices because actors are assumed to have fixed preferences and are always seeking to maximize their personal gain in this approach. The structure of choice incentivizes political parties to deliberate on their course of action.

In the case of Indonesian political party funding after 2014, we observe that political parties' behaviour toward state-provided political aid is difficult to discern, whether it is closer to the electoral economy explanation or to the revenue maximising explanation. Due to a cash shortage, political parties appear to be preoccupied with money, which means they will accept whatever funds are made available. To reach a

definitive conclusion about how a party views political aid, it is necessary to consider the political incentives that motivated the political finance reform, which will be discussed in Chapter 6.

However, by utilizing these two models, we can gain a better understanding of the internal motivations influencing the behaviour of actors engaged in discussions about political financing reform. To begin, the party's financial resources, which are derived from membership dues and voluntary contributions, do not function properly. On the other hand, parties must also incur a significant political cost in order to perform well during elections. The disparity between income and expenditure encourages parties to propose a greater share of fund assistance from the state. This will be discussed in greater detail below.

5.1.1. Party financial resources are not effective

5.1.1.1. Membership dues do not work as expected

There has been considerable debate over the most appropriate method of financing political parties. According to Hopkin (2004), funding strategies can be classified into three types: mass party models, elite party models, and cartel party models. Each method of financing has a number of advantages and disadvantages. Concerning the former, it is frequently assumed that political parties, as organizations that best represent their members' interests, are entirely self-funded by their members (Duverger, 1954). Due to the fact that the mass party model adheres to Duverger's (1954) definition of a mass party, in which all funds are raised through mass membership dues, it fosters both a strong sense of ownership and a strong bond between the organization and civil society.

However, as the party's organization and activities grow, and the party's membership steadily declines, the party's strategy must adapt to meet its financial needs. Additionally, because the model is incapable of providing incentives to all members, mandatory membership dues are impossible to enforce (Hopkin, 2004). The party may then rely on financial assistance from elites, forming the elite party model, or on financial assistance from the state, forming the cartel party model. While these last two models can meet a party's financial needs, the shift from a labor-intensive to a capital-intensive model has the potential to deteriorate the party's relationship with

the electorate. Electorate support can erode under the elite model if certain party elites become embroiled in scandals as a result of policy selling activities (Hopkin, 2004, p. 634). And under the cartel model, the relationship between the party and the electorate deteriorates, as this party system places a higher premium on survival in the cartel than on the electorate (Hopkin, 2004, p. 635).

Taking these models into account, although there are certain drawbacks to membership-based funding, as outlined by Hopkin (2004), it appears that the mass-party model is the optimal party funding model in terms of developing and maintaining grass-roots activities in society. This is especially true given Duverger's (1954) concept of mass party, which emphasises the interaction between party and civil society. However, it is vital to note that Hopkin's (2004) finance model differs from Duverger's (1954) stages of party development. In the case of the latter, it was stated that the mass party arose as a reaction to the elite party, which was solely concerned with the interests of a small group of elites.

In light of these three models in the context of Indonesia, the manner in which political parties developed party funding in post-Suharto Indonesia is distinct from that of Western European democracies. In Western Europe democracies, the establishment of the elite party or cartel party finance model was prompted by the need to adapt to changing circumstances. Western European political parties frequently used the mass party model, particularly in their early years (Hopkin, 2004). However, this finance model evolves into the elite or cartel model as a result of several impediments beyond the party's control, most notably in terms of financial demands.

In contrast to Western Europe's experience, Indonesian political parties adopted the elite party finance model following the 1998 political reform. This was accomplished through their close collaboration with business organizations. Political reforms in 1998 resulted in the birth of a slew of new political parties, the majority of which were financially self-sufficient and did not follow the mass party model. Parties that arose followed the elite party finance model, in which political parties were heavily subsidized by a small group of political elites, as discussed in the preceding chapter. As a result, despite being required by law, it has been unable to use membership dues to finance their political parties since inception.

In general, we discovered from the literature that a member can contribute to the party in at least two ways. To begin, all political party members must pay membership fees. Second, only those who sit in parliament must pay membership costs (i.e., the taxing of MP salaries). The law on political parties in Indonesia, as regulated by Law No. 2 of 2008 on Political Party (which was amended with Law No. 2 of 2011), has provided legal guidelines to every political party on how to finance their organisations. A party can meet its financial demands in three ways: through membership dues, private donations, and government subsidies. In addition to this rule, Law Number 7 of 2017 mandates that political parties eligible to vote in elections to have a minimum membership of 1000 individuals. Assuming that each member of a political party is required to make a monthly contribution to their party in order to support the fulfilment of party needs, this will undoubtedly benefit the party's performance.

Study, however, has found that membership fees are ineffective in practically all Indonesian political parties (Junaidi, 2011). This effectively means that no political party is enforcing this rule. According to table 2, no single party has ratified the Law's mandate for their internal regulations. The PKS was the only party that had instituted membership dues, while the others did not. This could be due to a widespread belief among Indonesians that it is not the responsibility of individuals to fund political parties. Instead, it is the responsibility of the party to help the people in ways such as distributing groceries or providing free health care (Mietzner, 2015, p. 592).

Table 5. 2 The Implementation of Membership Dues in Indonesia's Political Parties in 2011

Political Party	Level	Party's Regulations	Implementation
Democrat Party	National	Not exist	Not Implemented
	Local	Not exist	Not Implemented
Golkar Party	National	Not exist	Not Implemented
	Local	Not exist	Not Implemented
PDIP	National	Not exist	Not Implemented
	Local	Not exist	Not Implemented
PKS	National	Not exist	Had Implemented
	Local	Not exist	Had Implemented
PAN	National	Not exist	Not Implemented
	Local	Not exist	Not Implemented
PPP	National	Not exist	Not Implemented
	Local	Not exist	Not Implemented

Political Party	Level	Party's Regulations	Implementation
PKB	National	Not exist	Not Implemented
	Local	Not exist	Not Implemented
Gerindra Party	National	Not exist	Not Implemented
	Local	Not exist	Not Implemented
Hanura Party	National	Not exist	Not Implemented
	Local	Not exist	Not Implemented

Source: Junaidi, V. (2011). Anomali keuangan partai politik: pengaturan dan praktek.

Additionally, several political party officials explained in interviews that the dues-based membership system almost never works for all political parties. The majority of parties receive donations exclusively from members who hold government positions, whether in parliament or on the executive¹⁹. Only one party (the PKS) explained that their internal membership fee system works well²⁰. However, the amount of money collected is insufficient in comparison to the party's overall needs, which include administrative and political education, as well as election victory. While it is true that membership dues do not work in other democracies such as Western Europe (Hopkin, 2004), Indonesia's political parties do not follow this policy despite the fact that it is mandated by law.

In comparison, the United Kingdom's political parties, like those in other Western European democracies, have seen a decline in membership. Only after 2014 was it reported that political party membership had increased significantly, most notably in the Labour Party but also in a variety of other parties such as the Green Party and the Scottish Nationalist Party (Audickas et al., 2019; Scarrow, 2017). Although political parties in the United Kingdom have faced comparable challenges to those in the rest of Western Europe, the "voluntarist tradition" (Clift & Fisher, 2004, p. 695) toward the political party is the defining characteristic that distinguishes political parties in the United Kingdom from other political parties.

Despite a shift in donor motivations (Fisher, 1999a; Hopkin, 2004), voluntary contributions (including those from party members) continue to be the primary

¹⁹ Interview with Respondent 4, 12 August 2019.
Interview with Respondent 7, 28 August 2019.
Interview with Respondent 8, 31 August 2019.
Interview with Respondent 9, 4 December 2019

²⁰ Interview with Respondent 4, 12 August 2019.
Interview with Respondent 8, 31 August 2019

source of revenue for British political parties (Clift & Fisher, 2004, p. 683). Meanwhile, in Indonesia, each political party collects almost no membership fees. Despite the fact that political party legislation requires each party to collect membership dues, and despite the potential benefits, membership dues are simply ignored. In contrast to the United Kingdom, there is no tradition in Indonesia of donating to political parties. Rather than relying on the voluntary tradition of its members, it is expected of the political party to provide incentives to its members.

To compensate, Indonesian political parties have proposed taxing legislators' salaries (Junaidi, 2011; Surbakti & Supriyanto, 2011). According to Bolleyer & Gauja (2013) and Bolleyer & Trumm (2014), this activity is used by political parties as a means of obtaining access to state resources. Rent-seeking behaviour is inextricably linked to cartel party practices (Katz & Mair, 1995). As discussed in Chapter 2, rent-seeking operations are conducted in two ways in Indonesian politics: legitimately and illegally (Ambardi, 2008). When it comes to charging their members who sit in parliament, the parties operate within the bounds of the law.

The amount of money received from elected party members varies by party. There are parties that stipulate a donation of IDR 5 million (GBP 250) per person (for example, the Democrat and the Golkar); there are parties that stipulate a contribution of between 20% and 30% of the salary received in parliament (for example, the PDIP); some members' contributions range between IDR 10-12 million (GBP 500-600) per person; and other parties received as much as 10% to 25% from the PDIP (Junaidi, 2011, p. 87). However, the funds raised from the salaries of Members of Parliament are insufficient. It barely covers the central office's routine expenses, such as administration and energy, while the largest expense, campaign spending, remains unfunded²¹.

Confronted with the reality that parliamentarians must contribute to the party while also spending heavily on the campaign, some party members become involved in the practice of illicit funding. Money is obtained illegally in a variety of ways, including the practice of selling policies. This is typically accomplished through the sale of government projects, business licenses (for example, in mining, fishing, and

²¹ Interview with Respondent 4, 12 August 2019.
Interview with Respondent 8, 31 August 2019

forestry), export and import licenses, and so forth (Surbakti & Supriyanto, 2011, p. 22). Apart from this practice of policy selling, members of political parties engage in other forms of illicit funding. However, these will be discussed in greater detail in the following section, which will focus on the factors that contributed to the increase in political costs in Indonesia. Nonetheless, taking all of this into account, the parties agree that an increase in state political assistance will assist them in mitigating the negative effects of political party funding scarcity²².

5.1.1.2. A limited involvement of small donors in political donations

Another possible method of financing is to increase public participation in political party financing. Legally, this is also regulated in the aforementioned political party law, namely Law Number 2 of 2008 on Political Parties (which has been updated with Law Number 2 of 2011). These non-binding donations govern not only small donors, but also formal institutions (large donors) such as businesses, business entities, and so on. Additionally, this law regulates the maximum amount of nominal donations that each donor may make. This ceiling has also been raised several times, for example, from IDR 15 million (GBP 750) in 1999 to IDR 1 billion (GBP 50 thousand) in 2011. Meanwhile, the donation ceiling for institutions was increased from IDR 150 million (GBP 7500) in 1999 to IDR 7,5 billion (GBP 375 thousand) in 2011 (see table 4.3). Institutional contributions will be discussed in greater detail in the following chapter. This is because the practice of these donations raises the spectre of corruption, providing another reason for political parties to participate in the debate over state funding for political parties in Indonesia.

In regard to individual donations, it is hard to know for sure the number of donations made by individuals. There are two reasons for this. To begin, neither party has an official record of this type of donation (Junaidi, 2011, p. 90). Second, donors frequently prefer to keep their contributions private between themselves and the party's members (Junaidi, 2011, p. 91; Mietzner, 2015, p. 595). As discussed in Chapter 4, donors (particularly wealthy businessmen) prefer to maintain personal relationships. This is because it will assist them in nurturing the relationship's

²² Interview with Respondent 4, 12 August 2019.
Interview with Respondent 8, 31 August 2019

benefits when they are in need of them. Additionally, personal relationships are used to evade taxes (Mietzner, 2015).

Another issue confronting political parties in Indonesia is the general public's low level of engagement with political parties, including financial support. Even though the donation cap was increased, no personal donations ever exceeded the cap²³. As been cited by Mietzner (2015, p. 595) that “a 2012 poll found that only 1.3 percent of Indonesians had ever donated to political parties – in Canada, by contrast, that number was 20.6 percent in 2008”.

The minimum role of the community in financing political parties may be due to the low sense of attachment or ownership toward political parties (Party ID). According Ponce & Scarrow (2011) community involvement (small donors) in political party financing depends on two factors, namely the strength of partisanship within the community and the state incentives in tax policies. In the case of European democracy, Ponce & Scarrow (2011) found that most European democracies show strong partisanship toward political parties, which consequently means that it gives a lot of chances to improve the role of small donors in the funding of political parties.

The idea of massively involving small donors in the funding of political parties has been proposed or imposed in several democracies. In the case of Western Europe, like the UK and the Council of Europe, the policy was proposed to solve the problem of weakening links between the parties and their electorate (Ponce & Scarrow, 2011, p. 999). Meanwhile, in the case of the US, political donations have developed into a norm which is related to the strength of partisan attachment in the culture of US politics (Dalton & Weldon, 2005; Fowler & Kam, 2007). By this, an individual that has a strong affiliation with the Democrats or Republic tends to give more than an individual with a weaker partisan attachment (Fowler & Kam, 2007).

Political identity might be irrelevant to the big donors, as it happens not only in Indonesia but also comparatively in advanced democracies like the UK and in the US. As in the UK case, the business groups that have been major donors to the conservative party have differentiated their reach to the labour party as well (Fisher, 1997). This trend, however, has now returned to where almost all go to the

²³ Interview with Respondent 4, 12 August 2019

Conservatives (Reuters, 2015). This practice of dividing political donations into several “baskets” also happens in US politics. Heerwig & Murray (2019) demonstrate, for example, that corporate elites in the US are more politically active, unified and pragmatic. By politically unified and pragmatic, it means that the elites are donating their money to the same candidate as well as not only to the Republican but also to the Democrat (Heerwig & Murray, 2019, pp. 589&593). If we turn to Indonesia, we also found that the business groups have also put their donations into several baskets (C. Chua, 2008). This has been done because this is the most secure investment strategy to protect their interests, as has been discussed in the previous chapter.

With the fact that partisan attachment to political parties is still low (Muhtadi, 2019), this eventually impacts public donations, especially from small donors. The result is unfortunate because it creates a stronger role for corporates (big donors) within political parties. These reasons drive political parties to support the formulation of a gradual increase in political assistance by the state.

5.1.1.3. The unit price for party needs is unclear

As previously stated, the party financing method, which is based on membership dues and small donor contributions, does not perform as intended. This provides an incentive for political parties to support the government's proposal to boost political party state subsidies. While political parties have experienced funding constraints, they have also encountered another organisational challenge: the ambiguity around the unit pricing of party needs. This has been a significant hurdle for both the government and academics in determining the ideal values that should be provided by the state to ensure that political parties may at the very least perform their tasks properly and fairly. Not only are most parties unable to specify an accurate unit price for their non-campaign operations, but they also struggle to define the amount of money required to win elections.

This may be due to the nature of the campaign in Indonesia's elections that has been focused on the candidates. However, because the law requires parties to keep record of all campaign spending for both parties and candidates, they should have been able to identify their needs. The fact that they cannot provide the details eventually results in the rise of suspicion that the candidates or the parties may be

involved in illegal spending. The vagueness of parties' needs may explain the reasons behind the increase in campaign spending in the 2019 election (Perludem, 2019). When the candidates are never sure to what limit their campaign expenditures are enough, it makes them spend excessive money more than they actually need. Yet in a study conducted by the KPK (as one of the corruption eradication bodies in Indonesia), they found that there was no positive relationship between the amount of campaign spending and the opportunity for a candidate to be elected (KPK, 2016).

Comparatively, it is debatable when the KPK found no relationship between spending and the electoral success of candidates. In the case of the US and the UK, for example, the experience of spending efficacy in both countries results in a similar conclusion that spending matters in influencing electoral performance. In addition, its impact is more pronounced on the challenger's spending than the incumbent's one. In American tradition, despite the debate about the impact level between challenger and incumbent's spending, the conclusion is that more spending will lead to more votes, especially if it is done by challengers (A. Gerber, 1998; Green & Krasno, 1988, 1990; Jacobson, 1978, 1990; Levitt, 1994).

Meanwhile, in the UK, there has been a growing concern that the impact of money is not as direct as commonly believed, even though it still matters for electoral success (Fisher, 1999b, 2008, 2010). While it is true that it will be difficult to earn more votes without spending a significant amount of money, the nature of the interaction between those two variables is more sophisticated than X amount of money equals Y total of votes (Fisher, 2010, p. 800). Empirically, a study conducted by Sudulich & Wall (2011) confirms that the effectiveness of spending diversification is significantly positive in determining electoral success only when the level of spending is high, whereas for poorly resourced candidates, diversification of spending will harm their performance. It means that spending, whether it is direct or indirect, is effective when there is an abundance of funds available, which, in the end, will keep democracy as a costly governance system. Considering this, it is important that the political parties in Indonesia start to tidy their financial records. Not only will it help to reduce the increasingly high political costs in Indonesia, but it also helps to count the amount of state subsidies needed.

On one hand, the question of whether the amount of political assistance is sufficient or not may be related to how large the size of political parties. But on the other hand, due to the ambiguity surrounding political parties' financial needs, ascertaining the actual amount required by political parties is difficult²⁴. Even if state money is increased to IDR 10,000 (GBP 0.5) per vote, it may not be adequate to cover the operating costs of large parties. According to one party official, even if political support is increased to IDR 10,000 (GBP 0.5), it will be insufficient to fund his party's operational activities (administrative expenses)²⁵. However, minor increases in political help will greatly boost the performance of medium and small parties. This opinion was echoed by other party officials, who believed that increasing political support to IDR 10,000 (GBP 0,5), as recommended by the KPK, would satisfy the party's requests, including election-related activity²⁶. Thus, the parties' views on the size of subsidies are relative; regardless of how much money the state provides, it will undoubtedly be absorbed²⁷.

Taking this into consideration, economic analysis reveals that at this point actors' preferences for state financial support cannot be distinguished by their motivations. This is consistent with Scarrow's (2004) prediction that when political parties face a scarcity of financing sources, both the cartel and electoral economy models predict that players will support the provision of subsidies. And the primary reason for this is that political parties themselves are not transparent about how they finance their organisations. This behaviour not only makes it more difficult for parties to obtain an optimal state aid formulation, but also encourages the inclusion of illicit funding and spending activities by party members, as well as rent-seeking activities by parties in relation to state resources, as discussed in the previous chapter.

5.1.2. High Political Costs in Indonesia

Along with the inefficiency of money resources, political parties incur a high political cost associated with running their organisation during elections. This political cost is particularly relevant in terms of the expenditures made by parties or candidates

²⁴ Interview with Respondent 3, 8 August 2019

²⁵ Interview with Respondent 2, 24 November 2018

²⁶ Interview with Respondent 4, 12 August 2019

²⁷ Interview with Respondent 1, 31 July 2019

during elections. This section will explain how the high cost of political participation provides another reason for political parties to raise the amount of state money they get.

High political expenses are virtually inextricably linked to democracy. India, for example, was named the world's most expensive democracy in the 2019 election (BBC, 2019b). The expenditures made by all candidates throughout the election were much greater than those made by candidates in the 2016 US presidential and congressional elections (Bloomberg, 2019). In India's 2019 election, candidates spent INR 55,000 crore (GBP 5.7 billion²⁸) (CMS, 2019). Meanwhile, presidential and congressional candidates in the 2016 US election spent up to USD 6.5 billion (GBP 5.2 billion²⁹) (OpenSecrets, 2017).

The same high cost of campaigning is also present in Indonesia's democracy. For example, during the 2015 election, it was discovered that each candidate spent up to IDR 20-30 billion (GBP 1 million-1.5 million) on nominating a regional head leader (City/District level) and up to IDR 20-100 billion (GBP 1 million-5 million) on nominating a sub-national head leader (Province level) (KPK, 2016). Not only must candidates give sufficient monies to cover operational costs, but they must also consider providing “dowry money” (*uang mahar*) at the time of nomination. This practise of dowry money exists because, on the one hand, parties do not always have a qualified person for election nomination. On the other side, there are some independent candidates who are not affiliated with any political party and hence require political party endorsement in order to be nominated in the elections.

Taking the dowry money idea from the practise of marriage, this concept of dowry money in politics has a similar impression. As a symbol of agreement between political parties and an election candidate, the latter is expected to provide money to the political parties. This money is distinct from the money that will be used to cover operational costs associated with winning the election. Even if the possible candidate has agreed to provide the funds, there is no assurance that the party would provide the necessary support, since the parties will favour the candidate who can pay the most dowry money. The money's flow is unknown; it may go straight to the party; to

²⁸ The conversion rate is 1 GBP = 95.2222 INR

²⁹ The conversion rate is 1 GBP = 1.249 USD

party officials; or to a specific group/person within the party. As a result, the KPU stated that this practise is difficult to verify and that neither the KPU nor the Bawaslu (Election Supervisory Body) has sanctioned it since the first Pilkada (direct elections for sub-national and regional leader) in 2005 (BBC, 2018). This practise is revealed when a candidate does not win an election or when potential candidates do not get the backing of political parties (Tempo, 2019). This practise had an effect on the increasingly high political costs that candidates must bear (Republika, 2019).

Political party officials in Indonesia have also acknowledged this high cost of democracy. According to one, Indonesia's democracy eventually compelled the political expenses to be extremely expensive³⁰. They must spend tens of millions, if not billions, of rupiah to run for member of parliament (MP) (Kompas, 2018). According to one analysis, they must spend between IDR 300 million and 6 billion (GBP 15 thousand and 300 thousand) to run for the MP (Wibowo, 2013). The expense is increasing as candidates for parliament confront not just rivals from opposing parties, but also candidates from within the same party. Considering this, a party official once stated, "instead of spending a little money which means there is no chance for winning, it would be better to spend a lot of money at once for a higher chance of winning"³¹. However, it is discovered that there are a significant number of candidates that lose elections while spending IDR 2 billion to 5 billion (GBP 100 thousand to 250 thousand) on campaigning (Kompas, 2018).

The following sections discuss the factors that contribute to Indonesia's high cost of democracy:

5.1.2.1. The use of capital-intensive campaigns to attract voters

Political campaign activities in Indonesia still use capital-intensive methods to attract a greater number of people, namely by presenting a variety of events. "Election as popular culture", borrowing the term from Chua (2007), in Indonesia is done, for example, by holding music concerts ranging from dangdut music (traditional genre) to *shalawatan* (Islamic genre); inviting famous singers and utilising the event to promote themselves. Not only can the concert participants enjoy the musical

³⁰ Interview with Respondent 7, 28 August 2019

³¹ Interview with Respondent 8, 31 August 2019

performance, but they will also be given t-shirts for free. These free t-shirts are printed with photos of the candidates and their party's emblem. In addition, they also perform election marches where the candidate travels with his/her supporters around the city using cars and motorcycles while carrying large flags and other campaign attributes. In some ways, this style of campaigning is reasonable, as elections are viewed as "parties" at which the electorate should be entertained for free. On the other hand, providing this entertainment in multiple locations requires a significant amount of money to be set aside in advance.

In the experience of Western democracy, the change in campaigning techniques, which have become more modern, has been followed by an increase in campaign costs, especially when election participants use the services of consultants to help win the election. This type of campaigning was also discovered in the Indonesian case. When compared to election campaign techniques in the early years of democratization (1999 and 2004), the role of consultants and election participants' attention to the role of data in election campaigns are increasing. Consequently, the costs needed to win an election have become increasingly expensive. Both for the cost of hiring the services of consultants as well as the cost of collecting data for the formulation of campaigning strategies. In addition, these capital-intensive campaign techniques have also been followed by other costly needs, for example, the need to form and to maintain 'success teams'³² as well as to rent office buildings.

5.1.2.2. The use of candidate-centred electoral systems has made the cost even higher.

Unlike advanced democracies, Indonesia, as a new democracy, adopted an electoral system that is centred on candidates rather than political parties by using a proportional open list electoral system. The election system that focuses on candidates seems to be a general trend which is commonly adopted by new democracies, especially those with economically disadvantaged voters.

Shin (2017) found, for example, that politicians in poor new democracies have a tendency to choose electoral systems that focus on candidates because, with this system, they have greater opportunities to promote themselves and build patronage

³² *Tim Sukses* (success team) is a term used in Indonesian politics to describe the official campaign team that is formed to help the candidate win the election.

connections with voters in the form of vote buying. When politicians prefer this system over party-centred electoral systems, the result is that they spend more resources on their voters in the form of money and other direct or indirect benefits (Crisp et al., 2004; Hicken & Simmons, 2008); more politicians become trapped in corruption as a result of their reliance on illicit funding to finance these activities (Chang & Golden, 2007; Persson et al., 2003); and eventually, elections become more expensive. Therefore, within the parliament and even within the internal political parties themselves, there have been discussions about whether to adopt the party-centred system, but this discourse itself is not yet finished because of a number of interests that attract each other in it³³.

Table 5. 3 Campaign Fund Contribution Report

PARTY NUMBER	POLITICAL PARTIES	DONATIONS (IN GBP)			CONTRIBUTIONS (IN GBP)		TOTAL
		INDIVIDUALS	GROUPS	COMPANIES	POLITICAL PARTY	MP CANDIDATES	
1	PKB	-	-	-	-	885.379	885.379
2	GERINDRA	-	-	-	152	2.551.901	2.552.052
3	PDIP	-	-	-	125	563.319	563.444
4	GOLKAR	-	-	-	10.020	979.964	989.984
5	NASDEM	-	-	-	2.613.481	1.135.441	3.748.922
6	GARUDA	20.000	-	-	1.500	87.500	109.000
7	BERKARYA	-	-	-	-	141	141
8	PKS	-	-	-	-	1.681.132	1.681.132
9	PERINDO	-	-	-	1.026.751	3.105.088	4.131.840
10	PPP	-	-	-	620.663	-	620.663
11	PSI	50.844	-	-	-	1.015.796	1.066.641
12	PAN	-	-	-	2.500	2.674.578	2.677.078
13	HANURA	-	-	-	-	599.403	599.403
14	DEMOKRAT	25.000	-	-	70.116	1.565.858	1.660.974
19	PBB	-	-	-	-	14.575	14.575
20	PKPI	23.620	-	-	-	36.340	59.960
	TOTAL	119.465	-	-	4.345.308	16.896.415	21.361.188

³³ Interview with Respondent 8, 31 August 2019

Source: BAWASLU, 2019. The number was converted from Indonesia Currency (IDR) to UK Currency (GBP). Conversion rate used 1GBP = IDR 20.000

From the table above (Table 5.3), we can see that the largest expenditure on elections was carried out by candidates for both legislative and presidential elections compared to expenditures made by political parties. Then, from several studies, we find, for example, some of the main budget posts that become the biggest expenses of MP candidates are used for the provision of campaign props, witness costs on election day, volunteer fees that assist the campaigning activities, and the costs spent by candidates on visiting prospective voters in the electoral area prioritized by candidates (Fikri & Sukmajati, 2019; Kompas, 2019a).

In addition to these legal expenditures, candidates also incur hidden spending that may make expenses larger. The illicit spending that is usually issued by candidates is to buy votes to secure the minimum votes required by candidates to be able to advance to parliament (Kompas, 2019a). These vote buying activities are like a bitter pill to swallow that is eventually carried out by candidates despite realizing the negative impact that can be caused. It is argued that the implementation of the open-list proportional electoral system, which makes candidates compete not only against candidates from other parties but also against co-partisans at the same time, has forced some of them to differentiate themselves by providing a quick economic exchange between themselves and the voters (Muhtadi, 2019). And the amount spent by this candidate, as previously stated, varies from the smallest of tens of millions to billions of Rupiah. In the 2018 local election in Madiun City, for instance, the percentage of expenditure was dominantly spent on vote buying reasons (as much as 30.45 percent was allocated for the purchase of votes) and the rest of the spending was used for campaign props (28.49 percent), for nomination fees (21.36 percent), and 10.82 percent was used to finance the campaign team (Budi et al., 2018; Fikri & Sukmajati, 2019).

5.1.2.3. The size of Electoral districts

Electoral districts (constituencies) that are too broad make campaigns more expensive. Indonesia adheres to the open list proportional system as an election system. Proportional systems are held with the assumption that these systems provide greater opportunities for representation for a multicultural country like

Indonesia. This concept of equality is also one of the basic values used in allocating the number of seats (district magnitude) and also the number of electoral areas (constituencies) as regulated in Law No. 7 of 2017 on Elections. Electoral districts are drawn in accordance with this law, taking seat allocation and population density into account. As a result, there were 80 electoral districts for the election of members of the National Parliament (DPR RI) in the 2019 elections, out of a total of 34 provinces, with each constituency consisting of regencies/cities or a combination of regencies/cities.

Due to the fact that this electoral area is designed to take into account both the total allocation of seats and the population, we can see that on the one hand, there was one electoral district (DKI Jakarta 1) consisting of only one city, and on the other hand, there is one electoral district (Papua) consisting of a combined 29 regencies/cities. Because the primary goal of campaign activities is to reach out to more potential voters, the amount of money that candidates must spend increases. Particularly if he or she represents an electoral district with a larger number of districts/cities. At the very least, a candidate must incur additional transportation costs, particularly if their domicile is remote from their constituencies and the distance between cities is also remote, if not impossible to reach³⁴.

5.1.2.4. Witness Funds

Candidates in Indonesian politics are supposed to set aside a significant sum of money for witness funds (*uang saksi*). Witness funds are intended to compensate people who observe people voting in polling places. Witnesses for election participants (candidates or political parties) are not covered by the state in Indonesia's electoral system. The money spent on witnesses is paid for by the candidates themselves. Candidates place witnesses in their specific polling station to verify that the voting process is fair, which implies that only qualified voters can vote, and the number of votes does not alter after the polling station vote count until the votes are recapitulated at a higher level. Maintaining the number of votes at the polling station is one of the steps that has been deemed critical because there is a high risk of fraud occurring at this early stage. Money politics, for example, are likely to occur on election day, and vote manipulations are possible if the movement of

³⁴ Interview with Respondent 7, 28 August 2019

ballot boxes (where the vote papers and other records of vote recapitulation are saved) is not closely checked.

The Witness Fund is one of the most expensive election expenditures. This is due to the fact that election participants must place their witnesses in a number of polling places, which are referred to as priority vote pooling. For simulations, the cost of witness money can be computed by multiplying the number of polling stations by the number of witnesses needed to be placed, as well as the minimum amount of allowance that must be prepared for each witness. In the 2019 elections, for example, there were 810,329 polling locations and 16 parties running. If each party places one witness at each polling station at a cost of IDR 100,000 (GBP 5), the estimated amount of witness funds that must be prepared by each party is IDR 81 billion (GBP 4 million), for a total of IDR 1.3 trillion (GBP 65 million).

Given that witness funds are costly, and that not all election participants who run in the election have a strong funding ability, these witness expenses have been recommended multiple times to be funded by the state in order to support election fairness. Since 2009, there have been several discussions in support and opposition to the idea, and it has yet to be realised until the 2019 elections. On the one hand, there is scepticism that this witness fund will result in further political corruption (CNNIndonesia, 2018c). Furthermore, those who oppose the initiative do so for electoral reasons, as political parties must retain their image in the eyes of their constituents, so that political parties will not have a poor reputation³⁵. Those who support, on the other hand, believe that the presence of the state in mitigating the expenditure of witness funds is expected to close the gaps in political financing fraud.

Taking into consideration these expensive political costs, the involvement of the state to support the achievement of the principle of equality in elections is one of the options that encourages political parties to welcome the increase in financial assistance to political parties.

³⁵ Interview with Respondent 5, 20 August 2019

5.1.2.5. The presence of vote buying and money politics

Firmly rooted vote-buying behaviour and money politics leads to a more expensive democracy. Aside from the poor behaviour of some party members who are not honest in their financial activities, there is also the mindset of politicians and voters who are prone to vote buying³⁶. Institutionally, the installation of an open-list proportional system into the Indonesian electoral system is cited as a crucial factor (Mietzner, 2019; Muhtadi, 2019), as this system has shifted the focus of the competition to the candidate. Ironically, the capacity to give benefits in the form of products or money to electorates is sought by candidates as a means of distinguishing themselves from co-partisans as well as other competitors from different parties. This is what makes Indonesia's democratic system a capital-intensive system, where, in addition to political parties needing large sums of money to run their organisations and win elections, some voters still see political parties and politicians as a place to ask for money to meet their daily needs³⁷. With these conditions, it is suggested that the engagement of the state in supporting political parties is one of the obvious consequences for political parties in order for them to carry out their duties well and properly.

A further reason that makes political costs more expensive in Indonesia is the practice of money politics that is still dominant. Money politics can be understood within the context of corrupt political financing, particularly in terms of the impact of cash, when discussing political finance. Money politics, as a corrupt practise in political financing, can be defined as the expenditure of funds on prohibited activities such as vote buying (Pinto-Duschinsky, 2002, p. 72). Based on the report from Bawaslu for example, it is strongly suspected that this practice occurs in 4 phases during the election, namely during the nomination, during the campaign period, during the quiet period³⁸ until the election takes place. These 4 phases of political practice within the framework of the relationship between candidates and voters can be simplified into 2 forms of money politics practices (Muhtadi, 2019), namely firstly

³⁶ Interview with Respondent 5, 20 August 2019

³⁷ Interview with Respondent 2, 24 November 2018

³⁸ Quiet period (*masa tenang*) is a period between the campaign and the vote where all kind of campaign activities are stopped.

by distributing pork barrels and club goods to prospective voters during the campaign and also the practice of buying and selling votes when the election.

As previously noted, one of the spending categories that raises political expenses is money politics. Even worse, because this practise is difficult to eradicate at both the national and municipal levels (especially following the adoption of the open-list proportional system in 2009), it has become a "new normal" for the conduct of elections in Indonesia (Muhtadi, 2019). On the one hand, this new normal can be achieved by preparing some gifts each time candidates attend a community group. At the very least, this is done as a token of appreciation to those who have agreed to attend. The candidate or campaign team, on the other hand, will be visited by some groups from the voter's side known as the vote broker. According to one respondent³⁹, this did occur in the field. A vote broker, for example, approaches the campaign team or candidate directly and guarantees the number of votes they can acquire based on the demands of the candidate. Because these activities are considered economic activities, the price rises when there are a large number of candidates interested and other candidates compete for the highest price.

To ensure that the promised number of votes is obtained, vote brokers typically employ one of two strategies. First, it is done by directly manipulating the ballot paper. This can occur, for example, in remote are that distant from monitoring electoral districts, or it can occur in overseas electoral districts, particularly those with the highest concentration of votes. In an exclusive interview conducted by Kompas, one of Indonesia's leading mass media outlets, with several MP candidates running from overseas electoral districts (Jakarta electoral districts 2), the respondents justified the practice's existence (Kompas, 2019a). Because Malaysia accounts for half of overseas voters, Malaysia's electoral district is frequently used for vote buying and selling. There were cases of ballot paper manipulation in the 2019 elections (it was utilised even though the election had not yet begun), which resulted in a re-election. Meanwhile, the second pattern is typically carried out by distributing envelopes to voters on election day. This is commonly referred to as a morning attack (*serangan fajar*). For this, the broker promises to pay some money to the voters if they can show that they voted as requested. In the 2019 election, for

³⁹ Interview with Respondent 5, 20 August 2019

example, there was a case of Bowo Sidik Pangarso (from the GOLKAR Party), who was caught red-handed with 400,000 envelopes packed with money totaling IDR 8 billion (GBP 400 thousand) (Kompas, 2019). These envelopes were purportedly created in preparation for the dawn attack. In addition to this case, the Election Supervisory Body (BAWASLU) discovered several more candidates who engaged in money politics during the 2019 election, with a total of 25 instances receiving a court ruling (BAWASLU, 2019).

5.2. Parties' Attitude towards subsidies: Money as a Support?

According to the preceding debate, a significant gap exists between the financial capabilities of the party and the expenditure required by the party. Because unaffordable political costs create the potential for political corruption, all available methods for addressing these issues are critical.

To begin, one possible solution in terms of financing is to increase the proportion of state aid allocated to political parties. Political parties agree that if we want a higher quality of democracy, the state must assist in financing the parties. Increased state funding will help political parties develop into stronger pillars of democracy. Simultaneously, state aid is intended to mitigate conglomerate conflict of interest in Indonesia's democratic system. This is not to say that we wish to restrict the ability of any citizen to operationalize their interests. A strong political party, on the other hand, will channel these interests in the proper and legal manner.

Taking all of the above into account, this chapter argues that political parties' internal motivation for supporting increases in state subsidies is a desire to meet their demands in order to run the party machine properly.

In terms of the cartel and the electoral economy model (see Table 5.4), there are two sides of the party's approach toward these subsidies, namely whether money is the main aim or money as a support. To begin, greater revenue is always deemed better in the revenue-maximizing perspective. As a result, a political party will deliberately raise as much money as possible to fill their coffers. Additionally, their interest in maximizing the fund is unrelated to their economic circumstances, implying that accumulating more money is the objective regardless of their treasury's condition. Meanwhile, the economic electoral strategy emphasises money as a means to an

end, which is electoral victory. When a party's sole source of funding becomes insufficient, it is more likely to propose or accept an increase in political support. Additionally, the electoral economy model implies that parties will oppose state funding if they believe doing so will benefit their electoral prospects.

Table 5. 4 The role of Party's Perception toward State Subsidies: Predictions generated by different interest definitions

Revenue-maximising view: money as an end in itself	Electoral economy view: money as a means to an electoral end
More revenue is always better	More money is better only if it supports to achieve the electoral advantage
Example: - The party endorse the state subsidies to political parties albeit their needs - The party will actively fundraise beyond what is needed	Example: - State subsidies to political parties is needed to solve the scarcity of funding within the party

Source: This table was summarised from Scarrow, S. E. (2004). Explaining Political Finance Reforms: Competition and Context. *Party Politics*, 10(6), 653–675.

If we focus exclusively on the economic side of the model in order to comprehend the internal incentives that shape a party's position in the debate over political finance reform, we will be unable to determine whether political parties in Indonesia are motivated by revenue maximisation or electoral economy considerations. As previously stated, political parties will accept any amount of state-provided political support in the absence of cash. However, the two models above help us understand how economic factors can affect political parties' attitudes toward reforming political financing.

Since the emergence of political parties in 1999, the financial position of political parties in Indonesia has never been stronger. This is due to people's low level of participation in becoming party members on the one hand, and their lack of contributions to their organizations on the other, which is a challenge faced by many political parties in many democracies. Following the 1999 election, in addition to financial support from conglomerates, state subsidies has been used to address political parties' low income. Subsidies introduced at the time were nearly identical to the increase in aid following 2018, which was IDR 1000 per vote (GBP 0.05 per vote). However, this political assistance has been dramatically reduced to IDR 21.000.000/seat (GBP 1050/seat) and, more recently, to IDR 108/vote (GBP

0,0054/vote) due to concerns about the strengthening of oligarchs in Indonesian politics (Mietzner, 2007).

As a result, the party believes that in order to resolve this issue, the source of the problem, namely a lack of party revenue, must be addressed first. According to the law's mandate regarding permissible sources of party income, the party must maximize its three organizational funding sources. To begin, there are regular membership dues. Numerous parties in numerous countries face the problem of low income generated by routine membership dues. This has something to do with members' perceptions of the reciprocity associated with the routine contributions they make (Hopkin, 2004).

With an electoral system that still emphasizes the central role of candidates in elections, this incentive issue is very relevant. The members who make regular contributions are only those who have succeeded in sitting in parliament representing the party. While party members who are not members of parliament do not have any motivation to give contributions to the party. In addition, not all members participate in contributing fees. Only a small proportion of party members make contributions in the hope of another incentive in the future. Considering this, it might be considered to restore the electoral system which makes the party the main electoral participant in parliamentary elections.

Returning to the closed-list proportional system, it is hoped that the incentives for membership fees will be more equitable for all party members. The routine membership fee is one of the evaluation points for vertical mobilisation within the party, which eventually affects the chance of being selected as candidates for the parliamentary elections.

Second, as far as contributions from outside the party are concerned, the party should not only appeal to big donors but also to donations from small donors. As we have discussed above, donations from small donors are closely related to the level of voter acceptance of political parties. Therefore, voter education conducted by the party at the same time while continuing to provide professional performance to improve the party's image are two things that must be done by the party.

And third, the state can also increase its role in helping political parties. The roadmap to achieve the goal has been initiated by the KPK and LIPI by issuing a Political Party Integrity System (SIPP) in November 2018 (Kontan, 2018). This system does not only discuss party funding but also issues regarding the regeneration and ethical codes of political parties. In the study conducted by KPK and LIPI, they recommend that the state cover as much as 50 percent of the political parties' needs by increasing the amount of aid up to IDR 8461/vote (GBP 0,42/vote) (CNNIndonesia, 2019b). And in order to get the funding from the state, political party performance will be evaluated based on the Political Party Integrity System (SIPP) and the audit of its finances.

Not only are the KPK and LIPI as independent institutions, the state through the National Development Planning Agency (Bappenas) together with the Ministry of Home Affairs, has also conducted a study regarding the increase in the party's aid funds. They also agreed that the state must participate in helping legal revenue for political parties to address potential political corruption (CNNIndonesia, 2018d). In fact, these two state institutions at the end of 2019 suggested a maximum increase of 48 times the value of today's subsidy (IDR 48.000/vote or GBP 2.4/vote) (CNNIndonesia, 2019a).

5.3. Conclusion

The initial factor that would shape political parties' perspectives of political financing reform is the internal status of political parties (as demonstrated by the economic explanation presented in this chapter). As indicated by the economic argument, political parties are challenged with a scarcity of party finance sources in the face of escalating political costs. The current situation of scarcity of funding sources acts as the principal impetus for maximising the sources of finance prescribed by law, one of which is by optimising state subsidies.

While it is challenging to ascertain whether political parties' behaviour toward state-provided political aid is more consistent with the electoral economy or the revenue maximising explanation, this state of financial scarcity shaped the parties' interests and prompted the party to accept the plan to increase state financial assistance to political parties. And the discussion on this will become clearer when we go deeper

into how the political side shapes the interests of political parties, as described in the following chapter. Because the next chapter explain how political parties shift their attitude from opposing to supporting the reform, which is regarded to be directly tied to the party's appraisal of public opinion. This will be explored in the chapter that follow.

6. External Motivations for state subsidies in Indonesia

Continuing the discussion of political parties' motivations for seeking state assistance in the form of political funds, this chapter will discuss the political motivations for state subsidies to Indonesian political parties. By contrasting the political side of parties' interests in relation to state subsidies, this chapter argues that politically political parties in Indonesia exhibit a more competitive characteristic than the expectation of revenue maximization, which eliminates competition. Nonetheless, the Indonesian case demonstrates a slightly different competition side than the electoral-economy perspective predicts. The discussion of this subject will be divided into two sections: the significance of political circumstances in the context of state subsidies and the role of public opinion in the party's efforts to increase votes or political support.

6.1. Political Competition in the discussion of political finance reform

As far as the discussion between the revenue-maximising and the electoral-economy view is concerned, there are some notes on political circumstances which we could take to illuminate which interest that plays more dominantly in shaping the political funding regime. Under the first perspective, since the accumulation of revenue has become the general interest, political competition between parties in terms of agreeing the adopting of state subsidies for the parties become less of importance. In fact, the political competition between parties becomes irrelevant when all of the parties have been facing the same financial difficulties as they do not have enough funds to finance the organisations.

While this condition of cooperation between parties can also been found in the second perspective (especially in the time of crisis), the electoral side of this view may encourage the other parties to take an against opinion regarding the state subsidies even though it may be economically loss for their parties (Scarow, 2004, p. 657). Based on these two assumptions, we expect that in the revenue-maximising view parties are not considering others' strategic actions towards the subsidies, hence there is competition between parties. Meanwhile, in the electoral economy

view, parties are politically competitive that they take others strategic actions into consideration. These expectations are summarised in the table 6.1 below.

Table 6. 1 The role of Political Circumstances: Predictions generated by different interest definitions

Revenue-maximising view: money as and end itself	Electoral economy view: money as a means to an electoral end
<ol style="list-style-type: none"> 1. Political circumstances don't matter 2. No competition between parties 	<ol style="list-style-type: none"> 1. Political circumstances matter 2. Political parties are politically competitive

Source: This table was summarised from Scarrow, S. E. (2004). Explaining Political Finance Reforms: Competition and Context. *Party Politics*, 10(6), 653–675.

Examining the case of Indonesia from these two perspectives reveals that political competition encourages political parties to seek state subsidies. As discussed in the previous chapter, parties' financial demands appear to shape the discussion of state subsidies in Indonesia. Inter-party competition also appears to shape the discussion of party finance in Indonesia. In contrast to what has occurred in Western European democracies, however, the element of political competition did not materialize in Indonesia as predicted by the electoral economic view. From this vantage point, political parties are more likely to agree to an increase in state subsidies if the decision is deemed beneficial to their electoral advantage over others. In the case of Indonesia, political competition shapes not only parties' interests in state subsidies, but also their strategic actions to use the concept of state subsidies as a lobbying tool.

When the Minister of Home Affairs first mentioned the possibility of increasing state subsidies in 2015, there were some reactions. Parties reacted differently, demonstrating their commitment to the cause. However, political competition shaped the discussion further, as the government is alleged to have used the proposal to increase the subsidy for the second time as a lobbying tool in order to reach an agreement on the discussion of new laws for the 2019 elections. This will be discussed in greater detail below.

6.1.1. Electoral Economy Interest on the idea of increasing the state subsidies

The discussion about increasing political aid has been circulating even since the administration of President Susilo Bambang Yudhoyono (2004-2014), when political assistance to political parties received a very significant reduction. The new round of discussion, then, has received more attention after the inauguration of President Joko Widodo, who was elected in 2014. This was especially after the Minister of Home Affairs, Tjahjjo Kumolo, in March 2015, began to circulate a notion of increasing political assistance to parties in order to strengthen the quality of democracy in Indonesia (Kompas, 2015b).

Following this announcement, there were a variety of reactions from political parties. Firstly, most political parties welcomed the notion of the increase. These supporting parties were PDIP, Golkar, Democrats, Hanura, PPP, and PKS. It is important to note that even though they agreed to this increase, they also emphasised some notes to consider, including the need to apply strict laws and transparent monitoring and evaluation. Secondly, only one party rejected this increase, namely the Nasdem party. The reason given at that time was the inadequate capacity of the state budget to support the increase. In addition, they also emphasised other immediate needs that should be prioritised by the government, such as economic development and poverty eradication. Lastly, other parties like PAN and Gerindra had not been able to decide whether to accept or reject the notion. This was because they had to do a comprehensive study first before deciding, although they agree that theoretically, the increase is good and needed to strengthen political parties.

With regard to these last two groups, whether they disagreed or prefer to proceed with caution, it can be interpreted politically as a way for the parties to consolidate or at least maintain their electoral position. As been predicted by the electoral economic model, by choosing a different position from the majority of political parties, it may be economically bad for the party. Because by opposing the political finance reform, the party's financial status would deteriorate further or the weight of reliance on private financing sources will increase. Nevertheless, this action is considered to be more favourable to the interests of citizens. This action is expected to enhance the electoral side of the party.

This is also the case with the precautionary actions carried out by the two parties, like PAN and Gerindra. Their actions could also be interpreted as strategic actions by the parties, as predicted by the electoral economic view. On the one hand, they agreed with the idea because it was indeed financially needed by the party. However, on the other hand, there is also a public perception that must be maintained. It would be unfortunate to meet one demand at the expense of another.

This element of political competition in terms of electoral economy was also evident throughout the legislative debate on this issue. For example, during a hearing on October 3rd, 2016 between the House of Representatives Commission 2 and the Secretary-General of the Ministry of Home Affairs, Yanuar Prihatin (from the PAN, representing the electoral district of West Java X) argued that the amount of state aid to political parties needed to be increased in light of the political parties' financial difficulties. This is because with a total aid package of IDR 108/vote (GBP 0,05/vote), the party can meet only 1.3 percent of its average needs. Meanwhile, Arteria Dahlan (from the PDIP and representing East Java VI's electoral district) considered that boosting political assistance was not a priority strategy at the time of the discussion. Rather than that, he recommended members of parliament to prioritise the electronic resident identity card (e-KTP) and village fund discussions (*dana desa*).

From an electoral economics perspective, as with the party's response to the government's proposal to boost funding for political party aid, the actions of party members during the parliamentary debate on the proposal can also be read from an electoral economics perspective. Even if the party requires financial aid from the state, there remains a public perception that must be managed carefully. As a result, one of our respondents suggested that if a party or individual members express disagreement with the rise, it could be a ruse to garner public sympathy⁴⁰.

6.1.2. The State Subsidies as a lobbying tool

After the government announced its plans to increase aid to political parties in 2015, there were periods of vacuum due to the many rejections from the public. One respondent explained that for some time the government and parliament did not

⁴⁰ Interview with Respondent 10, 19 October 2018

discuss the proposed increase anymore because of citizens' reaction⁴¹. The discussions on this matter reappeared at the end of 2016 when the KPK⁴² proposed the government to increase assistance to political parties. KPK is a state institution established as an effort to eradicate corruption in Indonesia. The KPK proposed the increase as a step to close the door to political corruption.

If the preceding period's political competition could be rationalised using an electoral economy perspective, then the current period's political struggle can be comprehended utilising the fundamental principles of game theory in the rational choice institutionalism approach. In this approach, the actor is assumed to be a rational one who always considers the structure of the situation for maximum profit gain. It is in this context that state subsidies are used by actors as lobbying tools to maximize their benefits. The state subsidies are used as a medium of exchange to reach an agreement on determining the presidential threshold for the 2019 elections.

The political competition on the increasing of political assistance within this new context took place when the parliament discussed a draft of new electoral law as a guideline for the 2019 elections. The bill was scheduled to be completed in April 2017, but it continued unresolved until July 2017 by which the debates ended with voting. Conflicts of interest between political parties were suspected as the reason for the delay (Kompas, 2017b).

There were five crucial issues that were discussed in the bill, namely the parliamentary threshold, the presidential threshold, the electoral system, the district magnitude and the method of vote conversion. However, one issue that created a deadlock was the discussion about the presidential threshold (PT). This PT will set the criteria for the party that can advance a candidate for presidential and vice-presidential in the 2019 election, which was based on the acquisition of seats in the DPR or the acquisition of national votes. The government together with PDIP, Golkar and Nasdem insisted that the PT should be either 20 per cent of the DPR (parliament at the national level) seats or 25 per cent of the national votes. Meanwhile, Gerindra, Hanura, PPP, PAN, PKS, and PKB wanted the PT is in the range of 10 per cent of the DPR seats, or 15 per cent of the votes and the

⁴¹ Interview with Respondent 9, 4 December 2019

⁴² KPK is the abbreviation for *Komisi Pemberantas Korupsi* (Corruption Eradication Commission).

Democratic party did not want any PT for nominating president's candidate (Kompas, 2017a).

The government's attempt to roll back the plan of increasing political assistance amid the fierce discussion of the new electoral bill eventually led to many allegations that the political assistance was a government manoeuvre to smooth the discussion of the election bill. This was for example delivered by Djayadi Hanan, Executive Director of Saiful Mujani Research and Consulting (SMRC), who said "it appears that the plan to increase the party subsidies is now more nuanced in a political barter scheme since the DPR and political parties are discussing the unresolved electoral bill" (Tribunnews, 2017a).

Although the alleged political barter was refuted by the government (Mediaindonesia, 2017), two of the DPR leaders confirmed the allegation. Fahri Hamzah, Deputy Speaker of the DPR from PKS, agreed that the plan to increase the subsidies was clearly an attempt by the government to win the PT figure at 20-25 percent (Kompas, 2017d). And Agus Darmanto, Deputy Speaker of the DPR from the Democratic Party, said that "indeed, this is part of lobby from the discussion of the election Law, so that if it is realised, perhaps the Election Law talks will become smoother" (Kompas, 2017c).

Therefore, from July 2017 (amid the discussion of new election laws), we could find an agreement from all political parties to the government's plan to increase political assistance. All parties should support the increase to strengthen the institutions of political parties and the quality of democracy in Indonesia. Interestingly, although the opposition parties are politically against the government's proposed PT number, based on our interviews, all respondents agreed that the agreement on the increase in subsidies has no relation to the party's position, whether it supports the government or is in opposition to the government. Because, in principle, all parties have the same needs due to the high cost of capital-intensive democracy in Indonesia. Even though opposition parties failed to achieve a smaller number of presidential thresholds, they can still gain from the increase in political subsidies.

Considering these two events (political competition in 2015 and after 2017), it might seem that, in general, the political parties in Indonesia tend to follow the prediction of

the electoral economy perspective. In the first round, political parties calculated which actions (whether to accept or to reject the increase) would benefit them both economically and electorally. In the second round, the party also considered the electoral advantage they could gain (by proposing a lower PT) despite their need for financial aid. This is as predicted by the electoral economic view. However, the competition ends with the agreement of all parties to increase the subsidies since the parties need to meet the financial demand to operate better. It is also predicted by the electoral economic view that in crisis conditions, the party will also tend to receive political assistance. However, this is done not in the context of capital accumulation but rather as a means for electoral ends.

6.1.3. The debate of the state subsidies for political parties in Indonesia

There is also another interesting discussion about how political circumstances shape the behaviour of parties especially in terms of where this increasing role of the state in assisting political parties financially could lead to (Table 6.2). On the one hand, almost all of the political party officials agreed that even though political assistance is provided by the state, it is not a tool to control (in the sense of meddling in the internal affairs of political parties) political parties so that the party will become a ‘semi-state agencies’ (Katz & Mair, 1995). On the other hand, some concerns were also raised regarding the potential effect of the state subsidies.

Table 6. 2 The Discussion between for and against the state subsidies

Optimist’s View on the State Subsidies	Pessimist’s View on the State Subsidies
1. Proportional amount of subsidies will prevent the formation of cartel parties	1. State subsidies could disrupt party’s independence
2. Regular election and tight competition between parties prevent the formation of cartel parties.	2. Disproportionate amount of subsidies will lead to the formation of cartel parties
3. The presence of strong public scrutiny prevents the formation of cartel parties	

In regard to the optimist’s view on state subsidies, their positions concerning these are due to several reasons, including:

- a. A fairness and equitable political aid calculation system.

Based on Government Regulation Number 5 of 2009 and then revised by Government Regulation Number 1 of 2018, the amount of political assistance obtained by political parties is multiplied by the number of votes obtained by parties that have representatives in parliament. The magnitude of the multiplier has increased from IDR 108/vote (GBP 0,005/vote) in the previous regulation to IDR 1000/vote (GBP 0,05/vote) in the new regulation. Because this political assistance was only given to parties that passed the parliamentary threshold, it was considered to have given the same opportunities for all political parties, both old and new, to compete in the elections.⁴³.

Assisting the parties financially is expected to eliminate all of the negative potential for illegally extracting the state resources. Theoretically, as argued by Van Biezen & Kopecky (2007, pp. 240–241), party rent-seeking activities can be understood in three forms, such as: party patronage (allocation of jobs and positions), party clientelism (distribution of public resources) and corruption (financial donations in exchange of contracts or licences). In the case of Indonesia, rent-seeking activities that drain national resources include, first, taking financial benefits from the auction of state-owned projects. What usually happens is that party members who sit in the legislative or executive bodies use their political positions to win the private business participating in the tenders (Surbakti & Supriyanto, 2011, p. 31). The share of benefits they will get is usually in exchange for a business license to work on natural resources such as forests, mines, fisheries, etc., with a significant percentage of money that is taken from the value of the tender. This practice of using state resources for personal financial interests is also usually done in the early days of their sitting in government. This is because they need to recover their finances, which have been expensively spent to win the election, before a new election approaches. Second, in order to win the next election, they usually use state resources in the form of pork-barrel politics, such as delivering social assistance funds (Dana Bantuan Sosial, Bansos) (KPK, 2016). The motivation is very clear: to attract voters' support to win the next election.

Thus, by increasing help and support to political parties, the weight of financial demand on the revenue side is likely to be alleviated. Simultaneously, it is critical to

⁴³ Interview with Respondent 2, 24 November 2018

develop and enforce proper regulations to avoid regulatory loopholes. Weak regulations that are riddled with loopholes can instead be used by political parties to engage in corrupt behaviour.

b. Regular elections and tight political competition

Another reason behind the optimistic view on the state subsidies is that because elections are held on a regular basis in every 5 years and political competition in every election is tight. Elections in Indonesia has been considered as a mechanism that puts a barrier on the formation of cartels⁴⁴. Elections in Indonesia are not only conducted at the national level, but also at the sub-national (province) and regional (city/district) levels. And the formation of party coalitions (before, during or after the elections) in the sub-national and regional levels are not always the same as the coalitions at the national level. Since the composition of the coalition is volatile, the political competition between parties before, during and after elections seems to make the chances of forming a state party become even tougher.

For comparison, we could put the competition of the 3 big parties from the 2004 election until the 2019 election. In the 2004 election, PDIP, which won the legislative election in 1999, won second place after being defeated by Golkar by 19 seats. The declining popularity of PDIP as a party or Megawati Sukarnoputri as a party leader who is also an incumbent candidate for the presidential election is argued to be the main reason (Liddle & Mujani, 2005, p. 122). This can be seen, for example, by the sharp decline in popular votes received by the PDIP, from as many as 33.7 percent in the 1999 election to 18.5 percent in the 2004 elections. At the same time, the Golkar party received nearly the same popular vote in both elections, amounting to 21.6 percent (Liddle & Mujani, 2005). Not only did PDIP lose in the legislative elections, Megawati, as an incumbent, also failed to win the presidential election despite having formed a coalition with the Golkar party in the second round of the election. Dissatisfaction with Megawati's performance in the previous period was thought to be the main cause, in addition to the success of Susilo Bambang Yudhono (who founded a new party called the Democrat Party) in uniting two main

⁴⁴ Interview with Respondent 1, 31 July 2019

groups in Indonesia's politics, namely the secular nationalists and the Islamists (Liddle & Mujani, 2005).

In the 2009 election, the Democrat Party as a new party succeeded in winning the legislative elections by obtaining the highest number of seats in the DPR, thus shifting the composition in the parliament outmatching the PDI-P and Golkar. President Yudhoyono as the incumbent also won the election for the second term. Nevertheless, the tight political competition between major parties changed once again after the PDIP, which for the 10 years (2004-2014) has been an opposition party, won the last 2 elections in 2014 and 2019. It is interesting to note that PDIP and Golkar as the two major parties have always competed fiercely together, where in the two last election (2014 and 2019) Golkar won second place following PDIP in the first one (table 6.1). Meanwhile, the Democrat party which had held political power for 2 periods (the winners of the 2004 and 2009 elections), its popular vote has tended to decrease gradually following the 2014 elections⁴⁵.

The intense competition has not only happened among the biggest parties, but it can also be seen between the middle and small parties. The Hanura Party, for example, which in the 2014-2019 period was among the top 10, lost the 2019 election and therefore have no representative in the DPR⁴⁶. In addition, the Crescent Star Party (PBB) since the 1999 and 2004 election its popularity has been in decline and has not succeeded to enter the parliament (in the national level) for the last 15 year due to the tight competition between parties (table 6.1). With this intense competition, not only the new party, but the old parties will also be eliminated if they do not perform well in the elections, like the PBB after the 2009 election or the Hanura in the 2019 election⁴⁷.

Table 6. 3 Number of Seats for Political Parties in the DPR RI (1999-2019)

Party's Name	1999	2004	2009	2014	2019
Indonesian Democratic Party of Struggle (PDIP)	153	109	95	109	128
Golkar Party	120	128	107	91	85
Great Indonesia Movement Party (Gerindra)	NA	NA	26	73	78

⁴⁵ Interview with Respondent 1, 31 July 2019

⁴⁶ Interview with Respondent 8, 31 August 2019

⁴⁷ Interview with Respondent 8, 31 August 2019

Party's Name	1999	2004	2009	2014	2019
Nasdem Party	NA	NA	0	35	59
National Awakening Party (PKB)	51	52	27	47	58
Democratic Party	NA	55	150	61	54
Prosperous Justice Party (PKS)	7	45	57	40	50
National Mandate Party (PAN)	34	53	43	49	44
United Development Party (PPP)	58	58	37	39	19
People's Conscience Party (Hanura)	NA	NA	18	16	0
Crescent Star Party (PBB)	13	11	0	0	0
Nahdlatul Ummat Party (PNU)	5	NA	NA	NA	NA
Love the Nation Democratic Party (PDKB)	5	NA	NA	NA	NA
People's Sovereignty Party (PDR)	2	NA	NA	NA	NA
Indonesian Democratic Party (PDI)	2	NA	NA	NA	NA
United Party	1	NA	NA	NA	NA
Masyumi Party	1	NA	NA	NA	NA
Indonesian Islamic Union Party (PSII)	1	NA	NA	NA	NA
Indonesian National Party – Marhaenist Front	1	NA	NA	NA	NA
Indonesian Unity in Diversity Party (PBI)	1	NA	NA	NA	NA
Indonesian National Party – Marhaen Masses	1	NA	NA	NA	NA
League of Supporters of Indonesian Independence Party (IPKI)	1	NA	NA	NA	NA
Ummat Awakening Party (PKU)	1	NA	NA	NA	NA
Reform Star Party (PBR)	NA	14	0	NA	NA
Prosperous Peace Party (PDS)	NA	13	0	NA	NA
Concern for the Nation Functional Party (PKPB)	NA	2	0	NA	NA
Democratic Nationhood Party (PDK)	NA	4	0	NA	NA
Indonesian National Party Marhaenism (PNI Marhaenisme)	NA	1	0	NA	NA
Pioneers' Party (Pelopor)	NA	3	0	NA	NA
Indonesian Democratic Vanguard Party (PPDI)	NA	1	0	NA	NA
Total seats	462	550	560	560	575

Source: Compiled from General Election Commissions (KPU). The parties shown are the party who has/had seats in the parliament (DPR RI).

Furthermore, the competition between parties could also be found in the form of parties' coalition. As we can see from the Table 6.4, the parties' coalition in Indonesia depends on the formation of parties who support the same president's candidate in the election and the selected president usually governs for two periods (by winning two elections consecutively). Considering this, it is interesting to compare 2 different forms of coalition between 2004-2014 and 2014-2019, especially highlighting the competition between and among the members of coalition. This is because the political competition does not only occur between coalition of parties

who are supporting the government or opposing it, but it also occurs within the coalition party itself. Therefore, if there is a concern that political assistance will negate the party's critical attitude towards the government, the competition within the coalition parties will make it difficult to form state parties⁴⁸. In the 2019 election, for instance, even though PDIP win both the legislative and presidential elections, as a winning party they hold only 19% of the popular votes, thus it means that 19% of votes will face the remaining 81% votes⁴⁹.

The political competition in the coalition can be seen, for instance, from the position taken by the Golkar party and the PKS on the scandal of Century that struck the Yudhoyono-Boediono administration in 2012. The scandal of Bank Century was a major financial scandal that dragged several important figures in Indonesia, including President Yudhoyono, his Vice President, Boediono, the Minister of Finance, Sri Mulyani, several businessmen, and also police officers (BBC, 2010). Golkar and PKS at that time were members of the government coalition who had public offices (the Minister's position) during the two terms of Yudhoyono's administration. However, these two parties opposed the government coalition by supporting Century's inquiry rights (hak angket) in the DPR, so that this led to a decrease in support for the government in the DPR (Admojo, 2016). Even though they were the members of parties' coalition supporting the government, it did not mean that the party will always take side with the government. This is because coalition in Indonesia is indeed not bound by the ideological similarity nor the same perspective on policies goals, but it is formed by the political pragmatism (Ekawati, 2019). Moreover, as the electoral-economy view suggests, every political choice that has been made by the parties will surely affect their electoral advantages. In this case, siding with the people appears to be the more logical option than siding with the government.

Furthermore, the coalition of political parties in Indonesia has never been stable until the end of the government (Table 6.4). Political competition for both inter and intra-coalitions will usually be stronger during elections and will subside thereafter because the party hopes to get a strategic position in the government (Ambardi, 2008). The closest example is the change of attitude from the Gerindra party, which

⁴⁸ Interview with Respondent 8, 31 August 2019

⁴⁹ Interview with Respondent 1, 31 July 2019

had been in opposition to the government for 10 years (2009–2019) but turned to supporting the government coalition after losing the 2019 election. The Gerindra party left its coalition partners, which had been formed during the last five years (2014–2019). It becomes clearer that the coalition between the parties is bound by political pragmatism to maintain their existence in politics. Pragmatism means that their interests are shaped by a stronger tendency to obtain political positions such as the ministerial position or leadership positions in parliament. This political pragmatism binds the coalition together more than ideological similarities or policy goals (Ekawati, 2019).

Another example that can illustrate the political competition between parties is the competition between the Red and White Coalition (KMP, Koalisi Merah Putih) and the Great Indonesia Coalition (KIH, Koalisi Indonesia Hebat) following the 2014 election. The KMP was a coalition of parties that supported Prabowo and Hatta as their presidential and vice-presidential candidates. This coalition unfortunately lost the 2014 election. Meanwhile, the KIH was a coalition that supported Joko Widodo (Jokowi) and Jusuf Kalla in the presidential election, and they won the election. Following their loss in the presidential election, the KMP, who gained a greater number of seats, quickly turned to the leadership positions in the DPR, challenging the KIH. The fierce debate over the leadership positions ended with the full control of all parliamentary leadership positions (63 chair seats) by the KMP. However, the competition did not end there because not long after the election, the coalition in KMP was broken following the switch of 3 parties (PAN, PPP, and Golkar) to the government coalition. This was a result of the internal conflict within the party that had divided the party between opposing and supporting the government (Admojo, 2016).

The loose cohesiveness between coalition members can be seen from the party movements in the coalition from Table 6.4. In the 2004 and 2009 election, for example, we could see a similar pattern from the Golkar party who nominated their own candidate for the presidential election but then immediately joined themselves with the winning party after losing the election.

In the 2014 election, we also found how PPP, PAN, Golkar (the member of KMP) also joined the government coalition following their lost in the presidential election. It

started from the PPP who joined the government party shortly after the election was over (in October 2014). It then followed by PAN a year later in September 2015 and finally by Golkar in January 2016. Moreover, from the last election in 2019 we could also observe how the Gerindra party quickly switch their stand from the opposition party to the government coalition. Gerindra has positioned itself as the opposition party for 10 years (from the 2009-2019 election) and they have also lost two presidential elections (in 2014 and 2019 elections they nominate their general chairman Prabowo Subianto as a presidential candidate). However, following their lost in the 2019 election, Gerindra joined the government party, leaving the PKS that has firmly positioned itself as the government's opposition party. Meanwhile, the other two parties which are PAN and Demokrat parties, although they did not get a ministerial seat in the government, they did not explicitly position themselves as opposition parties. This is as if that they are positioned outside the government coalition parties, but they still open the possibility of joining the government.

Table 6. 4 Composition of Parties Coalition during Election and Post-Election 2004-2019

Year	Election						Post-election	
	Round 1			Round 2			Government Parties	Non-government Parties
	Candidates for Presidential Election	Result (%)	Parties	Candidates for Presidential Election	Result (%)	Parties		
2004	Wiranto - Salahudin Wahid	22,19	Golkar, PKB				Demokrat, Golkar , PAN, PBB, PPP , PKB, PKS, PKPI	PDIP, PBR, PDS
	Megawati Sukarnoputri - Hasyim Muzadi	26,24	PDIP, PDS	Megawati Sukarnoputri - Hasyim Muzadi	39,38	PDIP, PDS, PPP , Golkar , PBR		
	Amien Rais - Siswono Yudo Husodo	14,94	PAN, PBR, PKS, PNBK, PSI					
	Susiolo Bambang Yudhoyono - Yusuf Kalla	33,58	Demokrat, PBB, PKPI	Susiolo Bambang Yudhoyono - Yusuf Kalla	60,62	Demokrat, PKB, PKS, PAN, PBB, PKPI		
	Hamzah Haz -	3,05	PPP					

	Election						Post-election	
	Agum Gumelar							
2009	Megawati Sukarnoputri - Prabowo Subianto	26,27	PDIP, Gerindra	-	-	-	Demokrat, PKB, PPP, PKS, PAN, Golkar	PDIP, Hanura, Gerindra
	Susiolo Bambang Yudhoyono - Boediono	60,8	Demokrat, PKB, PPP, PKS, PAN	-	-	-		
	Yusuf Kalla - Wiranto	12,41	Golkar , Hanura	-	-	-		
2014	Prabowo Subianto - Hatta Rajasa	46,85	Gerindra, PKS, Demokrat, PPP , PAN , Golkar	-	-	-	PDIP, PKB, Nasdem, Hanura, PKPI, PPP , PAN , Golkar	Gerindra, PKS, Demokrat, PPP* , PAN* , Golkar*
	Joko Widodo - Jusuf Kalla	53,15	PDIP, PKB, Nasdem, Hanura, PKPI	-	-	-	* PPP moved on October 2014, *PAN moved on September 2015, *Golkar moved on January 2016.	*These parties moved to government parties.
2019	Joko Widodo - KH. Ma'ruf Amin	55,32	PDIP, Golkar, PKB, PPP, Nasdem, Hanura	-	-	-	PDIP, Golkar, PKB, PPP, Nasdem, Hanura, Gerindra	PKS, Demokrat, PAN
	Prabowo Subianto - Sandiaga Salahudin Uno	44,68	Gerindra , Demokrat, PAN, PKS	-	-	-		

Sources: Source: Extracted from Admojo, T. (2016). Peran Partai Oposisi di Parlemen Pasca Pemilu Presiden 2014.; Ekawati, E. (2019). Peta Koalisi Partai-Partai Politik di Indonesia pada Pemilihan Presiden dan Wakil Presiden Pasca Orde Baru.

c. The presence of strong public scrutiny.

In addition to the proportional amount of subsidies and the political competition during election, the presence of strong public scrutiny prevents the parties to act beyond its rights. By this, it means that if the government wants to use its political

assistance to control the internal affairs of parties, there will surely be an extraordinary public uproar and it will be very detrimental to the government as well⁵⁰. And with the supervision of other state agencies such as the KPK, this will encourage the political assistance to be used according to its purpose⁵¹.

One indicator that can be used to explain the strength of public scrutiny on the attitude of politicians is the role of civil society in maintaining Indonesia's democratisation process. Mietzner (2012) explained for example how strong the role of civil society in Indonesia to maintain the democratic process in Indonesia so that it continues to run on the right path. Even though there are some attempt from the elites who want the take Indonesia to return back to the authoritarian system. Two important issues that have always been long debates are issues concerning the electoral system and also the role of the KPK in Indonesian democracy.

In discussing the electoral law in 2010, civil society together with the media were two important elements that fought to maintain the neutrality of the KPU (*Komisi Pemilihan Umum*, General Election Commission) as the election organiser in Indonesia (Mietzner, 2012, p. 217). The problem that arose at that time was the elites' manoeuvre to control the KPU when drafting the new election law Number 15/2011. This law was made as a guidance to hold the 2014 elections. In article 11, for instance, it says that the requirement to become a candidate for the election organisers one needs to resign from a political party when registering. Civil societies considered this article as a multi-interpretation regulation that can even jeopardise the neutrality of the election organisers. If a candidate who wishes to register as a KPU member resigns at the time of registration, the person might bring their party interests in the holding of elections. As one of the campaigns carried out by the Center of Electoral Reform (Cetro), which was cited by Mietzner (2012, p.217) said, "player and reference at the same time - is that possible?".

Despite the refusal of many civil societies regarding this new law, the parliament still legalized it. Thus, the civil societies put this new law up for judicial review in the Constitutional Court (*Mahkamah Konstitusi*, MK). The resistance of civil society groups (including Perludem, IPC, Cetro, JPPR, GPSP, ICW, Elpagar) and the

⁵⁰ Interview with Respondent 10, 19 October 2018

⁵¹ Interview with Respondent 9, 4 December 2019

perseverance of the media on this issue ended positively with the granting of their requests by the MK. Therefore, in the revision of the new election law, in order to become a member of the election organiser party, members must be inactive with the political parties for the last five years before registering (Republika, 2012).

In relation to election funding, a discourse that developed again at the end of 2019 was a discourse to return the election system for regional heads from a direct election to a representative election system. The main argument for this discourse is that direct election has been considered very costly and provides an opportunity for corrupt behaviour (CNNIndonesia, 2018a). The direct election system has been run routinely since 2005 with the enactment of Law Number 32 of 2004 concerning Regional Government. The law has also been amended several times. The discourse begins in 2012 when the Ministry of Home Affairs proposed a revision for the Law Number 32 of 2004 so that the regulation regarding regional head elections was regulated in a separate Act. The discussion became more intense since this was the first battle between the KMP who lost the presidential elections against the KIH in 2014. The former would like to adopt the representative election system so that the regional head will be elected representatively through the DPRD (*Dewan Perwakilan Rakyat Daerah*, the Regional House of Representative), while the latter want to keep the direct election system. After undergoing a full discussion of pros and cons, the DPR held a plenary meeting (*Rapat Paripurna*) on 25th of September 2014 and the new local election law was won by the KMP with 226 votes, while the KIH only received as many as 135 votes.

However, this new Law was revoked by President Yudhoyono at the end of his term of office by issuing 2 Government Regulations in Lieu of Law (Perpu, *Peraturan Pemerintah Pengganti Undang-Undang*), namely Perpu Number 1 of 2014 concerning Regional Direct Election (*Pemilihan Langsung Kepala Daerah*, PILKADA) and Perpu Number 2 of 2014 concerning Regional Government (Pemda, *Pemerintah Daerah*). These the two *Perpu* cancelled the representative election system by the DPRD (detiknews, 2015). Interestingly, after the *Perpu* was passed into law on the 20th of January 2015 (BBC, 2015), the same notion on the indirect regional head elections re-emerged in the end of 2019. And this notion was started by the government through the Ministry of Home Affairs by proposing to evaluate the

negative effect from the implementation of direct local elections (Kompas, 2019c). In regard to political funding, it is important to note that in a short amount of time the government could change their position on political finance. In five years, the same government that support the direct election switched to put forward the discussion of indirect regional head elections in order to save the election expenses.

Another interesting thing about the discussion of this indirect electoral system is the active role of the community and civil society in discussing the issue, both those who reject it and those who support it. The main reason given by those who refuse to return the election to representatives in the DPRD is that this will degrade the quality of democracy in Indonesia (BBC, 2014). This is because the public will no longer directly involved in electing their regional heads. However, for those who support the idea, they give concern about the high political costs that are spent by the candidates. As this will always be a vicious cycle of corruption once they are elected (CNNIndonesia, 2018a). This discussion will certainly continue to roll with each of their arguments. However, the positive thing that we can see from this discussion is that the public has been actively involved in the democratic process in Indonesia.

Furthermore, a survey conducted by LIPI (The Indonesian Institute of Science) to 2100 respondents from 34 provinces in 2018 also showed that 73 percent of respondents rated democracy as the best system to be applied in Indonesia compared to other systems. And 82 percent of respondents also considered the government quite successful in implementing democracy, even though the level of public confidence was still very low towards political parties. The positive response towards the democratic system is good for the development of democracy in Indonesia. As stated by LIPI senior researcher Syamsuddin Haris, the positive response to democracy means that the public believes in the importance of their active participation in democracy (CNNIndonesia, 2018b).

Despite the positive attitude toward the state subsidies as has been discussed above, there was a main concern raised by some party officials toward the political assistance that it could potentially lead to the formation of a party of state.

- a. An excessively large proportion of state aid could disrupt party independence

This concern was raised by one respondent⁵². To describe this, the respondent gave one example from the Nasdem party's reaction when the government made a notion to increase the state subsidies in 2015. At the time, the Nasdem Party rejected the idea because they considered that the increase was not the main priority that must be done, compared to the economic development and increasing people's welfare (WartaEkonomi, 2015). Even before the 2014 election, the Nasdem's general chairman Surya Paloh emphasised that the Nasdem party rejected any form of assistance provided by the state to the parties. The reason was because it would burden the state budget and independence was also needed to maintain their integrity and dignity as an organisation (Kompas, 2014). The NasDem Party Secretary General, Johnny G Plate also explained that to solve the problem of political corruption in the parties was not by providing them financial assistance. Instead, this is done by encouraging modern party management and building the independence of political party especially their financial management (Nasdem, 2018).

Interestingly, as predicted by the electoral economy model, their refusal to accept the state subsidies could be considered a political manoeuvre to win the public's interest. This is because at that time, in 2015, the Nasdem party was in the public spotlight because its previous Secretary General, Patrice Rio Capella, was dragged into the bribery case of social assistance funds (*Bantuan Sosial, Bansos*) and the grants fund (*Dana Hibah*) of the North Sumatra Provincial Government. In addition, the political reasons behind their refusal of state subsidies were supported by the fact that there was a change in the attitude of the Nasdem party in 2017 when they turned to supporting the government's plan to increase political assistance while still emphasising the need to maintain the subsidies within the strength of the state budget (detiknews, 2017).

Nevertheless, apart from the Nasdem party's attitude above, the concern about the parties' dependence should be considered attentively, given one the weaknesses from the political parties who cannot provide clear information on how much the party really needs in order to function well. Parties, for example, are often very late to provide their financial reports when requested by the Ministry of Home Affairs. Some

⁵² Interview with Respondent 6, 27 August 2019

of them also cannot provide the KPK and LIPI their financial reports, although those are a very important data for calculating the baseline for provision of subsidies. Of the 16 political parties only 5 parties can submit their financial data, namely PDIP, Golkar, Gerindra, PKB and PKS (KPK & LIPI, 2019). Commenting on this unprofessional side of political parties, a civil society like Fitra (the Indonesian Forum for budget transparency) notes that the financial records of political parties in Indonesia are still very traditional, “like a travelling satay vendor” (Merdeka, 2015). Regarding this obscurity of political parties in defining their needs, one party official says that there is a possibility that the vagueness is deliberately done by people who have been taking advantage of the loophole in regulations⁵³. And when compared with other countries’ practices, it is actually possible to take advantage from the loopholes in the party’s funding regulations (Fisher and Eisenstadt, 2004). Therefore, this vagueness of parties’ actual needs if stay unresolved then the party will receive whatever amount of political assistance (whether it is a small amount or a big amount of money) that the state will provide⁵⁴, as has been highlighted by the economy-electoral view in the time of crises.

- b. A disproportionate amount of subsidies will lead to the formation of cartel parties.

As has been illuminated by the theory of cartel party, party’s dependence on the state especially in the terms of funding will encourage party’s transforming into public utilities (van Biezen, 2004). The member of parties will then function as if the civil servant who work for the state and being paid by the states. Opportunities for the formation of state parties will always be there since maintaining their political power is a very basic character for all politicians, especially since this is related to money⁵⁵. Even though a strong involvement of the state to manage the internal affairs of political parties could encourage a new type of party-state relationship in a form of public utility, as has been argued by Van Biezen & Kopecky (2007), a clarity of the rules of the game and also the tight supervision become two very important things in this political funding especially in the context of new democracy like Indonesia. If party funding regime is left without a comprehensive set of laws, the political

⁵³ Interview with Respondent 3, 8 August 2019

⁵⁴ Interview with Respondent 1, 31 July 2019

⁵⁵ Interview with Respondent 3, 8 August 2019

condition could turn into a downfall given the increasingly expensive political costs in Indonesia.

As we have discussed in the previous chapter, one of the causes of the high political cost in Indonesian politics is the illegal expenditure made by candidates competing in elections. Titi Anggraeni, Perludem's Executive Director, for example, explained that this illegal practice has actually made the political costs more expensive (Perludem, 2019). In the context of regional head elections, for example, the practice of illegal spending is usually revealed after the candidates lose the election or after they failed to secure political parties supports (the law said that a candidate who run for Pilkada must be supported by a party or a group of parties). Moreover, while there are many candidates complain about the expensive spending they must spent, their campaign finance reports did not display any irregularities figures from their spending (Tempo, 2019). Therefore, this fact reinforces the assumption that there must be illegal expenditures happening, which then makes the political costs become more expensive.

In addition, one respondent even said that the misconduct actions done by the elites have eventually nurtured Indonesian voters, who have now become the scariest monster in politics itself⁵⁶. In the 2019 election, for instance, many politicians felt the need to spend a very high price to win the vote (BBC, 2019a). This is because most of the electorates will only choose those who can pay. In these circumstances the fair competition in the election will gradually cease to exist. Firstly, it is because the unproportionally state subsidies will encourage parties to create a cartel system. And secondly, the victory in the election will only be determined by whether the participants are able to spend as much money as possible until voting is done in the ballot box.

Nonetheless, what is interesting about this discussion is that almost all respondents did not agree that this political assistance could lead to political cartelisation, which is the formation of a state party. Instead, this political assistance is even needed to prevent the increasingly strong role of conglomerate oligarchies in Indonesian democracy. It is arguable that the typical cartel politics that occurred in Indonesia

⁵⁶ Interview with Respondent 5, 20 August 2019

took a slightly different form from the main thesis of cartel politics initiated by Katz and Mair (1995). Initially, the idea of a cartel party relies on the basic assumption that the parties use state assistance to maintain the existence of themselves in the government and, at the same time, inhibit the entry of new political parties into the system. However, what happened in Indonesia was that the cartel party was formed on the basis of fulfilling the party's need for funding from illegal channels through rent-seeking activities, which in turn eliminated competition between political parties (Ambardi 2008). And the concern over the formation of the cartel party is the reason why we find that during the period of the Susilo Bambang Yudhoyono government (2004–2014), the government significantly cut state aid to political parties and only provided small financial assistance (see Chapter 4).

However, it turns out that cutting the amount of political assistance did not solve the fundamental problems with financing political parties. For this reason, political parties recognise the problem and welcome the increase in the state's financial assistance. The motivation is to limit and reduce the involvement of oligarchs in party financing. This political assistance is needed to strengthen the party's independence and, at the same time, prevent the potential for conglomeration in Indonesian politics and reduce the chances of corruption⁵⁷. Moreover, in order for this funding to have a positive impact on the growth of Indonesia's democracy, the discussion and application of clear rules regarding the financing of political parties is important and urgent⁵⁸. Do not let the role of the state be so small that politics can only be penetrated by rich people or certain conglomerate oligarchic groups⁵⁹.

In addition, if the assumption of the cartel party is that the formation of a cartel will negate the political competition, then we find that in the laws of political parties in Indonesia, the limitation of competition is difficult to happen. This is because the law itself provides a greatest opportunity for new parties to participate in the electoral competition by meeting the administrative requirements⁶⁰. If they pass verification, all political parties have the right to be involved in the election⁶¹. The presence of

⁵⁷ Interview with Respondent 2, 24 November 2018

⁵⁸ Interview with Respondent 3, 8 August 2019

⁵⁹ Interview with Respondent 2, 24 November 2018

⁶⁰ Interview with Respondent 6, 27 August 2019

⁶¹ Interview with Respondent 7, 28 August 2019

regulations that provide equal opportunities for every citizen to be involved in democracy will certainly be good for the development of democracy in Indonesia⁶².

Therefore, the role of political assistance is very important to improving the quality of democracy in Indonesia. Because, on one hand, political assistance can function as a mechanism of reward and punishment for all political parties. And, on the other hand, because the mechanism for calculating political assistance is based on legitimate votes, it means that political parties are forced to work harder and perform better in order to get as many votes as possible.

6.2. Public Opinion

Continuing the discussion of state subsidies for political parties in Indonesia, this section will discuss the role of public attitude in shaping actors' interest in the party finance reforms. Politically, the condition of scarcity of funds not only affects the political competition between actors but also their perception of the necessity of public attitude. In the revenue-maximising view, we expect that actors will not consider the importance of public attitude. This is because parties in this perspective have developed into semi-state agencies that prioritise their strategic relationship with the state as their main source of funding. Consequently, their relationship with the voters has become very weak, and hence public opinion will become irrelevant in this perspective. On the other hand, the electoral economic view will always consider the importance of public opinion. This is because this perspective highly prioritises the element of electoral advantage; hence, they need to keep their good relationship with the voters. In the case of Indonesia, we will see how the government as well as the political parties always maintain their positive image toward the people since these subsidies to political parties could be considered a sensitive issue amid other popular issues like strengthening economic growth and eradicating poverty. Other issues that are important in the discussion of party funding reform in Indonesia are the issues of scandal, money politics, corruption, and the condition of the state budget prior to increasing the subsidies. The expectations from these two perspectives are summarized in Table 6.5 below.

⁶² Interview with Respondent 4, 12 August 2019

Table 6. 5 The role of Public Attitude: Predictions generated by different interest definitions

Revenue-maximising view: money as an end in itself	Electoral economy view: money as a means to an electoral end
Public attitude does not matter	Public attitude matters Examples: - The government and political parties will consider public opinion in the discussion of state subsidies toward political parties. - The issue of scandal, money politics and corruption, as well as the condition of state budget are important in the discussion of state subsidies toward political parties.

Source: This table was taken from Scarrow, S. E. (2004). Explaining Political Finance Reforms: Competition and Context. *Party Politics*, 10(6), 653–675.

In addition to political competition which does give a strong incentive for parties to accept the increase of political assistance, voters' view of political party behaviour also plays an important role. This can be seen in several things below:

6.2.1. The attitude of government and parliament during the discussion of increasing political funding

The government's idea to increase political assistance was first presented to the public in March 2015. This plan received mixed reactions from the public and NGOs, both supporting and rejecting it. An opinion poll conducted by Kompas, one of the leading media in Indonesia, to 594 respondents in 12 major cities found that 73 percent of respondents disagreed with the increase in political assistance, while only 23 percent held a positive opinion regarding the government's proposal to increase political assistance. The main reason is that the majority of respondents (as much as 62 percent) consider that the state budget should be prioritised for improving people's welfare compared to financing the party (Kompas, 2015b). However, the plan to increase political party assistance in June 2015 was later cancelled by the government (Republika, 2015). It is not clear what the government's reason for cancelling the proposed policy is, but the negative public perception of the increase could be one of the reasons for explaining this. This is because, as indicated by the economic-electoral viewpoint, actions on unpopular subjects will almost certainly have a negative impact on electoral advantage. Moreover, we could also consider that the PDIP (the winning party in the 2014 presidential election) had just re-

occupied the government after being an opposition party for 10 years. Therefore, unpopular policies during the early days of taking office will be bad electorally.

A respondent who was one of the leaders of Commission 2 in the DPR, who discussed the government's proposal to increase political assistance, also agreed that after the proposal was issued by the government, there was sometimes a quiet period in discussing this issue with the public because the government and parliament considered the rejection of the public⁶³. Discussion on the increase was re-opened after the government and Parliament received support from the KPK at the end of 2016, who advised the government to provide greater political assistance in order to break the chain of corrupt practices in the parties (Kompas, 2016).

Therefore, following this, we found more positive narratives in mass media publications and also recommendations from several institutions that an increase in political assistance was indeed needed. In addition, the increase will be made in several stages so that political assistance will encourage the modernisation of managing the political parties. This is especially true in terms of reporting and using the aid funds effectively. After going through the ups and downs, the plan was finally realized with the ratification of Government Regulation Number 1 of 2018, which increased political assistance ten times from IDR 108/votes (GBP 0,005/vote) to IDR 1000/votes (GBP 0,05/vote).

6.2.2. The attitude and position of political parties towards the government plan to increase the political aid

Public assessment on the increase of political assistance is also an important consideration for political parties when approving the policy. Some respondents for example said that they should not be too vocal to voice this increase as this would have a bad effect on their electoral advantage⁶⁴. One party official even said that sometimes politicians deliberately make statements in public where they disagree with this political assistance⁶⁵. A gimmick to get sympathy and support. Even though they basically agreed to the increase in discussions both internal within the party and

⁶³ Interview with Respondent 9, 4 December 2019

⁶⁴ Interview with Respondent 1, 31 July 2019

Interview with Respondent 5, 20 August 2019

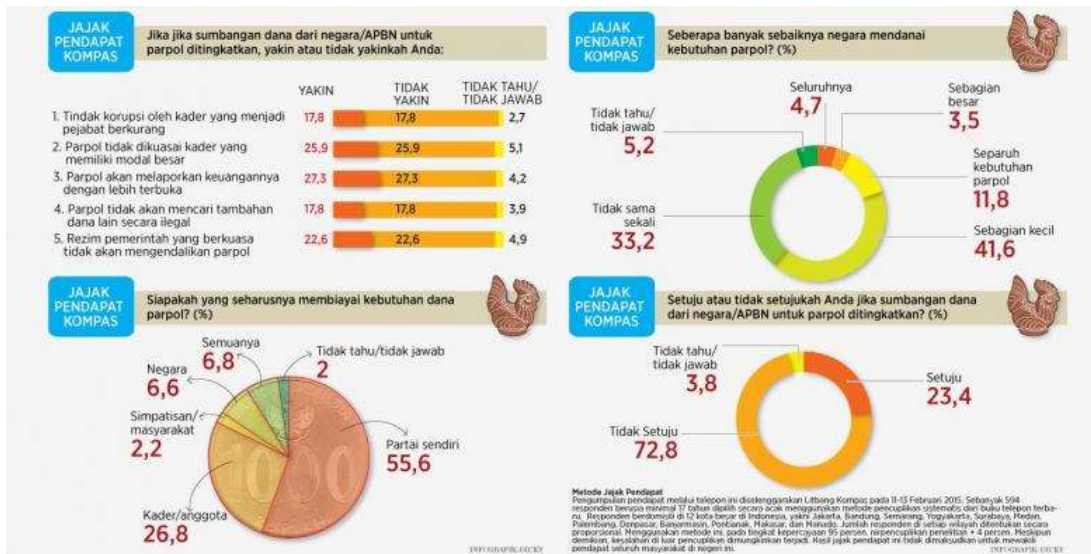
⁶⁵ Interview with Respondent 10, 19 October 2018

externally at commission meetings. Clearly this is in line with the basic idea of the electoral economy view that public valuation is an important thing that must be maintained by political parties to maintain their electoral advantage (Scarrow, 2004).

The attitude and position of the party can be seen, for example, in the attitude of the Nasdem party that was explained earlier. In 2015, they took a firm position to reject any form of state aid that was taken from the state budget to political parties.

However, their stand on this issue coincided with the alleged scandal that befell the Nasdem party. This assumption is then reinforced by the fact that the Nasdem party switched their stand to support the government's plan in 2017 to increase political assistance. And theoretically, as the electoral economy view explains, maintaining the electorate's trust in political parties is one of the logical choices that parties will take. Furthermore, the more serious the scandal, the more determined they were to maintain their electoral position (Scarrow, 2004).

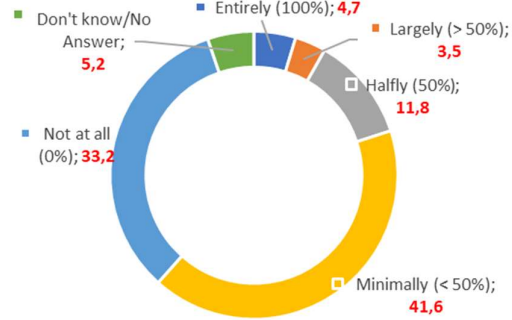
Figure 6. 1 Opinion polls about increasing political assistance to the political parties in 2015



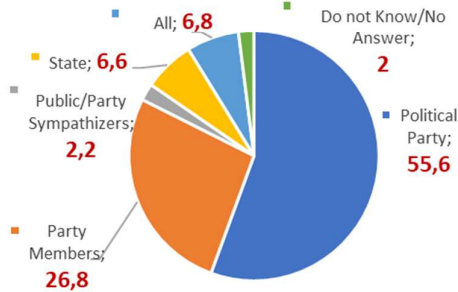
If the financial contribution from the state to political parties is increased, are you sure or not that:



How much should the State support the financial needs of political party?



Who should finance the political parties? (%)



Do you agree or not if political assistance from the state to political parties is increased? (%)



Source: These diagrams were adapted from Litbang KOMPAS (2015) and have been translated into English by the author.

6.2.3. The role of scandal in the discussion of increasing political assistance

In the case of Indonesia, we found that political scandal makes the issue of party preferences for state subsidies more salient. The government's proposal in 2015 to increase the political assistance budget for political parties was motivated by the same reason (Tempo, 2015). This is also the reason that motivated the KPK at the end of 2016 to advise the government to provide greater political assistance to the parties, which is to break the practice of corruption within the party.

In its 2016 report, the KPK noted that during 2004–2016, there were 124 members of the DPR/DPRD, 117 Governors, and 58 Mayors/Regents/their vices caught in corruption cases (KPK, 2017b). In addition, there were also a series of scandals that occurred during the second term of President Yudhoyono. As previously stated, there was a scandal in the century that occurred in 2012. And there was also another scandal that happened in 2014. This scandal was known as the scandal of Hambalang (Hambalang is the name of an athlete village (Wisma Atlet) in Bogor, West Java) who dragged several important cadres in the Democratic party, such as Anas Urbaningrum (former chairman of the Democrat party), Andi Malaranggeng (former Minister of Youth and Sports), and Muhammaf Nazaruddin (former Democratic General Treasurer). Besides this scandal, there were also other alleged corruption cases in 2014 that also involved other important figures from the Democrat Party, such as Sutan Bhatoegana (former Chair of the House of Representatives Commission VII) in the discussion of the revision of the 2013 state budget at the Ministry of Energy and Mineral Resources and also Jero Wacik (former Minister of Energy and Mineral Resources), who was involved in a corruption case in the Ministry of Energy and Mineral Resources (KPK, 2017a).

Disclosure of corruption cases that occurred during the end of 2014 to 2016 were not only involved the Democratic party but also other parties. The presence of scandal and also those corruption cases has prompted a re-discussion on the increase of political assistance. At the end of 2016, this proposal was submitted by the KPK and then together with LIPI in 2018 they conducted a more in-depth study of the financial assistance.

6.2.4. Money Politics and Corruption Eradication

The practice of money politics is another reason that encourages political parties to approve the increase in political aid. Not only because the practice of money politics and corruption affect public perceptions of political parties, but also because this practice makes political costs more expensive. High political costs result in unbalanced competition. Although the KPK in its study found that there is no positive correlation between the amount of money a candidate spends during a campaign and their electoral performance, political parties are still involved in many illegal activities like vote buying. The practice of vote buying will only lead to a deterioration in the quality of democracy. Even though the elections have been held routinely every five years, the arena of democracy will only be filled by those who are able to spend a little more than others until the end of the competition. A party official, for example, said that perhaps spending more money does not guarantee we are elected as members of parliament, but not spending any money or spending very little money will certainly not win⁶⁶. Therefore, it has become common practice for some politicians that if they have the capacity to spend money until the end, it is better to spend it to the maximum.

The practice of money politics is not only affecting the quality of politicians who competed, but it also made voters becoming irrational ones. The law on political parties has been very strict and clearly explains one of the functions of political parties to conduct political education for voters. With the hope that politically educated voters will encourage political parties to perform better; they produce political cadres who are able to run the country well. Political education is important for voters so that they understand their rights and obligations as well as the consequences they will get if they easily sell their votes for only a few hundred thousand of rupiahs (five- or ten-pound sterling). If this problem of money politics is not finished, we should not expect the issue of equality in democracy where every candidate can compete at the level playing field can be achieved soon⁶⁷. It also means that the state has indirectly allowed political predators to run the wheels of democracy on one side and make political costs more expensive on the other side.

⁶⁶ Interview with Respondent 8, 31 August 2019

⁶⁷ Interview with Respondent 5, 20 August 2019

This practice of money politics not only has the potential to have a negative impact on the quality of democracy, but this practice will also fuel corruption. All respondents agreed that the proposed increase in political assistance initially started from internal party discussions, which at the same time were also discussed by several institutions such as the KPK and LIPI. Many cases of corruption by party functionaries, members of parliament and government officials have initiated the idea of increasing the amount of political assistance. After conducting an intensive study to reduce the number of corruption cases involving state officials, the KPK proposed an increase in political assistance to 10 thousand rupiah per vote⁶⁸ (GBP 0,5/vote) (Republika, 2017).

Many cases of corruption are proven in court because of the large political costs (both legal and illegal) that must be spent by parliamentary candidates and regional head candidates. This happened because they wanted to reach the break event point after they were in the office for the amount of “investment” they had spent.⁶⁹ On the one hand, political parties legally spend large funds to run their organisations and win elections. On the other hand, Indonesian voters are still addressing parties and politicians as a place to ask for and meet their daily needs (vote buying) (Mietzner, 2015, p. 592). Considering these conditions, it becomes very logical for the government to provide political assistance to political parties. If not, then political parties will be faced with two choices, namely: political parties will be controlled by certain conglomerate oligarchs or politicians will be forced to engage in corrupt practices⁷⁰.

6.2.5. The increase in political assistance must be adjusted to the state budget

Another factor that influences the party's attitude in terms of its association with public perception is the issue of state budget capability. Maintaining the perception of the people is an important element that is always considered by political parties. If it is not managed properly, it can worsen the level of voter confidence in the parties. Even though the government stated in 2017 that the tenfold increase in political aid

⁶⁸ The KPK in 2017 proposed the increase of state subsidies should at IDR 10 thousand/vote (GBP 0,5/vote). However the number was changed into IDR 8461/vote (GBP 0,4/vote).

⁶⁹ Interview with Respondent 1, 31 July 2019

⁷⁰ Interview with Respondent 2, 24 November 2018

would not burden the state budget (CNNIndonesia, 2017), the discussion about the increase was circulating in the midst of sluggish economic development. As a result, there was some opposition to this proposal. This criticism, for example, was conveyed by FITRA that the increase in political assistance would burden the state budget, which had been in deficit (Kompas, 2017e).

However, some respondents also said something similar to the explanation given by the government. They said that the increase in political assistance is in fact insignificant compared to the capacity of the state budget. This is in the sense that the nominal is very small compared to the overall state budget posture⁷¹. When compared between the amount of political assistance to the 9 winning parties at the national level and the number of state budget postures, the increase in political assistance in 2018 is only valued at 124.5 billion Rupiah per year (GBP 6,2 million). This amount is even less than the cost incurred by the government in organizing the IMF-World Bank Bali meeting on October 8–14, 2018, which cost 855 billion Rupiah (GBP 42,7 million) over seven days⁷². However, to achieve an increase of up to 10 thousand rupiah per vote (GBP 0,5/vote) as proposed by the KPK then a rigorous evaluation must be carried out with due regard to the potential of the state budget⁷³.

Consideration about the capability of state budget before increasing the political aid are a main concern for political parties. As predicted by the electoral economy view, this is done so that the political parties will not get a bad stigma which implies that they are more concerned with financing themselves than to finance the welfare of the people. As stated above, one party which firmly emphasised the importance of providing subsidies according to the strength of the state budget was the Nasdem party. Although they eventually agree to the increase, they rejected the increase at the beginning of the discourse. The rejection is based on the reason that political parties should be a modern and independent institutions that can manage their own

⁷¹ Interview with Respondent 1, 31 July 2019

Interview with Respondent 4, 12 August 2019

Interview with Respondent 8, 31 August 2019

Interview with Respondent 9, 4 December 2019

Interview with Respondent 10, 19 October 2018

⁷² Interview with Respondent 10, 19 October 2018

⁷³ Interview with Respondent 5, 20 August 2019

Interview with Respondent 8, 31 August 2019

financial issues. And the NasDem also emphasised that it should be achieved this by not burdening the state budget. On the other hand, even though the PAN institutionally accepted the proposal to increase (Kumparan, 2017), Yandri Susanto (the chairman of the central office, DPP PAN) said that the decision to increase party subsidies has hurt the people's sense of justice. This was because the state ironically agreed to increase subsidies for the party but revoked the subsidies for the people (Tribunnews, 2017b).

6.3. Conclusion

This chapter has discussed how the condition of scarcity of funds has shaped actors' interests in state subsidies. In contrast to van Biezen (2000), who contends that the adoption of state subsidies in new democracies is due to a lack of options for raising funds, this chapter argues that the scarcity of funds does not directly result in the adoption of state subsidies. Instead, this condition of scarcity of funds has shaped actors' interests by affecting their structure of choice and information.

From the above discussion, we find that, politically, the attitude of political parties when deciding to accept an increase in the amount of political assistance is more inclined to electoral economy reasons than revenue maximisation.

From the two measuring instruments outlined by Scarrow, political circumstances and public opinion, we find that political parties are very aware and careful when deciding to accept an increase in political assistance. Because although they need financial assistance to overcome their internal problems, as explained earlier, they certainly do not want to get caught up in unpopular decisions that have a negative impact on the electoral.

Politically, we find that the parties used the electoral economy approach when discussing the plan to increase the subsidy. However, it is not in a way that has been explained by Scarrow (2004) that, politically, If parties feel that an increase in political assistance will strengthen the position of their political opponents so that, as an electoral economy suggest, they should reject an increase in aid and vice versa. We do not find that political circumstances play a role in this regard as has been confirmed as well by the respondents, except one statement from party officials who believe that if the increase of political assistance can be to 10 thousand rupiah per

vote, they believe the political calculations will be very different. Political consideration is used when the discussion of new election laws was taken place. So that in order to agree on the new laws then the government should also agree to increase the subsidies to political parties.

Political considerations, within the framework of electoral economy analysis, can also be found in terms of how political parties calculate the advantages they can gain over the proposed policy on one hand and public opinion that will potentially be formed due to the policy on the other. Therefore, we find a comment from a party official, for example, who says that sometimes party members do gimmicks as if they refuse to increase political assistance when, in fact, they really need and actually accept the idea of increasing political assistance.

The importance of safeguarding public opinion is crucial. From the discussion above, we also find that they also agree that this increase in political assistance needs to be done in stages with reference to the strength of the state budget. On the one hand, the costs incurred in political aid each year are not too high compared to other state expenditures. But if they propose a large increase, then this could potentially be an unpopular policy that is not good in the public's view. This is certainly not the first. We can see, for example, how the plans for the renovation of the Parliament building have received considerable opposition from the public. Likewise, for other fund-raising proposals, the public always assesses that it would be better if the expenditure were used as much as possible for the prosperity of the people.

Additionally, we observe these political considerations in their attitudes toward the KPK and LIPI's political party pact's integrity. They agreed that this political assistance was necessary to curb political party member corruption. This integrity pact is also a demonstration of their commitment to eradicating corruption and a means of gaining electoral sympathy.

7. Conclusion

This research has explained how incentives shape actors' preferences in the financing of political parties in Indonesia. The experience of Indonesia over the last two decades is used as a case study to provide a more in-depth analysis of political financing in new democracies. The main argument of the study is that actors' preferences for political party financing methods are influenced by both external and internal incentives. This argument is a counter-argument to van Biezen's explanation for the financing of political parties in a new democratic country. Political parties, according to van Biezen (2004), adopted state funding sources due to a lack of funds.

Using the rational-choice institutionalism approach, political parties' funding scarcity forms the structure of choice and information (incentives) used to determine their party financing methods. By contrasting two motivations in political party financing, namely the revenue maximization and the electoral economy motivation, the experience of political finance reform in Indonesia demonstrates that the preference of political parties in Indonesia is influenced by the electoral economy motivation rather than the revenue maximization.

This chapter will summarize the study's findings and discuss them in a broader context. As described in Chapter 3, by returning the discussion of this research to the theory used in the study, the findings of this study could perhaps help to enrich the body of literature on political parties, particularly in discussions about the financing of political parties in new democracies.

7.1. The Party System and The Preference for Funding

In chapter 4, it was explained how the establishment of the party system is influenced by two factors, namely the condition of funding scarcity and the financing options taken by political parties to overcome the problem. According to Hopkin (2004), the lack of funding faced by a party causes the party to transform into a clientelistic mass party, a cartel party, or an elite party. Using a rational-institutionalism approach, the scarcity of funds will shape the incentives available to

political parties, and incentives will be used to select financing methods to address the problem of funding scarcity.

Using Indonesia as a case study, this study contends that the party system in the form of an elite party is a more useful concept for analysing political parties in Indonesia than the cartel party concept, which is currently more prevalent. Unlike Slater (2004) and Ambardi (2008), this study argues that the formation of a coalition of political parties does not automatically result in the Indonesian party system adopting Katz and Mair's cartel party system (1995). Even if we apply the bare minimum criteria of a cartel party, as been explained by Katz and Mair (2009), in terms of inter-party collusion or cooperation and their move toward the state, the fact that almost all parties have relied heavily on private contributions, either as an externally funded elite party or as a self-funded elite party, requires us to reconsider the term's use to describe the Indonesian party system.

Another factor to consider is the spoils of political elite rent-seeking activities, which are used primarily for personal gain rather than political party funding. This quest for personal gain occurred as a result of a change in the electoral system that elevated candidates' roles above those of political parties. Tan (2006) explains that this system has triggered the issue of personalism in Indonesian politics. Financially, the electoral system imposes a significant financial burden on Member of Parliament candidates. Eventually, a large number of party cadres engage in rent-seeking activities related to political financing, which are referred to as "shadow financing" (Bertoa & Taleski, 2016). The funds raised are not used to finance political parties; they are frequently not included in the party's financial statements and are instead used for personal gain (Mietzner, 2015).

Taking all of these into consideration, this study contends that different explanations are required to understand the Indonesian party system in general and methods of political financing in particular. Economic motivations alone are insufficient to explain the political complexities that occur in Indonesia (Juwono, 2016). Political competition and maintaining public opinion, as explained in chapters 4 and 6, are important factors that political parties consider when determining their political actions. This is consistent with the preposition of the economic electoral view, which is an alternative to the revenue maximization view of the political cartel system.

Although the government welcomed many political parties to form a dominant coalition, this does not negate their role as a check and balance on the government. Especially if the policy is viewed as more important by the public and their decision has the potential to increase political support.

The discussion in Chapter 4 is a good example of this. Despite the fact that President Abdurrahman Wahid's government formed a large governing coalition, the coalition did not remain silent when the president was accused of being involved in a scandal. On the one hand, the anti-corruption stance of political parties will undoubtedly be well received by the public. The alleged scandal involving the president, on the other hand, could be used as a negotiating tool to get the government to legalize political financing assistance to political parties. And this confirms that, in order to understand the behaviour of political actors in terms of political financing, political factors must be considered alongside economic factors, as the electoral economy model has highlighted.

7.2. Internal Incentives for Party Funding

As previously stated, the scarcity of political financing sources encourages political actors to weigh the various incentives available before deciding whether to rely on state or private funding. In the case of Indonesia, since political liberalization in 1998, the role of private financing in political party financing has grown in prominence. Although the outcomes of the 2001 political debates resulted in the provision of state aid to political parties, the assistance was significantly reduced in 2004, leaving political parties in a financial bind. This provides an opportunity for business groups to reclaim bargaining power with political parties (Mietzner, 2007).

In light of this, the private sector has played an important role in the financing of political parties since the 1998 political liberalization until the 2014 election. The 2014 election was used as a turning point because the newly elected government offered to increase the amount of political aid given to political parties that year. Since then, the debate over political aid has resurfaced, culminating in the government issuing new regulations in 2018 regulating the increase in state aid to political parties.

Chapter 5 of this study discusses how incentives from within the party can help explain the attitude of political parties in Indonesia toward political financing policy reform. The main argument derived from this chapter is that the state of a party's treasury is the primary incentive that has shaped the perception of political parties in Indonesia that consider the need for additional state assistance to overcome internal problems within their organization.

Using a rational institutionalism approach, the study compared two main models to explain the actor's motivation for state-assisted political party financing. The cartel model and the electoral economy model are the two models. Internally, the two factors that become incentives for political parties are their treasury condition and their perception of the subsidy.

As discussed in Chapter 5, the interest of political parties in new democracies in political financing reform is difficult to distinguish whether it is closer to the cartel model or the electoral economic model. This is because the scarcity of funds causes the parties to appear to be money oriented, implying that the party will accept whatever funds are available. To reach a clear conclusion on the party's perception of political aid, one must consider the political incentives behind the political finance reform. Using these two models, however, we can gain a better understanding of the internal incentives that can influence the behaviour of actors in discussions about political financing reform.

In general, the cartel model captures the revenue maximization principle and creates a situation in which small parties are unable to enter the market (or at least find it very difficult). As a result, in the debate over financial aid, the parties do not take their financial situation into account at all. This is influenced by the belief that the more money they have, the easier it will be to keep their political power. This will eventually make it difficult for smaller parties to enter government, whether to fill parliamentary seats or executive positions.

Meanwhile, under the electoral economy model, parties may seek more state income if it is electorally beneficial to do so, but they will also oppose state funds if their financial position is sound and they believe it is electorally beneficial to do so. The key point in this model is that the party's interest is driven by the views of the party,

which is more politically competitive than the first model. This is important to underline because in a crisis in which all political parties face similar funding challenges, “both the ‘revenue-maximizing’ and the ‘electoral economy’ perspective would lead us to expect some cooperation among dominant parties, either to increase their direct and indirect subsidies, or to restrict spending opportunities” (Scarrow, 2004, p. 657).

This is especially relevant in light of the challenges that new democracies, such as Indonesia, face. In the case of Indonesia, a lack of financing is the result of a number of factors, including an ineffective source of party finance and rising political costs since the open-list proportional system was implemented in the country's electoral system.

In Indonesian political parties, party member donations do not work as a source of funding (Junaidi, 2011). This is likely due to the majority of Indonesians' belief that providing assistance in the form of donations and services is the primary responsibility of political parties, rather than the responsibility of the general public (Mietzner, 2015, p. 592).

The lack of donations from party members and the low participation of small donors in the financing of Indonesian political parties is exacerbated by the party's lack of financial accountability. And this situation once again enables business groups to contribute to the financing of political parties in Indonesia, despite the fact that the majority of these contributions are not disclosed in political parties' financial statements (Mietzner, 2015). This situation is further compounded by money politics, which entails either the distribution of basic necessities during the campaign period or the buying and selling of votes during the voting process (Muhtadi, 2019).

The impact of rent-seeking and illicit funding by political party cadres is what prompted political parties to propose increasing state aid to political parties. Since the proposal to reform political finance was released in 2014, there has been some discussion about whether the policy change should be accepted or rejected.

In terms of economic incentives, the behaviour of Indonesian political parties that support increased state spending led us to suggest that their behaviour is more akin to a cartel approach to revenue maximization than to the electoral economy.

However, returning to Scarrow's explanation from earlier, this is the expected behaviour predicted by the two models. Both models predict that, in the face of a scarcity of funds, the behaviour of political parties is expected to support reforms that will increase their funds. As a result, if we focus exclusively on the economic aspect of political financing reform, we cannot draw conclusions about the party's position on political financing reform. This is especially true if the model is applied to reforms in emerging democracies' political financing.

The conclusion that can be drawn is that the initial condition that will shape political parties' perceptions of political financing reform is the internal situation of political parties (as illustrated by the economic explanation), which is challenged with a lack of party funding options amid rising political costs. This prompted the party to assess whether the political party would accept or reject the proposal to increase the state's financial assistance to political parties. And the discussion on this will become more evident as we delve deeper into how the political incentives shapes the interests of political parties. Because, from a political standpoint, this study discovered how political parties shift their position from opposing to supporting the reform, which is thought to be closely related to the party's assessment of public opinion. This will be covered briefly in the following sections.

7.3. External Incentives for Party Funding

If economic factors help us understand that the scarcity of funding sources in the face of increasing political costs becomes the main incentive that encourages political parties to propose political financing reforms, then chapter 6 delves deeper into political incentives that shape parties' perceptions of political financing reform. Two major factors influence these political incentives, namely political competition and public opinion. The thesis' main finding is that if the political side of political financing reform is considered, political parties' primary preference is closer to the electoral economy model than the cartel model. In this section, we will briefly describe some facts that support this claim.

First, the study discovered a shift in the party's perception of the importance of political financing reform in Indonesia. Initially, the party's reaction to the government's proposal to increase the amount of state aid to political parties was

different. Most parties (including PDIP, Golkar, Democrats, Hanura, PPP, and MCC) supported the government's proposal, while two parties (including PAN and Gerindra) voted neutrally and one party (Nasdem) voted against it. However, when the issue of political financing reform received recommendations from several credible institutions such as KPK and LIPI in 2017, all political parties agreed to increase state aid to political parties. The rationalization provided by each party for their initial position in 2015 and subsequent change of position in 2017 in an attempt to maintain their public perception is what makes the parties' various reactions significant to observe further.

The electoral economy model can also be used to understand how all parties' positions on political financing policy reform changed in 2017. Following the government's proposal to reform political financing, and the various responses from political parties that followed, discussions about the proposal stalled because political parties were encountered with public rejection. This proposed policy reform was only continued at the end of 2016 after the Parliament received support from the KPK as a state institution with strong public support due to its accomplishments in combating corruption in Indonesia. At this point, the behaviour of actors in terms of subsidy positioning is consistent with the predictions of the electoral economy model, which takes public perception into account when determining political action. It is regarded as crucial to their efforts to maintain public support (electoral consideration).

This is different from the case of party regulation in Italy which gives important findings that corruption issues and scandals are not enough to encourage the party more disciplined toward the law (Piccio, 2014). It takes an external factor in the form of the pressure of the Council of Europe and internal factors such as the presence of new political power taken into account (Piccio, 2014). However, both cases of Indonesia and Italy suggests that the role of competition between political parties is an important thing that must be considered when discussing regulations against political parties including political party financing.

Another important finding in this study is the alleged use of political financing reform as a lobbying tool to smooth the discussion of the new Electoral Bill 2019. This lobbying was done as a result of the ongoing debate over the New Electoral Bill,

which had passed the deadline. Because the discussion did not result in an agreement despite the fact that it went beyond the deadline, there is a suspicion that the government promised the parties more political support in order for the agreement to reach the threshold in accordance with the government's coalition proposal. Government's coalition clearly get everything they want in terms of electoral economy. First, they can elect a president based on their proposed threshold figures. Second, the reform of political financing will provide them with long-term economic benefits. In terms of the opposition group, this can be viewed as a compromise reached by opposition parties in order to achieve long-term benefits in order to solve the problem of fund scarcity while still being able to propose presidential candidates through coalition formation. This demonstrates that the electoral economy model, rather than the cartel model, is more useful in understanding Indonesia's political system.

7.4. Contribution to the Body of Knowledge

Following a discussion of the study's major findings, this study aims to contribute to the advancement of knowledge by providing a new perspective on the party system in Indonesia in particular, as well as a global discussion on political party financing reform.

First, as discussed in Chapter 4, this study suggests that elite party typology is more appropriate for describing the state of party financing in Indonesia than cartel party typology. The primary reason for this is that, in comparison to the state, the private sector has been the primary source of political financing in Indonesia since the process of political liberalization began in 1998, both as an external and internal donor. Then, as discussed in Chapter 6, the financing motivations of Indonesian political parties are also more aligned with the electoral economy model than with the cartel model's primary argument, which is to maximize revenue. In Indonesia, political incentives are the primary tool for explaining political parties' preferences when it comes to determining their political financing policies. To contextualize Indonesia's findings, this study suggests that, in addition to examining the economic side of the party, we should examine the debate over political financing reform in a newly democratic country from a political standpoint. This is becoming increasingly

relevant as political parties in emerging democracies face the same funding constraint.

Second, the study aims to provide a new perspective on the discussion of political financing reforms in a global context. In the context of party funding, while much discussion is Eurocentric, this study represents the first of its kind in a very large Muslim new democracy. This study suggests a novel explanation for understanding why political parties in new democracies, such as Indonesia, choose private or public funding as a source of organisation funding.

The research is novel in that it employs a rational-institutionalism approach to compare the two primary motivations for political parties in terms of political financing, namely economic and political motivations. Based on the thesis presented in this study, it appears that a lack of political party funds has an indirect impact on the use of state subsidies for political parties. Scarcity affects actors' behaviour by affecting the incentives available to them. The primary economic incentives are the financial conditions of political parties' treasuries, which are under increasing pressure to raise funds in order to win elections. This will have an impact on the party's perception of state aid, whether the aid is viewed as a means of capital accumulation or as a means of achieving electoral gains. The level of political competition between parties, whether as members of a government coalition, an opposition coalition, or as fellow coalition members, is one of the main incentives from a political standpoint. Furthermore, how the party considers public opinion in its policymaking is another important factor to consider from a political standpoint in order to make sense of the behaviour of parties toward state subsidies. If political competition between parties is evident, it is likely that the party will take public opinion into account when making policy decisions. This is because public opinion has the potential to provide benefits or drawbacks for a political party seeking public support, and vice versa.

This study aims to contribute to the enrichment of intellectual debates about the political financing system by emphasizing the role of these incentives in shaping party attitudes, as well as the role of actor preferences in determining the direction of political financing in democratic countries.

Third, this research demonstrates the importance of incorporating local contexts into global general theories. The existing literature, which is currently dominated by the study of Western democracies, is incapable of conclusively explaining everything. This study aims to improve our understanding of previously existing theories.

As a starting point, this study analyses and compares the practice of political financing reform in Indonesia over the last two decades using Scarrow (2004) models, which were derived on a case study of Germany and the United Kingdom. As discussed in Chapter 2, the model can be used to describe how economic and political incentives of political parties influence political decisions about political finance reform.

However, this study demonstrates that when the same models are applied to the practice of party finance reform in Indonesia, adjustments are necessary. Adjustment is required to ensure that models developed on the experience of developed democracies can be applied to the practices of other democratic states, particularly newly democratic ones such as Indonesia. This is especially critical when political parties in a new democracy lack a stable source of funding while also having a significant funding need.

Based on Indonesian experience, this study suggests that when we consider political factors in addition to economic factors, the party's position on political financing reform can be clearly understood. Money is necessary, but it is not the only factor. By drawing on Indonesia's experience, this study aspires to enrich the academic discourse of existing global theories.

Fourth, by incorporating Indonesia's experience into global debates, the findings of this study are expected to contribute to the academic debate over the criticism of the cartel party theory (Bertoa & Taleski, 2016; Clift & Fisher, 2004; Pierre et al., 2000; Scarrow, 2004).

Bertoa & Taleski (2016) found that regulations related to political financing that facilitate state political assistance did not result in the formation of a cartel system; otherwise, it became a support for the survival of political parties for both major and minor parties in Macedonia. Clift & Fisher (2004) found no evidence to support the thesis of cartelization of the political system in both Britain and France. Unlike the

cartel model, political financing reforms in Britain and France are more likely to be influenced by their value systems as well as historical factors respectively. In addition, Scarrow (2004) developed an alternative analysis framework (the electoral economy model) as an antithesis to the cartel model to explain political parties' tendencies in the debate over political financing reform.

On the one hand, as Pierre et al. (2000) have explained, this cartel-related proposition is useful in explaining the potential that can occur if the party relies heavily on the state for funding. On the other hand, in order to determine whether the country's financing system has established a cartel system that has resulted in the formation of "parties as public utilities" (van Biezen, 2004) that have an impact on political competition and the relationship between the party and the electorate, the study suggests that more research be done in the future by focusing on the development of political party financing. Based on the Indonesian case described in this study, the study found insufficient evidence to support cartelization of the political system in relation to political financing in new democracies such as Indonesia.

However, it is also important to note that the criticism towards the cartel party notion that is presented in this thesis is limited only in the sense of the utilisation of state subventions to finance political parties that were regarded as "self-referential" (Katz & Mair, 2009, p. 755) to maximise their utility. When we incorporate the minimum understanding of cartel party theory that highlights the movement of political parties toward the state (Katz & Mair, 2009), then the definition of cartel party may be useful to describe the party system in Indonesia, as has been argued by Slater (2004).

7.5. A Note on Future Research

Chapter 3 of this study discussed several strategies that researchers can use to address criticisms about generalisation when conducting case study research. In light of those alternatives, this research emphasized the importance of theoretical generalisation by analyzing party preference for party funding using the rational-choice institutionalism approach. As Yin (2014) points out, a case study researcher can employ an approach in the form of a lesson learned or a principle that the researcher believes is applicable to other situations.

Several findings presented above can be understood as lessons learned from Indonesia's context as the world's largest and relatively new democracy. Because the findings of this research are bound to the unique characteristics of Indonesian democracy, which allows for the coexistence of Islam, democracy, and modernity (Huijgh, 2017), the findings in other contexts of democracy may vary. However, the generalization can be drawn by contributing to global debates about the best way to understand political parties' behaviour in relation to funding options.

As a note for future research, this study suggests several other types of research that could be conducted to bolster the findings of this study and to enlighten discussions about political financing in new democracies.

First, we could make a direct comparison of the two most similar/different cases (Gerring, 2006; Seawright & Gerring, 2008; Teune & Przeworski, 1970), between Indonesia and several other countries. For instance, one could compare the political finances between Indonesia and Turkey. Both countries have had similar experiences with military involvement in politics. However, in comparison, both countries chose a different path in terms of party finance regime. Whilst the political financing in Indonesia is primarily funded by private or elite political parties, political financing in Turkey is primarily funded by the state. For example, in 2013, the state funded 90 percent of political party funding in Turkey (Mietzner, 2013).

Alternatively, we can also make comparisons regarding political finance between Indonesia and other countries in Southeast Asia. One example of research that has been conducted previously in the context of Southeast Asia is a paper by Ufen & Mietzner (2015) that compares the interplay between political finance regimes and the quality of democracy in Indonesia, Thailand, Malaysia, and Singapore. Other comparative research can also be done by comparing Indonesia to other Asian countries so that we may gain a better understanding of the important factors that determine party finance regimes in new democracies.

Second, in addition to comparing Indonesia to other new democracies, we can conduct analyses by increasing the number of observations at different levels (George & Bennett, 2005; King et al., 1994). This study was conducted in the context of a national political party. Increasing the number of observations at various levels

can be accomplished, for example, by comparing the behaviour of parties in provinces (subnational level) or districts/cities (regional level). Regulations governing political financing at the national level differ from those governing political financing at the subnational and regional levels. The amount of political financing at the subnational and regional levels is adjusted to the ability of each region, and each region can provide different amount of political assistance. We can perform a full replication of the theory used in this study by increasing the number of observations, allowing the thesis developed in this thesis to be more vigorously tested (see King et al., 1994, p. 218). Another option is to partially replicate or use other theories (see King et al., 1994, p. 218) in order to expand our understanding of political financing in a newly democratic country.

References

- Abramowitz, A. I. (1988). Explaining Senate Election Outcomes. *The American Political Science Review*, 82(2), 385–403. <https://doi.org/10.2307/1957392>
- Abramowitz, A. I. (1991). Incumbency, Campaign Spending, and the Decline of Competition in U.S. House Elections. *The Journal of Politics*, 53(1), 34–56. <https://doi.org/10.2307/2131719>
- Adamany, D., & Agree, G. E. (1975). *Political Money: A Strategy for Campaign Financing in America*. Johns Hopkins University Press.
- Admojo, T. (2016). Peran Partai Oposisi di Parlemen Pasca Pemilu Presiden 2014. *Jurnal Politik*, 1(2), 283–315. <https://doi.org/10.7454/jp.v1i2.18>
- Alexander, H. E., & Federman, J. (1989). *Comparative political finance in the 1980s* (Vol. 7). Cambridge University Press.
- Allen, N. W. (2014). *From Patronage Machine to Partisan Melee: Subnational Corruption and the Evolution of the Indonesian Party System*. 87(2), 221–245. <https://doi.org/10.5509/2014872221>
- Ambardi, K. (2008). *The Making of the Indonesian Multiparty System: A Cartelized Party System and Its Origin*. http://rave.ohiolink.edu/etdc/view?acc_num=osu1211901025
- Ananta, A., Arifin, E. N., Hasbullah, M. S., Handayani, N. B., & Pramono, A. (2013). Changing Ethnic Composition: Indonesia 2000-2010. *XXVII IUSSP International Population Conference*, 26–31. [https://iussp.org/sites/default/files/event_call_for_papers/IUSSP Ethnicity Indonesia Poster Section G 2708 2013 revised.pdf](https://iussp.org/sites/default/files/event_call_for_papers/IUSSP%20Ethnicity%20Indonesia%20Poster%20Section%20G%202708%202013%20revised.pdf)
- Aspinall, E. (2013). The Triumph of Capital? Class Politics and Indonesian Democratisation. *Journal of Contemporary Asia*, 43(2), 226–242. <https://doi.org/10.1080/00472336.2012.757432>
- Aspinall, E. (2015). The Surprising Democratic Behemoth: Indonesia in Comparative Asian Perspective. *The Journal of Asian Studies*, 74(04), 889–902. <https://doi.org/10.1017/S0021911815001138>
- Audickas, L., Dempsey, N., & Loft, P. (2019). Membership of UK Political Parties. *House of Commons Library Briefing Paper*, No. SN05125.
- Bach, D. C. (2011). Patrimonialism and neopatrimonialism: Comparative trajectories and readings. *Commonwealth and Comparative Politics*, 49(3), 275–295. <https://doi.org/10.1080/14662043.2011.582731>
- BBC. (2010, February 21). *Apa dan siapa di Bank Century - BBC News Indonesia*. https://www.bbc.com/indonesia/laporan_khusus/2010/02/100213_bankcenturyp_layers
- BBC. (2014, September 11). *RUU Pilkada rampung, tuai kontroversi - BBC News Indonesia*.

https://www.bbc.com/indonesia/berita_indonesia/2014/09/140911_kontroversi_ruu_pilkada

- BBC. (2015, January 20). *DPR sahkan Perppu Pilkada jadi UU - BBC News Indonesia*.
https://www.bbc.com/indonesia/berita_indonesia/2015/01/150120_perppu_pilkada_sah
- BBC. (2018, January 12). *Mahar politik untuk partai di Indonesia, antara ada dan tiada - BBC News Indonesia*. <https://www.bbc.com/indonesia/indonesia-42664437>
- BBC. (2019a, April 7). *Kompetisi pemilu semakin sengit, politik uang “semakin rawan” - BBC News Indonesia*. <https://www.bbc.com/indonesia/indonesia-47747515>
- BBC. (2019b, May 20). *Inside the world's most expensive election - BBC News*.
<https://www.bbc.co.uk/news/av/business-48314072/inside-the-world-s-most-expensive-election>
- Benoit, K., & Marsh, M. (2003). For a few euros more: Campaign spending effects in the Irish local elections of 1999. *Party Politics*, 9(5), 561–582.
<https://doi.org/10.1177/13540688030095003>
- Benoit, K., & Marsh, M. (2010). Incumbent and challenger campaign spending effects in proportional electoral systems: The Irish elections of 2002. *Political Research Quarterly*, 63(1), 159–173.
<https://doi.org/10.1177/1065912908325081>
- Bértoa, F. C., Molenaar, F., Piccio, D. R., & Rashkova, E. R. (2014). The world upside down: Delegitimising political finance regulation. *International Political Science Review*, 35(3), 355–375. <https://doi.org/10.1177/0192512114523302>
- Bertoa, F. C., & Taleski, D. (2016). Regulating party politics in the Western Balkans: the legal sources of party system development in Macedonia. *Democratization*, 23(3), 545–567. <https://doi.org/10.1080/13510347.2014.987664>
- Blatter, J., & Haverland, M. (2012). *Designing case studies: Explanatory approaches in small-N research*. Palgrave Macmillan.
- Bloomberg. (2019, June 3). *India's 2019 Election Becomes the World's Most Expensive - Bloomberg*. <https://www.bloomberg.com/news/articles/2019-06-03/india-s-bitterly-fought-poll-becomes-the-world-s-most-expensive>
- Bolleyer, N., & Gauja, A. (2013). Parliamentary salaries as a party resource: Party organizational power in Westminster democracies. *Party Politics*, 19(5), 778–797. <https://doi.org/10.1177/1354068811410363>
- Bolleyer, N., & Trumm, S. (2014). From parliamentary pay to party funding: The acceptability of informal institutions in advanced democracies. *European Journal of Political Research*, 53(4), 784–802. <https://doi.org/10.1111/1475-6765.12051>
- Budi, A., Sukmajati, M., & Prasetyo, W. (2018). Kampanye Padat Modal oleh Calon Perseorangan: Studi Kasus Pilkada Kota Madiun 2018. In M. Sukmajati & A. Perdana (Eds.), *Pembiayaan Pemilu di Indonesia*. BAWASLU.

- Carothers, T. (2009). *Stepping Back From Democratic Pessimism* (No. 99). http://carnegieendowment.org/files/democratic_pessimism.pdf
- Carty, R. K., & Eagles, M. (1999). Do local campaigns matter? Campaign spending, the local canvass and party support in Canada. *Electoral Studies*, 18(1), 69–87. [https://doi.org/10.1016/S0261-3794\(98\)00044-4](https://doi.org/10.1016/S0261-3794(98)00044-4)
- Chang, E. C. C., & Golden, M. A. (2007). Electoral Systems, District Magnitude and Corruption. *British Journal of Political Science*, 37(1), 115–137. <https://www.jstor.org/preview-page/10.2307/4497282?seq=1>
- Chua, B. H. (2007). Elections As Popular Culture in Asia. In *Routledge*. <https://doi.org/10.4324/9780203946763>
- Chua, C. (2008). *Chinese Big Business in Indonesia: The State of Capital*. Routledge.
- Clift, B., & Fisher, J. (2004). Comparative Party Finance Reform: The Cases of France and Britain. *Party Politics*, 10(6), 677–699. <https://doi.org/10.1177/1354068804046913>
- CMS. (2019). *Poll Expenditure, The 2019 Elections*. www.cmsindia.org
- CNNIndonesia. (2017, August 31). *Kebutuhan Dana Parpol Diproyeksi Rp275 Miliar di Tahun Depan*. <https://www.cnnindonesia.com/ekonomi/20170830191904-78-238486/kebutuhan-dana-parpol-diproyeksi-rp275-miliar-di-tahun-depan?>
- CNNIndonesia. (2018a, April 8). *Pro dan Kontra Wacana Pemilihan Kepala Daerah oleh DPRD*. <https://www.cnnindonesia.com/pilkadaserentak/nasional/20180408065007-32-289193/pro-dan-kontra-wacana-pemilihan-kepala-daerah-oleh-dprd>
- CNNIndonesia. (2018b, July 20). *Survei LIPI: Demokrasi Kian Dipercaya, Parpol Makin Dijauhi*. <https://www.cnnindonesia.com/nasional/20180720025810-32-315566/survei-lipi-demokrasi-kian-dipercaya-parpol-makin-dijauhi>
- CNNIndonesia. (2018c, October 19). *Dana Saksi Berpotensi Jadi Ladang Baru Korupsi*. <https://www.cnnindonesia.com/nasional/20181019144811-32-339805/dana-saksi-berpotensi-jadi-ladang-baru-korupsi>
- CNNIndonesia. (2018d, December 4). *Cegah Parpol Jadi Ladang Bisnis, Negara Diminta Biayai Penuh*. <https://www.cnnindonesia.com/nasional/20181204154427-32-351079/cegah-parpol-jadi-ladang-bisnis-negara-diminta-biayai-penuh?>
- CNNIndonesia. (2019a, November 28). *Dana Parpol Ditaksir Naik 48 Kali Lipat, Sedot APBN Rp6 T*. <https://www.cnnindonesia.com/nasional/20191128164553-32-452365/dana-parpol-ditaksir-naik-48-kali-lipat-sedot-apbn-rp6-t>
- CNNIndonesia. (2019b, December 12). *Surati Presiden, KPK Usul Dana Parpol Rp8.461 per Suara*. <https://www.cnnindonesia.com/nasional/20191211174716-20-456120/surati-presiden-kpk-usul-dana-parpol-rp8461-per-suara>
- Crisp, B. F., Escobar-Lemmon, M. C., Jones, B. S., Jones, M. P., & Taylor-Robinson, M. M. (2004). Vote-Seeking Incentives and Legislative Representation in Six Presidential Democracies. *Source: The Journal of Politics*, 66(3), 823–846.

<https://doi.org/10.1111/j.1468-2508.2004.00278.x>

- Crouch, H. (1979). PATRIMONIALISM AND MILITARY RULE IN INDONESIA. *World Politics*, 31(4), 571–587. <https://doi.org/10.2307/2009910>
- Dalton, R. J., & Weldon, S. A. (2005). Public images of political parties: A necessary evil? *West European Politics*, 28(5), 931–951. <https://doi.org/10.1080/01402380500310527>
- Denzin, N. K., & Lincoln, Y. S. (2018). *The SAGE Handbook of Qualitative Research*.
- detiknews. (2015, January 20). *Hari Ini UU Pilkada Langsung Disahkan, Begini Kisah Perjalanannya*. <https://news.detik.com/berita/d-2808114/hari-ini-uu-pilkada-langsung-disahkan-begini-kisah-perjalanannya>
- detiknews. (2017, July 4). *Dana Parpol Bakal Naik Rp 111 M, NasDem: Bukan untuk Dikorupsi*. <https://news.detik.com/berita/d-3548055/dana-parpol-bakal-naik-rp-111-m-nasdem-bukan-untuk-dikorupsi>
- Diamond, L. (2009). *How is Indonesia's democracy doing?* East Asia Forum. <http://www.eastasiaforum.org/2009/10/26/how-is-indonesias-democracy-doing/>
- Dion, D. (1998). *Evidence and Inference in the Comparative Case Study* (Vol. 30, Issue 2).
- Duverger, M. (1954). *Political Parties: Their Organisation and Activity in The modern State*. Methuen & Company.
- Eagles, M. (1993). Money and Votes in Canada: Campaign Spending and Parliamentary Election Outcomes, 1984 and 1988. *Canadian Public Policy / Analyse de Politiques*, 19(4), 432–449. <https://doi.org/10.2307/3551388>
- Eisenstadt, T. A. (2004). Catching the State Off Guard: Electoral Courts, Campaign Finance, and Mexico's Separation of State and Ruling Party. *Party Politics*, 10(6), 723–745. <https://doi.org/10.1177/1354068804046915>
- Ekawati, E. (2019). Peta Koalisi Partai-Partai Politik di Indonesia pada Pemilihan Presiden dan Wakil Presiden Pasca Orde Baru. *JPPUMA Jurnal Ilmu Pemerintahan Dan Sosial Politik Universitas Medan Area*, 7(2), 160. <https://doi.org/10.31289/jppuma.v7i2.2680>
- Erdmann, G., & Engel, U. (2006). *Neo-patrimonialism Revisited—Beyond a Catch-All Concept* (No. 16). <https://www.econstor.eu/bitstream/10419/47831/1/60493873X.pdf>
- Ewing, K. D. (1992). *Money, politics, and law: a study of electoral campaign finance reform in Canada*. Oxford University Press.
- Ewing, K., & Issacharoff, S. (2006). *Party funding and campaign financing in international perspective*. Bloomsbury Publishing.
- Faisal, F., Barid, B., & Mulyanto, D. (2018). Pendanaan Partai Politik di Indonesia: Mencari Pola Pendanaan Ideal untuk Mencegah Korupsi. *INTEGRITAS*, 4(1), 23. <https://doi.org/10.32697/integritas.v4i1.248>
- Fikri, D., & Sukmajati, M. (2019). Pendanaan Kampanye Pemilu Serentak 2019 di Indonesia : Penguatan Demokrasi Patronase ? *Jurnal Antikorupsi Integritas*,

- 3(1), 75–95. <https://doi.org/10.32697/integritas.v5i1.398>
- Fisher, J. (1997). *Donations to Political Parties*.
- Fisher, J. (1999a). Modelling the Decision to Donate by Individual Party Members: The Case of British Parties. *Party Politics*, 5(1), 19–38. <https://doi.org/10.1177/1354068899005001002>
- Fisher, J. (1999b). Party expenditure and electoral prospects: A national level analysis of Britain. *Electoral Studies*, 18(4), 519–532. [https://doi.org/10.1016/S0261-3794\(99\)00021-9](https://doi.org/10.1016/S0261-3794(99)00021-9)
- Fisher, J. (2000). Economic performance or electoral necessity? Evaluating the system of voluntary income to political parties. *British Journal of Politics and International Relations*, 2(2), 179–204. <https://doi.org/10.1111/1467-856X.00033>
- Fisher, J. (2002). Next Step: State Funding for the Parties? *The Political Quarterly*, 73(4), 392–399. <https://doi.org/10.1111/1467-923X.00493>
- Fisher, J. (2008). Party Funding: Back to Square One (and a Half), or Every Cloud Has a Silver Lining? *The Political Quarterly*, 79(1), 119–125. <https://doi.org/10.1111/j.1467-923X.2008.00909.x>
- Fisher, J. (2009). Hayden Phillips and Jack Straw: The Continuation of British Exceptionalism in Party Finance? *Parliamentary Affairs*, 62(2), 298–317. <https://doi.org/10.1093/pa/gsn047>
- Fisher, J. (2010). Party Finance: Normal Service Resumed? *Parliamentary Affairs*, 63(4), 778–801. <https://doi.org/10.1093/pa/gsq033>
- Forrest, J. (1997). The effects of local campaign spending on the geography of the flow-of-the-vote at the 1991 New South Wales state election. *Australian Geographer*, 28(2), 229–240.
- Forrest, J., Johnston, R. J., & Pattie, C. J. (1999). The effectiveness of constituency campaign spending in Australian state elections during times of electoral volatility: The New South Wales case, 1988-95. *Environment and Planning A*, 31(6), 1119–1128.
- Fowler, J. H., & Kam, C. D. (2007). Beyond the Self: Social Identity, Altruism, and Political Participation. *Source: The Journal of Politics*, 69(3), 813–827. <https://doi.org/10.1111/j.1468-2508.2007.00577.x>
- Fukuoka, Y. (2012). Politics, Business and the State in Post-Soeharto Indonesia. *Contemporary Southeast Asia*, 34(1), 80–100. <https://doi.org/10.1355/cs34-1d>
- Fukuoka, Y. (2013). Indonesia's "democratic transition" revisited: A clientelist model of political transition. *Democratization*, 20(6), 991–1013. <https://doi.org/10.1080/13510347.2012.669894>
- Galletta, A. (2013). *Mastering the semi-structured interview and beyond: From research design to analysis and publication* (Vol. 18). NYU press.
- George, A. L., & Bennett, A. (2005). *Case studies and theory development in the social sciences*. mit Press.
- Gerber, A. (1998). Estimating the effect of campaign spending on senate election

- outcomes using instrumental variables. *American Political Science Review*, 92(2), 401–411.
- Gerber, A. S. (2004). Does campaign spending work? Field experiments provide evidence and suggest new theory. *American Behavioral Scientist*, 47(5), 541–574.
- Gerring, J. (2004). What is a case study and what is it good for? *American Political Science Review*, 98(2), 341–354. <https://doi.org/10.1017/S0003055404001182>
- Gerring, J. (2006). *Case study research: Principles and practices*. Cambridge university press.
- Gillespie, R. (1998). Party funding in a new democracy: Spain. In P. Burnel & A. Ware (Eds.), *Funding Democratization* (pp. 73–93). Manchester University Press.
- Green, D. P., & Krasno, J. S. (1988). Salvation for the Spendthrift Incumbent: Reestimating the Effects of Campaign Spending in House Elections. *American Journal of Political Science*, 32(4), 884–907. <https://doi.org/10.2307/2111193>
- Green, D. P., & Krasno, J. S. (1990). Rebuttal to Jacobson’s “New Evidence for Old Arguments.” *American Journal of Political Science*, 34(2), 363–372. <https://doi.org/10.2307/2111451>
- Hadiz, V. R., & Robison, R. (2013). The political economy of oligarchy and the reorganization of power in Indonesia. *Indonesia*, 57(96), 35–57. <https://doi.org/10.1353/ind.2013.0023>
- Hall, P. A., & Taylor, R. C. R. (1996). Political Science and the Three New Institutionalisms. *Political Studies*, 44(5), 936–957. <https://doi.org/10.1111/j.1467-9248.1996.tb00343.x>
- Hanson, S. E. (2011). Plebiscitarian patrimonialism in Putin’s Russia: Legitimizing authoritarianism in a postideological era. *Annals of the American Academy of Political and Social Science*, 636(1), 32–48. <https://doi.org/10.1177/0002716211398210>
- Heerwig, J. A., & Murray, J. (2019). The Political Strategies and Unity of the American Corporate Inner Circle: Evidence from Political Donations, 1982-2000. *Social Problems*, 66, 580–608. <https://doi.org/10.1093/socpro/spy014>
- Heidenheimer, A. J. (1963). Comparative Party Finance: Notes on Practices and Toward a Theory. *The Journal of Politics*, 25(4), 790–811. <https://doi.org/10.2307/2127432>
- Heywood, P. (1996). Continuity and change: analysing political corruption in modern Spain. In *Political Corruption in Europe and Latin America* (pp. 115–136). Springer.
- Hicken, A., & Simmons, J. W. (2008). The Personal Vote and the Efficacy of Education Spending. *American Journal of Political Science*, 52(1), 109–124. <https://doi.org/10.1111/j.1540-5907.2007.00302.x>
- Hindmoor, A., & Taylor, B. (2018). Rational choice. In V. Lowndes, D. Marsh, & G. Stoker (Eds.), *Theory and methods in political science* (4th ed., pp. 39–53).

Palgrave.

- Hopkin, J. (2004). The Problem with Party Finance: Theoretical Perspectives on the Funding of Party Politics. *Party Politics*, 10(6), 627–651. <https://doi.org/10.1177/1354068804046911>
- Huijgh, E. (2017). Indonesia's "Intermestic" Public Diplomacy: Features and Future. *Politics & Policy*, 45(5), 762–792. <https://doi.org/10.1111/POLP.12221>
- Husodo, A. T. (2012). Pengaturan Dana Kampanye dan Implikasinya Terhadap Praktek Korupsi Pemilu. In *Jurnal Pemilu dan Demokrasi*. Yayasan Perludem.
- ICG. (2001). *Indonesia Briefing: Indonesia's Presidential Crisis*. https://www.justice.gov/sites/default/files/eoir/legacy/2014/09/29/icg_02212001.pdf
- ICW. (2004, August 18). *Panwaslu Laporkan Penyumbang Fiktif ke KPU [18/08/04] | Anti Korupsi*. <https://antikorupsi.org/id/article/panwaslu-laporkan-penyumbang-fiktif-ke-kpu-180804>
- Jacobson, G. C. (1978). The Effects of Campaign Spending in Congressional Elections. *American Political Science Review*, 72(2), 469–491. <https://doi.org/10.2307/1954105>
- Jacobson, G. C. (1985). Money and votes reconsidered: congressional elections, 1972-1982. *Public Choice*, 47(1), 7–62. <https://doi.org/10.1007/BF00119352>
- Jacobson, G. C. (1990). The Effects of Campaign Spending in House Elections: New Evidence for Old Arguments. *American Journal of Political Science*, 34(2), 334–362. <https://doi.org/10.2307/2111450>
- Johnston, R. J., Pattie, C. J., & Johnston, L. C. (1989). The impact of constituency spending on the result of the 1987 British general election. *Electoral Studies*, 8(2), 143–155. [https://doi.org/10.1016/0261-3794\(89\)90031-0](https://doi.org/10.1016/0261-3794(89)90031-0)
- Johnston, R, Pattie, C., Cutts, D., Fieldhouse, E., & Fisher, J. (2011). Local campaign spending at the 2010 general election and its impact: Exploring what wider regulation has revealed. *Political Quarterly*, 82(2), 169–192. <https://doi.org/10.1111/j.1467-923X.2011.02183.x>
- Johnston, Ron, & Pattie, C. (2014). Money and electoral politics: Local parties and funding at general elections. In *Money and Electoral Politics: Local Parties and Funding at General Elections* (pp. 1–212). Policy Press. <https://www.scopus.com/inward/record.uri?eid=2-s2.0-84983573812&partnerID=40&md5=5ffd8f34cfbd4c4d0f0d60de4b92a823>
- Junaidi, V. (2011). *Anomali keuangan partai politik: pengaturan dan praktek*. Kemitraan bagi Pembaruan Tata Pemerintahan di Indonesia.
- Juwono, V. (2016). *Berantas Korupsi: A Political History of Governance Reform and Anti-Corruption Initiatives in Indonesia*. The London School of Economics and Political Science .
- Katz, R. S., & Mair, P. (1995). Changing Models of Party Organization and Party Democracy: The Emergence of the Cartel Party. *Party Politics*, 1(1), 5–28. <https://doi.org/10.1177/1354068895001001001>

- Katz, R. S., & Mair, P. (2009). The Cartel Party Thesis: A Restatement. *Perspectives on Politics*, 7(4), 753–766. <https://doi.org/10.1017/S1537592709991782>
- King, G., Keohane, R. O., & Verba, S. (1994). *Designing social inquiry: Scientific inference in qualitative research*. Princeton university press.
- Kompas. (2014, January 25). *Surya Paloh: Tolak Dana Bantuan Parpol!*
<https://nasional.kompas.com/read/2014/01/25/2101037/Surya.Paloh.Tolak.Dana.Bantuan.Parpol>.
- Kompas. (2015a, February 7). *Setelah Gagal di Nasdem dan Hanura, Hary Tanoe Deklarasikan Partai Perindo*.
<https://nasional.kompas.com/read/2015/02/07/20163691/Setelah.Gagal.di.Nasdem.dan.Hanura.Hary.Tanoe.Deklarasikan.Partai.Perindo>
- Kompas. (2015b, March 16). *Menimbang Dana untuk Partai Politik*.
<https://nasional.kompas.com/read/2015/03/16/15000001/Menimbang.Dana.untuk.Partai.Politik>
- Kompas. (2015c, June 25). Presiden Setuju Kenaikan Untuk Partai Politik (President Agrees to Increase State Subsidies For Political Party). *Kompas*, 2.
- Kompas. (2015d, August 6). Dana Parpol dan Keterbukaan Partai (Political Party Fund and Party Openness). *Kompas*, 5.
- Kompas. (2016, November 28). *Pendanaan Partai Politik Halaman all - Kompas.com*.
<https://nasional.kompas.com/read/2016/11/28/19085981/pendanaan.partai.politik?page=all>
- Kompas. (2017a, June 20). *RUU Pemilu Tersandera “Presidential Threshold”... Halaman all - Kompas.com*.
<https://nasional.kompas.com/read/2017/06/20/12261531/ruu.pemilu.tersandera.presidential.threshold.?page=all#page2>
- Kompas. (2017b, June 23). *Pembahasan RUU Pemilu dan Konflik Kepentingan Partai Politik Halaman all - Kompas.com*.
<https://nasional.kompas.com/read/2017/06/23/08262981/pembahasan.ruu.pemilu.dan.konflik.kepentingan.partai.politik?page=all#page2>
- Kompas. (2017c, July 4). *Wacana Kenaikan Dana Parpol Diduga Terkait Pembahasan RUU Pemilu*.
<https://nasional.kompas.com/read/2017/07/04/15583281/wacana.kenaikan.dana.parpol.diduga.terkait.pembahasan.ruu.pemilu>
- Kompas. (2017d, July 5). *Fahri Menyayangkan Kenaikan Dana Parpol Jadi Bagian Lobi RUU Pemilu*.
<https://nasional.kompas.com/read/2017/07/05/12581441/fahri.menyayangkan.kenaikan.dana.parpol.jadi.bagian.lobi.ruu.pemilu>
- Kompas. (2017e, August 28). *Fitra: Kenaikan Dana Parpol 10 Kali Lipat Bebani APBN*. <https://nasional.kompas.com/read/2017/08/28/10082171/fitra-kenaikan-dana-parpol-10-kali-lipat-bebani-apbn>
- Kompas. (2018, August 1). *Ingin Jadi Caleg, Berapa Miliar Dana Dibutuhkan? Halaman all - Kompas.com*.

- <https://ekonomi.kompas.com/read/2018/08/01/064607526/ingin-jadi-caleg-berapa-miliar-dana-dibutuhkan?page=all>
- Kompas. (2019a, April 13). *Buka-bukaan Biaya Caleg demi Kursi di Senayan*. <https://jeo.kompas.com/buka-bukaan-biaya-caleg-demi-kursi-di-senayan>
- Kompas. (2019b, August 23). *Perludem Sebut Peserta Pemilu 2019 Tak Jujur Laporkan Dana Kampanye*. <https://nasional.kompas.com/read/2019/08/23/09522921/perludem-sebut-peserta-pemilu-2019-tak-jujur-laporkan-dana-kampanye>
- Kompas. (2019c, November 26). *Dari GBHN hingga Pilkada Tak Langsung, 3 Wacana Hidupkan Lagi Aturan Lama Halaman all - Kompas.com*. <https://www.kompas.com/tren/read/2019/11/26/063400365/dari-gbhn-hingga-pilkada-tak-langsung-3-wacana-hidupkan-lagi-aturan-lama?page=all>
- Kontan. (2018, November 23). *KPK, LIPI, dan parpol sepakati Sistem Integritas Partai Politik*. <https://nasional.kontan.co.id/news/kpk-lipi-dan-parpol-sepakati-sistem-integritas-partai-politik>
- Koß, M. (2008). The Convergence of Party Funding Regimes in Western Europe: Towards an Analytical Framework. *Osterreichische Zeitschrift Fur Politikwissenschaft*, 37(1), 63.
- Koß, M. (2011). The Politics of Party Funding: State Funding to Political Parties and Party Competition in Western Europe. In *The Politics of Party Funding: State Funding to Political Parties and Party Competition in Western Europe*. Oxford University Press. <https://doi.org/10.1093/acprof:oso/9780199572755.001.0001>
- KPK. (2016). *Laporan Studi Potensi Benturan Kepentingan dalam Pendanaan Pilkada*. <https://acch.kpk.go.id/id/berkas/litbang/studi-potensi-benturan-kepentingan-dalam-pendanaan-pilkada>
- KPK. (2017a). *Laporan Tahunan 2015, "Menolak Surut."* <https://www.kpk.go.id/id/publikasi/laporan-tahunan/939-laporan-tahunan-kpk-2015>
- KPK. (2017b). *Laporan tahunan KPK 2016*.
- Kumparan. (2017, July 4). *PAN Setuju Dana Parpol Naik Jadi Rp 1.000 per Suara - kumparan.com*. <https://kumparan.com/ananda-wardhiati-teresia/pan-setuju-dana-parpol-naik-jadi-rp-1-000-per-suara/full>
- Leech, B. L. (2002). Asking questions: Techniques for semistructured interviews. *PS - Political Science and Politics*, 35(4), 665–668. <https://doi.org/10.1017/S1049096502001129>
- Levitt, S. D. (1994). Using repeat challengers to estimate the effect of campaign spending on election outcomes in the US House. *Journal of Political Economy*, 102(4), 777–798. <http://www.jstor.org/stable/2138764>
- Liddle, R. W., & Mujani, S. (2005). Indonesia in 2004: The rise of Susilo Bambang Yudhoyono. *Asian Survey*, 45(1), 119–126. <https://doi.org/10.1525/as.2005.45.1.119>
- Lipow, A. (1996). *Political parties and democracy: Explorations in history and theory*.

Polity Press.

- Lowndes, V. (1996). Varieties of new institutionalism: A critical appraisal. *Public Administration*, 74(2), 181–197. <https://doi.org/10.1111/j.1467-9299.1996.tb00865.x>
- Lowndes, V. (2010). The institutional approach. In *Theory and methods in political science* (Vol. 3, pp. 60–79). Palgrave Macmillan.
- Lowndes, V. (2018). Institutionalism. In V. Lowndes, D. Marsh, & G. Stoker (Eds.), *Theories and methods in political science* (4th ed., pp. 54–74). Palgrave.
- Maddens, B., Wauters, B., Noppe, J., & Fiers, S. (2006). Effects of campaign spending in an open list PR system: The 2003 legislative elections in Flanders/Belgium. *West European Politics*, 29(1), 161–168. <https://doi.org/10.1080/01402380500389398>
- Magaldi, D., & Berler, M. (2020). Semi-structured Interviews. In V. Zeigler-Hill & T. K. Shackelford (Eds.), *Encyclopedia of Personality and Individual Differences* (pp. 4825–4830). Springer International Publishing. https://doi.org/10.1007/978-3-319-24612-3_857
- Maier, C. S. (1987). *Changing boundaries of the political: essays on the evolving balance between the state and society, public and private in Europe*. Cambridge University Press.
- March, J. G., & Olsen, J. P. (1984). The New Institutionalism: Organizational Factors in Political Life. *Source: The American Political Science Review*, 78(3), 734–749.
- March, J. G., & Olsen, J. P. (1989). *Rediscovering institutions*. New York: Free Press.
- Mas 'oed, M., & Savirani, A. (2011). Financing Politics in Indonesia. *PCD Journal*, III(1–2), 63–94.
- Mediaindonesia. (2017, July 6). *Mendagri Bantah Kenaikan Dana Banpol Untuk Loloskan RUU Pemilu*. <https://mediaindonesia.com/read/detail/111714-mendagri-bantah-kenaikan-dana-banpol-untuk-loloskan-ruu-pemilu.html>
- Mendilow, J. (1992). Public Party Funding and Party Transformation in Multiparty Systems. *Comparative Political Studies*, 25(1), 90–117. <https://doi.org/10.1177/0010414092025001004>
- Merdeka. (2015, March 12). “Catatan keuangan parpol masih tradisional seperti tukang sate” | *merdeka.com*. <https://www.merdeka.com/politik/catatan-keuangan-parpol-masih-tradisional-seperti-tukang-sate.html>
- Mietzner, M. (2007). Party financing in post-Soeharto Indonesia: between state subsidies and political corruption. *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, 29(2), 238–263.
- Mietzner, M. (2008). Comparing Indonesia’s party systems of the 1950s and the post-Suharto era: From centrifugal to centripetal inter-party competition. *Journal of Southeast Asian Studies*, 39(03), 431–453. <https://doi.org/10.1017/S0022463408000337>

- Mietzner, M. (2012). Indonesia's democratic stagnation: anti-reformist elites and resilient civil society. *Democratization*, 19(2), 209–229.
<https://doi.org/10.1080/13510347.2011.572620>
- Mietzner, M. (2013, October). *Political party financing in Indonesia is a recipe for disaster*. Strategic Review. http://www.sr-indonesia.com/in_the_journal/view/political-party-financing-in-indonesia-is-a-recipe-for-corruption?pg=all
- Mietzner, M. (2015). Dysfunction by Design: Political Finance and Corruption in Indonesia. *Critical Asian Studies*, 47(4), 587–610.
- Mietzner, M. (2019). *Sistem elektoral Indonesia Mengapa perlu direformasi*.
- Muhtadi, B. (2019). Politik Uang dan New Normal dalam Pemilu Paska-Orde Baru. *Integritas : Jurnal Antikorupsi*, 5(1), 55–74.
<https://doi.org/10.32697/INTEGRITAS.V5i1.413>
- Mujani, S., & Liddle, R. W. (2010). Parties and Voters. *Journal of Democracy* (Article) *Journal of Democracy*, 21(2), 35–49.
<https://doi.org/10.1353/jod.0.0160>
- Mulé, R. (1998). Financial uncertainties of party formation and consolidation in Britain, Germany and Italy: the early years in theoretical perspective. In P. Burnell & A. Ware (Eds.), *Funding Democratization* (pp. 47–72). Manchester University Press Manchester.
- Nasdem. (2018, December 11). *NasDem Tegas Tolak Pembiayaan Parpol Lewat APBN- Partai NasDem*. <https://partainasdem.id/read/6817/2018/12/11/nasdem-tegas-tolak-pembiayaan-parpol-lewat-apbn>
- Nassmacher, K.-H. (1993). Comparing party and campaign finance in Western Democracies. In A. B. Gunlicks (Ed.), *Campaign and party finance in North America and Western Europe* (pp. 233–267). Westview Press Boulder, CO.
- Oliver, D. (1992). Fairness and Political Finance: The case of Election Campaigns. In R. Blackburn (Ed.), *Constitutional Studies: Contemporary Issues and Controversies* (pp. 120–135). Mansell Publishing Limited.
- OpenSecrets. (2017, April 13). *Election 2016: Trump's free media helped keep cost down*. Center for Responsive Politics.
<https://www.opensecrets.org/news/2017/04/election-2016-trump-fewer-donors-provided-more-of-the-cash/>
- Ostrom, E. (1986). An agenda for the study of institutions. *Public Choice*, 48(1), 3–25. <https://doi.org/10.1007/BF00239556>
- Palda, F., & Palda, K. (1998). The impact of campaign expenditures on political competition in the French legislative elections of 1993. *Public Choice*, 94(1–2), 157–174.
- Pattie, C. J., Johnston, R. J., & Fieldhouse, E. A. (1995). Winning the local vote: The effectiveness of constituency campaign spending in Great Britain, 1983–1992. *American Political Science Review*, 89(4), 969–983.
<https://doi.org/10.2307/2082521>

- Perludem. (2019, November 19). *Perludem: "Transaksi" Ruang Gelap Sebabkan Ongkos Politik Mahal - Perkumpulan Untuk Pemilu dan Demokrasi*.
<https://perludem.org/2019/11/19/perludem-transaksi-ruang-gelap-sebabkan-ongkos-politik-mahal/>
- Persson, T., Tabellini, G., & Trebbi, F. (2003). Electoral Rules and Corruption. *Journal of the European Economic Association*, 1(4), 958–989.
<https://doi.org/10.1162/154247603322493203>
- Peters, B. G. (1999). *Institutional theory in political science: the new institutionalism*. Pinter.
- Piccio, D. R. (2014). A Self-interested Legislator? Party Regulation in Italy. *South European Society and Politics*, 19(1), 135–152.
<https://doi.org/10.1080/13608746.2014.888274>
- Pierre, J., Svåsand, L., & Widfeldt, A. (2000). State subsidies to political parties: Confronting rhetoric with reality. *West European Politics*, 23(3), 1–24.
<https://doi.org/10.1080/01402380008425381>
- Pinto-Duschinsky, M. (1981). *British Political Finance 1830-1980*. American Enterprise Institute.
- Pinto-Duschinsky, M. (2002). Financing politics: A global view. *Journal of Democracy*, 13(4), 69–86. <https://doi.org/10.1353/jod.2002.0074>
- Ponce, A. F., & Scarrow, S. E. (2011). Who Gives? Partisan Donations in Europe. *West European Politics*, 34(5), 997–1020.
<https://doi.org/10.1080/01402382.2011.591085>
- Power, S. (2017). The British party funding regime at a critical juncture? Applying new institutional analysis. *Politics*, 37(2), 134–150.
<https://doi.org/10.1177/0263395716646390>
- Republika. (2012, January 4). *MK: Anggota KPU tak Boleh Aktif di Partai Politik | Republika Online*.
<https://www.republika.co.id/berita/nasional/politik/12/01/04/lxa4hr-mkanggota-kpu-tak-boleh-aktif-di-partai-politik>
- Republika. (2015, November 2). *Menguak Keuangan Partai | Republika Online*.
<https://www.republika.co.id/berita/koran/teraju/15/11/02/nx6p8e-menguak-keuangan-partai>
- Republika. (2017, September 13). *KPK: Dana Bantuan Parpol Idealnya Rp 10 Ribu per Suara | Republika Online*.
<https://nasional.republika.co.id/berita/ow830a354/kpk-dana-bantuan-parpol-idealnya-rp-10-ribu-per-suara>
- Republika. (2019, March 16). *Mahar Politik Picu Korupsi | Republika Online*.
<https://republika.co.id/berita/pof1qt322/mahar-politik-picu-korupsi>
- Reuter, T. (2015). Political Parties and the Power of Money in Indonesia and Beyond. *TRaNS: Trans -Regional and -National Studies of Southeast Asia*, 3(02), 267–288. <https://doi.org/10.1017/trn.2014.23>
- Reuters. (2015, May 19). *Special Report: For UK political donors, an unintended tax*

break - Reuters. <https://uk.reuters.com/article/us-britain-election-donations-specialrep/special-report-for-uk-political-donors-an-unintended-tax-break-idUKKBN0NJOU720150519>

- Robison, R., & Hadiz, V. R. (2004). *Reorganizing Power In Indonesia: The Politics of Oligarchy in an age of markets*. RoutledgeCurzon.
- Rubin, H. J., & Rubin, I. S. (2011). *Qualitative interviewing: The art of hearing data*. sage.
- Scarrow, S. E. (2004). Explaining Political Finance Reforms: Competition and Context. *Party Politics*, 10(6), 653–675. <https://doi.org/10.1177/1354068804046912>
- Scarrow, S. E. (2007). Political finance in comparative perspective. *Annual Review of Political Science*, 10(1), 193–210. <https://doi.org/10.1146/annurev.polisci.10.080505.100115>
- Scarrow, S. E. (2017). The Changing Nature of Political Party Membership . In *Oxford Research Encyclopedia of Politics*. Oxford University Press. <https://doi.org/10.1093/acrefore/9780190228637.013.226>
- Schwandt, T. A., & Gates, E. F. (2018). Case Study Methodology. In N. K. Denzin & Y. S. Lincoln (Eds.), *The SAGE Handbook of Qualitative Research* (5th ed.). SAGE.
- Seawright, J., & Gerring, J. (2008). Case Selection Techniques in Case Study Research A Menu of Qualitative and Quantitative Options. *Political Research Quarterly*, 61(2), 294–308. <https://doi.org/10.1177/1065912907313077>
- Segawa, N. (2013). Ethnic Politics in Malaysia: Prospects for National Integration Ethnic Politics in Malaysia: Prospects for National Integration. *Nationalism and Ethnic Politics*, 19(19). <https://doi.org/10.1080/13537113.2013.788918>
- Seidman, I. (2006). *Interviewing as Qualitative Research: A Guide for Researchers in Education and the Social Sciences*. Teachers College Press.
- Shin, J. H. (2017). The choice of candidate-centered electoral systems in new democracies. *Party Politics*, 23(2), 160–171. <https://doi.org/10.1177/1354068815581539>
- Slater, D. (2004). Indonesia's Accountability Trap: Party Cartels and Presidential Power after Democratic Transition. *Indonesia*, 78(October), 61–92.
- Sudulich, M. L., & Wall, M. (2011). How do candidates spend their money? Objects of campaign spending and the effectiveness of diversification. *Electoral Studies*, 30(1), 91–101. <https://doi.org/10.1016/j.electstud.2010.09.007>
- Surbakti, R., & Supriyanto, D. (2011). *Pengendalian Keuangan Partai Politik* (S. Pramono (ed.)). Kemitraan bagi Pembaruan Tata Pemerintahan di Indonesia. <https://media.neliti.com/media/publications/45201-ID-pengendalian-keuangan-partai-politik.pdf>
- Tan, P. J. (2006). Indonesia seven years after Soeharto: party system institutionalization in a new democracy. *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, 28(1), 88–114.

- Tempo. (2004, August 10). *Panwaslu Semarang Klarifikasi Dugaan Dana Sumbangan Fiktif - Nasional Tempo.co*. <https://nasional.tempco.co/read/46256/panwaslu-semarang-klarifikasi-dugaan-dana-sumbangan-fiktif>
- Tempo. (2006, September 25). *Akuntabilitas Keuangan Partai Politik - Nasional Tempo.co*. <https://nasional.tempco.co/read/84704/akuntabilitas-keuangan-partai-politik>
- Tempo. (2015, March 11). *Begini Asal Mula Dana Parpol Rp 1 Triliun - Nasional Tempo.co*. <https://nasional.tempco.co/read/648973/begini-asal-mula-dana-parpol-rp-1-triliun/full&view=ok>
- Tempo. (2018). *La Nyalla Ungkap Kronologi Permintaan Mahar Rp 40 M oleh Prabowo (La Nyalla Reveals The Chronology of Dowries Request IDR 40 Billion by Prabowo)*. <https://nasional.tempco.co/read/1049593/la-nyalla-ungkap-kronologi-permintaan-mahar-rp-40-m-oleh-prabowo>
- Tempo. (2019, November 19). *Perludem Sebut Ongkos Pilkada Mahal Karena Pengeluaran Ilegal - Nasional Tempo.co*. <https://nasional.tempco.co/read/1274027/perludem-sebut-ongkos-pilkada-mahal-karena-pengeluaran-ilegal>
- Teorell, J. (2010). *Determinants of Democratization: Explaining Regime Change in the World, 1972-2006*. Cambridge University Press.
- Teune, H., & Przeworski, A. (1970). *The logic of comparative social inquiry*. New York: Wiley-Interscience.
- Toshkov, D. (2018). Research Design. In V. Lowndes, D. Marsh, & G. Stoker (Eds.), *Theories and methods in political science* (Fourth). Palgrave.
- Tribunnews. (2017a, July 4). *Pengamat: Wacana Kenaikan Dana Partai Politik Terkesan Sebagai Barter Pemerintah Dengan RUU Pemilu - Tribunnews.com*. <https://www.tribunnews.com/nasional/2017/07/04/pengamat-wacana-kenaikan-dana-partai-politik-terkesan-sebagai-barter-pemerintah-dengan-ruu-pemilu>
- Tribunnews. (2017b, August 31). *PAN Protes Pemerintah, Cabut Subsidi Rakyat Tapi Dana Parpol Ditambah - Tribunnews.com*. <https://www.tribunnews.com/nasional/2017/08/31/pan-protes-pemerintah-cabut-subsidi-rakyat-tapi-dana-parpol-ditambah>
- Ufen, A, & Mietzner, M. (2015). Political Finance Regimes in Southeast Asia: Introduction. *Critical Asian Studies*, 47(4), 558–563. <https://doi.org/10.1080/14672715.2015.1082260>
- Ufen, Andreas. (2008a). From “aliran” to dealignment: political parties in post-Suharto Indonesia. *South East Asia Research*, 16(1), 5–41.
- Ufen, Andreas. (2008b). Political party and party system institutionalization in Southeast Asia: lessons for democratic consolidation in Indonesia, the Philippines and Thailand. *The Pacific Review*, 21(3), 327–350. <https://doi.org/10.1080/09512740802134174>
- van Biezen, I. (2000). Party Financing in New Democracies: Spain and Portugal. *Party Politics*, 6(3), 329–342. <https://doi.org/10.1177/135406880006003004>

- van Biezen, I. (2004). Political Parties as Public Utilities. *Party Politics*, 10(6), 701–722. <https://doi.org/10.1177/1354068804046914>
- van Biezen, I., & Bertoa, F. C. (2014). Party Regulation in Post-Authoritarian Contexts: Southern Europe in Comparative Perspective. *South European Society and Politics*, 19(1), 71–87. <https://doi.org/10.1080/13608746.2014.888275>
- Van Biezen, I., & Kopecky, P. (2007). The State and The Parties. Public Funding, Public Regulation and Rent-Seeking in Contemporary Democracies. *Party Politics*, 13(2), 235–254. <https://doi.org/10.1177/1354068807073875>
- Van Biezen, I., & Kopecký, P. (2008). *Perspectives on European Politics and Society On the predominance of state money: Reassessing party financing in the new democracies of Southern and Eastern Europe*. <https://doi.org/10.1080/1570585018458770>
- Vennsson, P. (2008). Case studies and process tracing: theories and practices. In D. Della Porta & M. Keating (Eds.), *Approaches and methodologies in the social sciences: A pluralist perspective*. Cambridge University Press.
- Ware, A. (1998). The funding of political parties in North America: the early years. In P. Burnel & A. Ware (Eds.), *Funding Democratization* (pp. 22–46). Manchester University Press.
- WartaEkonomi. (2015, June 26). *Nasdem Tolak Usulan Bantuan Keuangan Parpol*. <https://www.wartaekonomi.co.id/read62465/nasdem-tolak-usulan-bantuan-keuangan-parpol.html>
- Wibowo, P. A. (2013). *Mahalnya demokrasi, memudarnya ideologi: potret komunikasi politik legislator-konstituen*. Penerbit Buku Kompas.
- Winters, J. A. (2011). *Oligarchy*. Cambridge University Press.
- Winters, J. A. (2013). Oligarchy and Democracy in Indonesia. *Indonesia*, 96, 11–33.
- Yin, R. K. (2003). *Case study research and applications: Design and methods* (3rd ed.). Sage publications.
- Yin, R. K. (2018). *Case study research and applications: design and methods* (Sixth). SAGE Publications Inc.

List of Interviews:

Interview with Respondent 1, 31 July 2019

Interview with Respondent 2, 24 November 2018

Interview with Respondent 3, 8 August 2019

Interview with Respondent 4, 12 August 2019

Interview with Respondent 5, 20 August 2019

Interview with Respondent 6, 27 August 2019

Interview with Respondent 7, 28 August 2019

Interview with Respondent 8, 31 August 2019

Interview with Respondent 9, 4 December 2019

Interview with Respondent 10, 19 October 2018

APPENDIX

College of Business, Arts and Social Sciences

Department of Social and Political Sciences

DAFTAR PERTANYAAN

(Interview Schedule)

Sebelumnya izinkan saya mengucapkan terima kasih banyak sekali lagi atas kesediaan Bapak/Ibu untuk berpartisipasi dalam studi ini, yaitu tentang pengalaman Indonesia dalam mengadopsi subsidi negara untuk partai politik. *(Thank you for participating in this study about the Indonesia's experience in adopting state subsidies for political parties.)*

- Dapatkah saya memulai dengan bertanya siapakah yang pertama kali mengusulkan untuk meningkatkan jumlah subsidi negara bagi partai politik (setelah 2014)? *(Can I start by asking who first proposed to increase the amount of state subsidies for political parties (in 2014)?)*
- Apakah kebijakan memberikan dana bantuan kepada partai politik ini adalah pengulangan dari kebijakan sebelumnya (sebelum 2004)? *(Is this a repetition from the previous policy (before 2004)?)*
 - Apa perbedaan antara kebijakan sebelum 2004 dan kebijakan setelah 2014? *(What is the difference between the policy prior to 2004 and the policy after 2014?)*
- Mengapa peraturan sebelumnya berubah? *(Why was the previous regulation changed?)*
- Mengapa sekarang diusulkan lagi? *(Why is it now proposed again?)*
 - Apa alasan utamanya? *(What is the main reason?)*
- Apakah semua partai menerima peraturan baru ini? *(Do all parties accept this new regulation?)*
 - Kenapa mereka menerimanya? *(Why do they accept it?)*
- Apakah ada partai yang menolak? *(Is there a refusing party?)*
 - Pihak mana yang menolaknya? *(What party did refuse it?)*
 - Kenapa mereka menolaknya? *(Why did they refuse it?)*
- Bagaimana dengan Partai Anda? *(How about your Party?)*
 - Apa alasan Partai Anda menerima atau menolaknya? *(What is the reason to accept or to refuse it?)*

- Apakah pemerintah menjadikan subsidi (dana bantuan untuk partai politik) sebagai upaya untuk melobi/mengendalikan Partai Politik? *(Does the government want to make a subsidy as an effort to persuade/control the Political Parties?)*
- Berapa jumlah subsidi dan bagaimana cara menghitungnya? *(How much is the amount of the subsidies and how to calculate it?)*
- Apakah semua partai berhak atas subsidi? *(Are all parties entitled to the subsidies?)*
 - Apa persyaratannya? *(What are the requirements?)*
- Bagaimana dengan kondisi anggaran negara, apakah mungkin untuk mensubsidi partai politik? *(What about the state budget condition, is it possible to subsidize political parties?)*
 - Apakah subsidi tidak membebani keuangan negara? *(Do the subsidies not burden the state finances?)*
- Apakah subsidi ini keinginan sekelompok partai koalisi yang berkuasa (partai pemerintah)? *(Are these subsidies only on the interest of the ruling coalition parties?)*
- Apakah subsidi ini bentuk partai politik tidak mandiri? *(Are these subsidies a proof of political parties not have the ability to depend on themselves (self-reliance)?)*
- Apa kegunaan dana ini bagi partai politik Anda? *(What is the use of this fund for your political party?)*
- Secara teori, subsidi kepada partai politik bisa berujung kepada kartelisasi politik (yaitu persekongkolan partai politik yang berujung kepada bagi-bagi kekuasaan dan membatasi kompetisi), bagaimana pandangan Anda mengenai hal tersebut? *(In theory, subsidies to political parties can lead to the cartelization of political parties (i.e. parties collude themselves forming cartel of parties that lead to the distribution of spoil/power and limit competition), how do you think about it?)*
- Apakah ada hal lain yang ingin Anda tambahkan tentang pembiayaan partai pada umumnya atau subsidi negara untuk partai politik khususnya? *(Is there anything further you would like to add about party financing generally or state subsidies for political parties particularly?)*