Regulating party politics in the Western Balkans: the legal sources of party system development in Macedonia

Fernando Casal Bértola and Dane Taleski

School of Politics and International Relations, University of Nottingham, Nottingham, UK; Department of Political Science, Central European University, Budapest, Hungary

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Party regulation in general and its systemic consequences in particular have not been a matter of concern for scholars until very recently. Despite recent efforts to study how political parties are regulated in post-authoritarian democracies and in conflict-prone societies, the question of how party legislation affects party formation and party system development in the Western Balkans still remains a mystery. Adopting a multi-disciplinary (that is, legal and political) approach, this article attempts to fill a gap in the literature by analysing how different party (finance) regulations shaped the party system in Macedonia, one of Europe’s most recent (and under-researched) democracies, while controlling for changes in electoral regimes. There are two main findings. On the one hand, registration requirements had the strongest impact on the party system format, even when the electoral system pushed in the opposite direction. On the other, public funding, rather than “cartelizing” the system, mainly facilitated the survival of (both big and small) parties. Finally, the article also points to the need to explore the role of shadow financing and corruption when analysing the effects of party finance in new democracies.

Keywords: party regulation; party (system) development; party funding; post-conflict regimes; Macedonia

Introduction

The question of how party regulation impacts party system development in general, and how such regulation affects political parties in post-conflict democracies in particular, has not been a matter of concern for scholars until recently. Reilly and Norlund’s edited volume on party regulation, electoral engineering, and international party support in conflict-prone societies constitutes a clear exception. Another attempt to fill this gap is Biezen and Casal Bértola’s recent contribution...
explaining how different aspects of party legislation (that is, party bans, registration requirements, pay-out thresholds, and so on) affect party system formation and development in both post-authoritarian and post-communist Europe.2

Reilly and Norlund only analyse the impact of party regulation on party development at a regional level, with a particular focus on electoral laws and (ethnic) parties. Biezen and Casal Bértua use seven case-studies to study the effect of different party (finance) laws at a systemic level, with no reference whatsoever to the Western Balkans. The aim of this article is, therefore, to enrich the above-mentioned literature by looking at how party regulation has affected both political parties and party systems in a post-communist and post-conflict country, while also controlling for different electoral regimes. In order to do so we adopt a multidisciplinary (both legal and political science) approach and conduct a longitudinal, within-case analysis of Macedonia.

In spite of being the longest established democracy in the Western Balkans,3 studies about the party system in Macedonia, a conflict-prone multi-ethnic society,4 are rare and at times contradictory.5 This is even more surprising if we take into consideration that the Macedonian party system presents features which are typical of other democracies in the region, and also displays the kind of quasi-experimental conditions which allow an “investigator to isolate and analyse the influence of […] variables that might account for the differences he wishes to explain”.6

Serbia, Montenegro, Albania, and to a lesser extent Croatia and Kosovo, also exhibit a predominance of electoral coalitions formed by large parties both on the left and right of the political spectrum.7 Second, the quality of Macedonian democracy is low, as it suffers from the very same problems (for example, corruption, patronage, low degree of rule of law, and so on) common to other “defective” democracies in the region.8 It is important to note that between 1990 and 2014 the country not only experienced three different electoral systems (that is, majoritarian in both 1990 and 1994, mixed in 1998, and proportional since 2002), which led towards the fragmentation of the party system, but also saw various legislative changes (for example, number of signatures required, pay-out thresholds, and so on) in the way both party formation and finance were regulated, pushing towards systemic concentration. This natural experiment will enable us to control for certain electoral system effects while allowing us to assess the particular impact different regulatory changes have had on both party and party system development.

It is due to these factors, some common (for example, coalitional politics, corruption, and so on) some unique (for example, frequent legislative reforms), that we consider Macedonia to be a paradigmatic case-study in order to analyse the relationship between party regulation and party politics in both post-communist and post-conflict societies, so typical for the Western Balkans.

This article is divided into four parts. In the first part we look at the literature on party regulation and party system development, and we also introduce our expectations. In the second part we trace the development of political party regulation in
Macedonia from its origins in 1990 until June 2014. In this section we highlight the differences and innovations in party regulation, their development over time and discuss the motivations for legislative change. In the third part we examine the effects of legislation and electoral regimes on the Macedonian party system, both at the systemic and party level. We end the article by summarizing our findings.

**Party regulation and party politics: a general overview**

Ever since Huntington, scholars have agreed that the way political parties are regulated can have important effects both at a systemic and party level. Such legislative impact can take place in five different ways: through the amount of regulation, party registration requirements, the existence and/or distribution of public subsidies, private funding limitations, and party bans. However, the literature presents some contradictory claims when it comes to the particular effects of party legislation.

First of all, too much regulation can have a restrictive effect on both party membership and party formation. When party legislation becomes very demanding (for example, enrolment/registration formalities, mandatory internal functioning procedures, minimal statutory contents, and so on) then the political participation of citizens and/or elites is certainly discouraged. The consequences will be, respectively, high levels of partisan apathy and low numbers of new parties.

Second, and in terms of the criteria required for party registration, scholars tend to agree that making legal registration of a party conditional on the payment of a monetary deposit/fee – as is the case in Finland or Slovakia – discourages the creation of new political formations. What, however, scholars certainly differ on is the impact the requirement to draw a minimum number of supporters has on the number of new parties. Roper and Rashkova report a negative effect, which seems rather logical, even if Hug and Tavits also find a positive relationship.

Third, the literature also presents contradictory findings relating to the impact of parties’ financial regulation on party system fragmentation and stability. Some scholars follow Katz and Mair’s seminal “cartelization” thesis and find a negative relationship between public subsidies and the number of parties and/or electoral volatility. Others, however, find the opposite (positive) effect. Some even deny there is any impact at all. Where scholars seem to agree is on the effect different pay-out thresholds may have on the format of a party system. The common and logical position here is that the more difficult the point of access (that is, a higher pay-out threshold), the lower the systemic fragmentation, and vice versa. In a similar vein, Casal Bértola and Spirova, analysing the effect of party finance regulation in 14 post-communist party systems, find that the introduction of a relatively liberal regime of public finance encourages party survival, especially for those parties located between the pay-out and the electoral threshold.

Fourth, studies analysing the effects of private funding have been rather scarce, with a tendency to focus more on its relationship with corruption.
studies show that, because of the higher costs for political parties, party system stability and concentration is the norm in countries where there are restrictions on fundraising and caps on donations. 22

Finally, the forced dissolution of a political party by the relevant authority (for example, the Ministry of Justice (MoJ), Constitutional or Supreme Court, and so on) may have important consequences for the development of a party system. Banning a party may not only increase electoral volatility and/or reduce the number of parties and/or polarization, but it can also change the patterns of inter-party competition, either at the national or at the regional level. 23 As Bourne and Casal Bértua show, the visibility of these effects depends on the systemic relevance of the party being banned. 24

To summarize our expectations, we can state that party systems stabilize the higher (1) the amount of party regulation; (2) the registration deposit and/or the minimum number of signatures/members; (3) the pay-out threshold; (4) the fundraising restrictions and donation caps. Both the introduction of public subsidies or effective party bans will have a mixed effect depending on the particular conditions under which they are adopted.

The regulation of political parties in Macedonia

Macedonia gained independence with the dissolution of Yugoslavia in 1991. Even though inter-ethnic relations had been a security concern throughout the 1990s, inter-ethnic conflict only broke out in 2001. During the last 24 years numerous parties have competed for a seat in the Sobranie (national assembly) in eight different elections, the last one held in April 2014, and under three different electoral regimes, which are discussed in the next section together with the process of party development. Here, we trace the development of party regulation in Macedonia (summarized in Figure 1) distinguishing between three different time periods. 25

Electoral regimes

Majoritarian Mixed Proportional

Party financing laws

| Membership fees & donations | Business activities | Public subsidies: 3 salaries of 1,000 members |
|-----------------------------|--------------------|---------------------------------------------|
| 1990 1992                   |                    |                              |
| Constitutionalization of parties | No parties against the Constitution | Fiscalization of partis |
| No parties registered       | No parties registered | No parties registered |
| Dissolution authority: CC   | Registration authority: District Court in Skopje | Registration authority: District Court in Skopje |
| 1995 1998                   |                    |                              |
| Regional parties prohibited | Registration authority: District Court in Skopje | Registration authority: District Court in Skopje |
| No parties registered       | No parties registered | No parties registered |
| Dissolution authority: CC   | Registration authority: District Court in Skopje | Registration authority: District Court in Skopje |
| 2000 2002                   |                    |                              |
| Parties cannot mimic intolerance | Parties cannot mimic intolerance | Parties cannot mimic intolerance |
| No parties registered       | No parties registered | No parties registered |
| Dissolution authority: CC   | Registration authority: District Court in Skopje | Registration authority: District Court in Skopje |
| 2004 2005                   |                    |                              |
| Parties are non-profit, non-discriminatory and show gender balance | Parties are non-profit, non-discriminatory and show gender balance | Parties are non-profit, non-discriminatory and show gender balance |
| Not parties against the Constitution | Not parties against the Constitution | Not parties against the Constitution |
| Dissolution authority: CC   | Registration authority: District Court in Skopje | Registration authority: District Court in Skopje |
| 2007 2010 2014 2015         |                    |                              |
| No parties registered       | No parties registered | No parties registered |
| Dissolution authority: CC   | Registration authority: District Court in Skopje | Registration authority: District Court in Skopje |

Party laws

Figure 1. Electoral regimes and party regulation in Macedonia: main characteristics.

Notes: CC = Constitutional Court; MoF = Ministry of Finance; MoJ = Ministry of Justice; PP = Public Prosecutor.
Formation (1990–1994): democratization and constitutionalization

Although Macedonia only became formally independent in September 1991, the first democratic (that is, plural and competitive) elections were held in November 1990 while the country was still part of the Socialist Federal Republic of Yugoslavia (SFRY). The last parliament of the Socialist Republic of Macedonia (SRM) opened the path to such (unprecedented) events when in April 1990 it modified the so-called “Law for Societal Organizations and Association of Citizens”, first passed in 1983. Essentially, the new version of the law allowed political parties to be formed and registered.

In particular, art. 2 of the law allowed citizens to form freely and voluntarily societal organizations and associations for “developing different activities for accomplishing and satisfying economic, political, cultural” and other interests (italics are ours). The third paragraph of the article was even more specific as it stipulated that citizens, coming together for political interests and goals, “are allowed to organize political organizations, parties and other forms of political organization”. Such rights were recognized for all citizens of the SFRY, not just of the SRM, with the condition that they resided within the latter.

In a similar fashion to other Eastern European democracies, this initial regulation adopted a liberal approach and simply required the signatures of 10 adults to form a party. The only restriction, again not exclusive to the Western Balkan region, was that the founders could not have been sentenced within the last five years for criminal activities. Political parties (and their members) were registered with the municipal police, which was not the case in other new democracies. On the one hand, this allowed local authorities to have greater control (and insight) in the process; and on the other, it served as a form of protection from “external” forces (mainly Belgrade, the SFRY’s political centre). The municipal police had a mandate to deny the registration of a party; however, it did not obstruct political pluralism. Institutions at the national level, including the police, were willing to support political pluralism which they saw as a stepping stone towards democracy and independence. Hence, 17 political parties and one social organization stood up to 1115 candidates (plus 43 independents) for 120 seats in the assembly in the majoritarian elections in November 1990.

The law left intra-party organization to the parties’ own statutes, with the only condition that their activities had to have a public character (art. 4). Regarding financing, parties were allowed to receive membership fees, donations, and other means of income as stipulated in their statutes and the law. This gave parties the right to perform business activities “if they fulfilled the conditions proscribed in the law” (art. 34). Parties also had guaranteed access to public subsidies (art. 40); however it was limited to three average incomes per member and only for parties with at least 1000 members. However, before the first elections, the SRM’s executive council decided to grant public funding for all political parties, even if they did not have the above-cited number of members. The main reasons for such a sudden change were that it was convenient for the promotion of political pluralism and,
more realistically, at that time it was difficult (if not impossible) to verify the required number of members. Moreover, with already a rather impressive number of members (around 170,000), the communist successor party (SKM-PDP later SDSM) did not feel threatened by newcomers; as the November elections would later confirm.

Democracy in Macedonia was only constitutionalized after the first experience with political pluralism and competition. In September 1991 the outcome of the referendum for independence was positive, and the first democratic constitution was approved in November. This is similar to other post-authoritarian countries where the first democratically elected parliament acted not only as a legislative but also as a constitutional assembly, thus initiating the process of party constitutionalization. The democratic constitution provided the main legal basis for political pluralism. It granted citizens “the freedom to associate in order to accomplish and protect their political […] rights and beliefs”, and also “the right to freely form […] political parties”, which were considered as voluntary associations where people had the right “to join and leave” (art. 20.1 and 2). However, there were some limits in regard to

[the programs and activities of political parties […] [They] may not be directed towards the violent destruction of the constitutional order of the Republic, or encourage or incite military aggression or ethnic, racial or religious hatred or intolerance (art. 20.3).

Such limitations are also found in other post-communist countries. Finally, the Constitutional Court (CC) was granted the authority to ban and dissolve parties which breached those legal provisions.

Public subsidies were granted to political parties upon decisions of the government, implying a “self-rewarding” of government coalition partners “against the interests of parties outside of parliament and the electorate”. Scholars have also found that during this “formative” period “the government decided, without clearly defined criteria, to disperse funding to political parties that participated in the elections”. Moreover, parties did not have an obligation to show their income and spending. In practice, parties that constituted simple extensions of social-political organizations (for example, SKM-PDP later SDSM, and SPM) were among the richer parties, but so were “some of the newly formed parties, specially: PDP, VMRO-DPMNE and MAAK”. Some, like SDSM, SPM, or Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity, even obtained privileged access to the acquisition and use of public office space for their activities. Finally, it was considered that VMRO-DPMNE, Liberal Party of Macedonia, and Party for Democratic Prosperity received financial help from foreign sources (for example, Belgrade or the diaspora) during this formative period.

**Normalization (1994–2004): the first party (funding) law**

The first piece of legislation which regulated both the organization and financing of political parties in Macedonia was adopted in August 1994. The Law on Political
Parties (PL) followed the basic constitutional provisions. The PL also required parties to be organized and act in the whole country, not just in certain regions or municipalities (art. 6). The main goal behind this spatial requirement was to prevent the formation of ethnic parties, even if not apparently organized on that basis. However, the spatial requirement was never enforced because of the fact that at the very same time of its adoption there were already several ethnically organized political parties representing different minorities like the Albanian Party for Democratic Prosperity (PDP), and the National Democratic Party (NDP), the Turkish Democratic Alliance of Turks (DST) and the Party for Total Emancipation of the Roma (PCERM). Similarly, ethnic parties were able to overcome even more rigid legal limitations in other Western Balkan countries.

PL defined parties as “organized group[s] of citizens aiming to participate in government” (art. 2) through elections and which participate in decision-making at the local and national level (art. 3). The PL brought new barriers for party registration. Party founders had to submit their personal names, unique social identification numbers (EMBG), and permanent addresses, together with the decision from the founding session, the programme, and the statutes (arts. 8). The minimum number of adult members increased from 10 to 500, and failure to annually prove minimum membership was sufficient grounds for the party to be dissolved (art. 7). Parties were registered with the District Court in Skopje and they could not have names and/or symbols that were identical to already existing parties, whether Macedonian or foreign (art. 9).

The PL introduced changes to the regulation of party finances. Parties could be funded from public and private sources, however art. 28 prohibited parties from accepting contributions from foreign individuals, organizations, and governments, and public companies, as well as from local public and state institutions. State budgetary funds for parties were to be distributed in the following way: (1) 30% equally for all parties with at least 3% of the vote in the previous elections, and (2) 70% among parliamentary parties in proportion to their mandates (art. 29).

The PL also introduced limitations for private funding. First of all, donations (either from individuals or legal persons) could not be higher than 100 average monthly salaries, although they could be accumulated more than once per year (art. 30). Second, parties were asked to be transparent when keeping and managing their accounting books, while clearly specifying their sources of income. However, the 1994 PL continued to allow parties to participate in business activities. A big wave of privatization started in 1995/1996. The privatization model favoured managers of public companies, most of which were close to the communist successor and then ruling party (that is, SDSM). They would later be seen as a party’s private sponsors, especially after the government turnover in 1998. VMRO-DPMNE would finish the process of privatization during their first governmental mandate (1998–2002). It was at this time that some public companies were privatized by businessmen close to the party (that is, VMRO-DPMNE) or by the party itself.

The CC would eventually ban parties’ business activities in February 2001 after the Democratic Union (DS) objected to VMRO-DPMNE’s attempts to
privatize and own several public companies. However, the privatization process opened a gateway for shadow financing of parties. Moreover, corruption practices and patronage continued to be embedded in party development. As a result, private sponsors were able to buy influence in party politics or even “own” political parties. Much of the private financing was unregulated and illegal. It was only during the next (modernization) period that the regulation of party funding was improved, becoming clearer. Unfortunately, corrupt practices and shadow financing persisted.

Modernization (2004–2013): from stability to rapid change

There was a brief inter-ethnic conflict between state security forces and the Albanian National Liberation Army (UCJK) in 2001. The conflict ended with the signing of the Ohrid Framework Agreement. In order to increase ethnic representation, part of the peaceful resolution was to change the electoral system from mixed to closed list proportional for the 2002 elections (see Figure 1). Macedonia stabilized and was awarded the status of European Union (EU) candidate country in 2005. Part of the EU’s requirements to grant the country candidate status, albeit far from being the most important, was to improve party regulation.

A new (party and financing) law was, therefore, prepared. However, for the purposes of clarity, and under the auspices of EU representatives, two independent pieces of legislation were put forward for approval in October 2004: a Law on Political Parties (PL) and a Law on the Financing of Political Parties (PFL).

The 2004 PL brought significant improvements. First, it defined parties in accordance with the constitution as “voluntary organizations of citizens, formed to accomplish and protect political, economic, social and other rights” and which “accomplish their goals through democratically forming and expressing political will through participation in elections” (art. 2). As a result, and taking on the CC’s ruling, parties were considered as non-profit organizations. Second, art. 4 introduced a gender balance principle in access to public functions, while art. 5 forbade any form of discrimination in terms of party membership. Third, and in common with other post-communist countries, art. 7 banned the formation of party branches in public institutions. Fourth, while parties were free to choose internal arrangements, the creation of military or paramilitary structures was prohibited (art. 6). Fifth, party founders were required not only to be at least 18 (that is, voting age), but also to have legal capability (art. 11). And finally, the Public Prosecutor was given the authority to initiate the dissolution of parties (arts 31–33).

The 2004 PL kept the (never implemented) spatial requirement and banned the activities of foreign parties in Macedonia (art. 8.2). And it seems that this too was an ineffective regulation because a couple of minority parties were regarded as branches of political parties from neighbouring states. This was the case with the Serbian Progressive Party in Macedonia (SNSM) and the Party for Democratic Action (SDA), which represents the Bosniaks in Macedonia and collaborates with the same party in Bosnia and Herzegovina.
A new parliamentary majority, led by VMRO-DPMNE, changed the PL on 16 January 2007. The changes increased the minimum number of members to 1000 and required all parties to re-register by submitting the necessary signatures, verified by a notary, on special forms issued by the MoJ within 45 days. Failure to do so meant deletion from the party register and a fine of up to €4800 for the person deemed responsible. Moreover, and this aspect was extremely controversial, the start of the deadline was set retroactively to 1 January 2007.

This legislative reform was largely aimed at ending party fragmentation on the right side of the political spectrum. It was challenged by a couple of small right-wing parties. In different rulings (U12/2007, U15/2007, and U23/2007), the CC first annulled the use of forms issued by the MoJ. More importantly, the CC decided that the retroactive deadline was unconstitutional, consequently leaving the administrative (pecuniary) sanction meaningless. The CC established membership verification every two years, under penalty of dissolution. The ruling majority had no option but to accept the CC’s jurisprudence. As a result, the VMRO-DPMNE-led government passed new laws requiring parties to submit notarial verified members’ signatures every four years.

The last change to the 2004 PL was passed in February 2013 and affected the internal organization of political parties. It required them to create internal “research-analytical centres” although this provision will only become effective from the beginning of January 2015.36

The 2004 PFL also improved the previous legislation and made the party finance regime more clear and transparent. Publicity was a core principle in the new regulations. The Ministry of Finance (MoF) and the State Auditor (SA) were granted the authority to control party finance, but also every citizen and/or party member was given the right to access the financial records of parties (art. 5). To enact such public control, parties were obliged: (1) to have a register with all donations, liable to be checked by the MoF (art. 25) and (2) to submit to the SA an annual financial report no later than 31 March (art. 27).

Parties continued to be both privately and publicly funded. Private funding came from membership fees, donations, gifts, sponsorship, as well as sales of promotional and propaganda materials (art. 13). The cap for donations from legal persons was increased to 200 average salaries, however individual annual membership fees were limited to one annual average salary (art. 14) and “preferential prices” for consumer goods or services were considered as donations (art. 15).

The 2004 PFL confirmed the prohibition of business activities, but allowed parties to profit from interest rates from bank deposits, leasing property, and sales of audio, video, and print materials with the logo of the party, as well as from authors’ rights or tickets for events organized by the party (art. 19). Donations from foreign, public, and anonymous sources were forbidden, along with contributions from non-governmental or religious organizations (art. 20). Fines for breaking the law were introduced; ranging from €500 to €700 for individuals and from €3000 to €5000 for companies.
The total budget for party financing was set at 0.06% of the state budget. The funds were to be distributed in the following manner: (1) 30% equally for all parties with at least 1% of the vote, and (2) 70% for parties with representatives (either at national or local level) proportional to their mandates (art. 9).

Further changes to the 2004 PFL took place in July 2009, October 2011, November 2012, and lastly in October 2013. The first reform reduced donation caps for individual and legal persons to 75 and 150 average salaries, respectively. An obligation to publish annual financial reports on party websites and at least one daily newspaper was also introduced. Financial control was increased with the additional involvement of the Internal Revenue Service. Pecuniary fines were increased “from 1000 to 2000” euros for individuals, and “from 5000 to 10,000” euros for legal persons.

The legislative changes introduced in 2011 were formal; 37 while the 2012 reform established an obligation to disclose donations (especially those from people closely connected to the party) on a half-yearly basis and introduced new sanctions for failing to meet donation caps or to submit annual reports or information on donations. The sanctions ranged from temporary suspension of public finances (until the matter had been resolved) to the loss of public finance for a period of three months. Finally, the last modifications to the PFL simply focused on the way in which the newly envisaged “internal research-analytical centres” would be financed.

All in all, but especially after VMRO-DPMNE came to power in 2006, there has been a collusion between parties and the state to the point that there is no functional separation between the two. The end result has been, especially after the VMRO-DPMNE-led government cracked down on private sponsors of opposition parties, a higher dependency of all parties on public funds. Therefore, meeting the legal criteria for accessing to public financing has become even more important for the survival of Macedonian parties.

Party regulation, electoral regimes, and party politics: the Macedonian case

Political parties in Macedonia were first registered in 1990. As has been extensively explained elsewhere, 38 at the beginning some parties evolved from the former communist party (SKM) 39 and its derivative organizations (for example, SDSM, SPM, SDPM), while some had a nationalistic profile resonating with nineteenth-century rebel organizations (for example, VMRO-DPMNE, MAAK). Some parties represented ethnic minorities (that is, PDP, PCERM, DPTM) and a few were new ideologically liberal organizations (for example, LD, LPM, DP). Over the years many parties splintered from the “historical” founders (for example, VMRO-DP, VMRO-VMRO, SKM, SDU). The most notable have been DPA, created by some former PDP members in 1994, and NSDP and VMRO-NP, which respectively splintered from SDSM and VMRO-DPMNE in 2006. In May 2013 former Minister Stevčo Jakimovski left SDSM and created GROM.
There have also been new entrants, some of which managed to immediately win electoral support: for instance, DA in 1998, DUI in 2002, or RDK in 2010.

Personalism can partly explain the high number of new and splinter parties in the country. Quite often senior party officials, mainly from SDSM or VMRO-DPMNE, have decided to form their own parties after their power of influence and/or capacities within the party organization diminished. This is what occurred, for example, with Tito Petkovski – former Speaker of the Sobranie – and founder of NSDP in December 2005, Ljubcho Georgievski – former Premier – and the forefather of VMRO-NP in July 2004, or Pavle Trajanov – former Minister of Interior and creator of DS – in March 2000. Also, some of the new political parties were started by charismatic politicians. This was the case of Rudi Osmani (RDK), Imer Selmani (ND), and Vasil Tupurkovski (DA). In other instances, influential businessman and/or media owners have become presidents (that is, leaders) of smaller parties, converting the party into their “property” (for example, the SPM with Ljubisav Ivanov or VMRO-VMRO with Borislav Stojmenov).

Notwithstanding the multiplicity of parties (see Table A in the online appendix. See supplemental data), the Macedonian party system evolved into a three-bloc party type. Thus, the party system is currently structured around the VMRO-DPMNE-led coalition “For a Better Macedonia” on the right and the SDSM-led coalition on the left, with the ethnic Albanian DUI and DPA in the middle as hinge parties.\textsuperscript{40} To examine the relationship between party regulation and party system development in Macedonia we follow previous studies\textsuperscript{41} and use five traditional systemic indicators. The first three (that is, Pedersen’s index of electoral volatility, and the number of electoral and legislative parties) look at the stability of the party system, both at electoral and parliamentary levels. The other two (that is, the number of genuinely new parties and the vote share of small parties) measure how much the party system is “cartelized” or, in other words, dominated by big traditional parties.\textsuperscript{42}

Before going into the empirical analysis it is essential to make a distinction between electoral system and party regulation effects. On the one hand, and following the literature,\textsuperscript{43} we should expect the Macedonian party system to become more fragmented and unstable as the electoral rules were made more permissive. The electoral system passed from being majoritarian in 1990 and 1994 to closed list proportional representation (PR) after 2002, after a mixed system in 1998.

On the other hand, and as we have seen in section two, party regulation in Macedonia provided lower barriers for new parties during the formative period, but these thresholds exponentially increased during the normalization and modernization periods. In particular, the minimum number of signatures rose while the regulation of party finances became more restrictive over time. As a result, and following the theoretical expectations mentioned in section one, we would expect a progressive stabilization of the party system. Given these two contradictory effects, we are in a good position to determine which of these two intervening variables has exerted a greater impact over the Macedonian party system over time.
In section two we have shown that the amount of party regulation in Macedonia increased between 1990 and 1994, and especially after the approval of the Party Funding Laws in 2004. Looking at the indicators displayed in Table 1, it seems clear that none of those two legislative “earthquakes” (in 1994 and 2004) had an immediate or a long-term impact on the party system. Political parties continued to appear; keeping the party system extremely fragmented (both at an electoral and legislative level). The vote share for small parties increased (in 1994, 2002, and again in 2011); leaving space for the appearance of relatively successful forces such as DA in 1998, DUI in 2002, or NSDP in 2006. Indeed, the total number of parties and the number of winning parties in 2014 do not differ that much from those in 1990.

Bearing in mind that no parties were judicially disbanded in Macedonia and that a deposit fee for registration is not required, we concentrate on the minimum number of signatures/members. This clearly changed from 10 (1990–1994) to 500 (1994–2007) and, currently, 1000 (2007–2013). The results are contradictory. The number of parties (see columns 2 and 3) continued to increase between 1994 and 2006 despite the raising of the barrier, and a certain decreasing effect is seen only after the last legislative reform. However, such a decreasing effect only appears at the level of electoral contenders; as many small parties decided to join one of the two big electoral coalitions led by VMRO-DPMNE or SDSM. The figures in the disaggregated columns show that the reductive effect takes place only at the electoral, but not at legislative, level, which calls into question the expected (reductive) impact.

The same can be said when looking at the number of new parties entering the system after every election, an even better indicator for capturing the above-cited relationship. Indeed, looking at column 4, and contrary to expected effects from party regulation, a rather high number of new political forces (roughly 13 on average) continued to appear until 2007 despite registration difficulties. However, a certain reductive affect appears when the required number of

| Electoral year | Electoral volatility* | Total number of parties** | Number of winning parties** | Number of new parties** | Small party vote share* |
|---------------|-----------------------|---------------------------|----------------------------|------------------------|------------------------|
|               |                       | Coalitions as a unit      | Coalitions disaggregated   | Coalitions as a unit   | Coalitions disaggregated |
| 1990          | –                     | 14                        | 17                         | 6                      | 9                      |
| 1994          | 35.6                  | 27                        | 29                         | 7                      | 9                      | 14                      | 35.6                  |
| 1998          | 34.6                  | 20                        | 20                         | 8                      | 8                      | 6                       | 34.6                  |
| 2002          | 23.3                  | 28                        | 34                         | 7                      | 13                     | 14                      | 23.3                  |
| 2006          | 20.4                  | 30                        | 37                         | 9                      | 16                     | 17                      | 20.4                  |
| 2008          | 10.3                  | 16                        | 28                         | 5                      | 17                     | 3                       | 10.3                  |
| 2011          | 14.2                  | 15                        | 31                         | 5                      | 21                     | 8                       | 14.2                  |
| 2014          | 10                    | 13                        | 23                         | 6                      | 16                     | 3                       | 12.1                  |

Sources: Own calculations based on Tables A (*) and 2 (**).
members was increased by 100% in 2007. The number of new parties dropped by 50%; from 17 in 2006 to just eight in 2011, and again to three in 2014.

The proportional electoral system adopted after 2002 may explain the increase in new party entrants up to 2006, but not the subsequent decrease as the electoral system remained the same. The decreasing tendency, however, started after the “costs of entry” were increased in 2007. As a result, no psychological (columns 2 and 4) nor mechanical “electoral system” effects (column 3) can be observed until 2008, just after the obstacles for the creation of new political parties were increased.

This certainly points to a lack of any long-term impact of the electoral system on the party system in Macedonia while also suggesting the existence of a certain “registration threshold” effect, as has been observed in previous studies. In this sense, party system concentration will only take place after the “costs of entry” become difficult to meet (for example, 1000 members), and not when they are simply increased, but are still bearable (just 500).

We move now to examine the possible systemic effects that party funding regulations may have. Our expectation here is that if, as the “cartelization thesis” hypothesizes, state dependency reinforces the status quo, making it very difficult for new parties to access the political system and reinforcing the position of traditionally dominant parties, then all the indicators displayed in Table 1 should point to party system stabilization after the introduction of a higher pay-out threshold in 1994 (from zero to 3%) and to a certain de-stabilization after the access to public subsidies was liberalized in 2004 (just 1%).

However, with the exception of electoral volatility in 2002 and small party vote share in 1998, all of the above indicators clearly run contrary to these theoretical expectations. When public subsidies were restricted to parties with at least 3% of the vote, party system fragmentation and the number of new parties increased and electoral volatility remained at rather high levels (more than 20%). On the contrary, when public funding was made available for small parties in 2004, most indicators showed a tendency towards stability. This leads us to conclude that public party funding, whether restrictive or expanding access to public funds, did not change the level of party system stability in Macedonia.

The analysis of private party funding regulations points to a similar conclusion. The introduction of donation caps in 1994 and other limitations (for example, pecuniary sanctions) in 2004 did not discourage the formation of new parties or lower the number of candidates put forward for elections in Macedonia. And even if all systemic indicators increased in 2011 in comparison to the previous election which coincided with the liberalization of private funding in 2009, the change is not substantial enough to point to a private funding regulation effect. Also, party system scores were much lower in 2011 and 2014, especially when compared with those years in which restrictions to private funding were tougher. Shadow financing as well as corruption, which have continuously plagued party finances from...
the early days until today, could be considered among the most important explanations for such a lack of effect.\textsuperscript{46}

In sum, our analysis seems to coincide with all those voices (see section 2) that deny any relationship between public funding and party system development. However, we think that the above-mentioned impact takes place at the party, rather the systemic, level, which is similar to the findings of other studies.\textsuperscript{47}

In order to examine if this is the case, we made a clear distinction, according to the legally prescribed criteria, between parties receiving public subsidies and those which relied exclusively on private sources of funding. In Table 2 we show all the parties that ran for election (1990–2014) in relation to whether they won seats in parliament or the percentage of electoral support necessary to qualify for public funding (parties in italics).

A first look at Table 2 could lead us to reject such “organizational” effects as some parties have managed to survive in spite of relying almost exclusively on donations and other private contributions (for example, MAAK, KPM, VMRO-DP, or SDPM), while others fell into oblivion despite having received an important amount of public funds (for example, ZPMN, DPM, PEO). However, these cases constitute an exception. Indeed, a closer examination of the links between public funding and party survival in Table 2 reveals that while most of the political forces deprived of public subsidies were forced to disband or did not manage to participate in the next elections; most publicly funded parties have continued to play a prominent role within the party system (for example, VMRO, SDSM, DUI, and DPA). This argument is corroborated with: (a) the disappearance of “historically” relevant forces from the political scene as soon as they failed to reach the pay-out threshold (for example, DA or PDP), and (b) the coalition strategy followed by most of the small exclusively privately funded parties (for example, NDM, DOM, TMRO, STSL, DN, SN, PEI, or, most recently, SDU, PODEM, and DD). The cases of PCERM and SRM are the most evident examples proving that the latter strategy – joining a big-party-led coalition – is the only alternative to oblivion as soon as the state money runs out. This has some implications for the structure of competition, but does not influence the format of the party system. Thus, it would be hasty to claim causal consequences for party system development.

This is more clearly visible in Table 3, which reports the survival rate of Macedonian political parties since 1990, making a clear distinction between parties that are publicly funded and those which are not. The table looks at the percentage of parties from the previous election (t-1) that have managed to present candidates at the following election (t).\textsuperscript{48} Table 3 clearly shows that in every single election since 1994 the survivor rate of publicly financed parties is higher than privately financed parties. This confirms our hypothesis that the life expectancy of publicly subsidized parties is higher than privately funded ones. Moreover, and with the exception of the last two elections, the difference is quite striking: roughly 50%. As a result, we can conclude that in Macedonia, as in other East Central European countries, state funding helped political parties to institutionalize by helping the beneficiary
Table 2. Party funding and party continuity (1990–2014).

| % votes | 1990 | 1994* | 1998 | 2002 | 2006 | 2008 | 2011 | 2014 |
|---------|------|-------|------|------|------|------|------|------|
| In parliament | SDSM PDP (incl. NDP) | SDSM (incl. LPM, SPM) | VMRO-DPMNE | VMRO-DPMNE (incl. LDP, DPTM, OPRM, DSB, SRM) | VMRO-DPMNE (incl. LDP, DPTM, DPTM, DPSM) | VMRO-DPMNE (incl. LDP, VMRO-M, SPM, LPM, SPM, DSM) | VMRO-DPMNE (incl. LDP, VMRO-M, SPM, DSM) | VMRO-DPMNE (incl. LDP, VMRO-M, SPM, DSM) |
| <5.0 & ≥3.0 | MAAK (PCERM, DPTM, SDAM) | VMRO-DP MAAK | VMRO-DPMNE DPA, PDP, NDP (II), SPM | VMRO-DPMNE (incl. LDP, DPTM, PDP, DPA, PDP, NDP (II), SPM) | VMRO-DPMNE (incl. LDP, DPTM, PDP, DPA, PDP, NDP (II), SPM) | VMRO-DPMNE (incl. LDP, DPTM, PDP, DPA, PDP, NDP (II), SPM) | VMRO-DPMNE (incl. LDP, DPTM, PDP, DPA, PDP, NDP (II), SPM) | VMRO-DPMNE (incl. LDP, DPTM, PDP, DPA, PDP, NDP (II), SPM) |
| <3.0 & ≥1.0 | SDPM, RP MAAK, RP | VMRO-DP DPA, PDP, NDP (II), SPM | DA, DS ZPMN, DA PEO | VMRO-DP MAAK, RP | VMRO-DP MAAK, RP | VMRO-DP MAAK, RP | VMRO-DP MAAK, RP | VMRO-DP MAAK, RP |
| <1.0 & ≥0.5 | VMRO-MNDSD VMRO-T DPSM, KPM SKM, DU-PP SDA-IP, RPM | PPM, MAAK | VMRO-V MAAK | VMRO-V MAAK | VMRO-V MAAK, DC ND, LD, SRM | VMRO-V MAAK | VMRO-V MAAK | VMRO-V MAAK |

(Continued)
Table 2. Continued.

| % votes | 1990 | 1994* | 1998 | 2002 | 2006 | 2008 | 2011 | 2014 |
|---------|------|-------|------|------|------|------|------|------|
| <0.5 & ≥0 | DHPM, VMRO-O, GLPM, PPNM, RZPM, SJM, RPM (II) | DHPM, VMRO-DP, GLPM, KPM, RP, SHPM, SKM | VMRO-DP, POMNI, KPM, SDPM, RPM (II) | NVP, PnP, PP MAAK, DPM PCERM, NDM | NA, VMRO-DP, STLS, DRUM, TMRO, SNSM, DNET, TMORO-VEP, NDU | VMRO-DP, TMRO, PSD, STLS, SNSM, DNET, TMORO-VEP, NDU | DUA, PODEM, SDU, SDPM DD | SDPM, PEI, NDM, PEP21s |

Notes: *Both VMRO-DPMNE and DP boycotted the second round of the elections.

Party acronyms: DSB = Democratic Alliance of Bosniaks; OPRM = United Party of Roma in Macedonia; SDAM = Party of Democratic Action in Macedonia; SL = Sandjak League. For the rest, please see Table A in the online appendix. See supplemental data.

Sources: Bugajski, Political Parties of Eastern Europe; Dimovski, “Pre-electoral coalitions in the Republic of Macedonia”; Hislope, “Macedonia”; Kasapović, “Macedonia”; Drzavna Izborna Komisija, http://www.sec.mk; Sobranie, http://www.sobranie.mk/en/default-en.asp?ItemID=7669ECA43782274791B50219F41EB392.
organizations to endure, while condemning to extinction most of the political forces deprived from this source of income. This happened regardless of the fact that the electoral system became more permissive.

**Conclusions**

Huntington wrote that the consolidation of democracy requires political party regulations capable of safeguarding political pluralism “without government harassment or restriction of opposition groups”. In Macedonia the regulation of party politics between April 1990 and February 2013, which clearly allowed for the appearance of a multi-party system, actually came from different sources. The last assembly of the SRM initiated the process of political pluralism while the first democratically elected assembly constitutionalized parties and enacted the first party and finance law in 1994. Changes to party legislation were pushed by the EU in an effort to democratize the country in 2004. However, local actors also pushed for changes in party legislation as part of their strategic calculus to influence the level playing field in 2007. Last but not least, Constitutional Court rulings also influenced party legislation in both 2001 and 2007. One should bear in mind these multiple actors, their motives and goals, when analysing changes in party legislation. Thus, the EU and local actors pushed for ex-ante changes, but while the EU did so without preference and prejudice for any particular party, local actors pushed for changes that they would benefit from. Meanwhile, the CC’s jurisprudence brought ex-post changes which improved and balanced the regulations.

The consequences of party legislation for parties and party systems are mixed in Macedonia. Political practice sometimes fell foul of the legal requirements. Lack of enforcement (for example, non-enforcement of spatial requirements and bans on foreign parties) limited the impact of party legislation on the one hand, even if this provided for greater minority representation on the other. This certainly echoes dilemmas posed by institutional engineering in other multi-ethnic and conflict-prone countries: namely, where to draw the line between party system concentration and diversity of representation and how to implement it.

In general, this article claims that the impact of party regulation on party system development is not as straightforward as one might think. The formative period of the party system in Macedonia was characterized by light regulation and a majoritarian electoral system. Liberal legal criteria gave leeway for many political parties to be formed, but majoritarian elections did not prevent party system

| Party funding | 1990–1994 | 1998 | 2002 | 2006 | 2008 | 2011 | 2014 |
|---------------|-----------|------|------|------|------|------|------|
| Yes           | 88.2      | 88.9 | 100  | 92.3 | 84.2 | 100  | 92   |
| No            | –         | 38.9 | 60   | 47.6 | 44.4 | 90.9 | 83.3 |

Sources: Own calculations based on Tables 2 and A.
fragmentation. Over time party legislation became stricter: especially in terms of party registration (for example, minimum number of members) and funding (for example, donation caps, sanctions, and so on), while the electoral system became more permissive. Even if the number of electoral and legislative parties barely increased in 2002, the effect of the introduction of PR was certainly short-lived as the Macedonian party system became more concentrated, but only after the minimum number of members required for registration was increased. This clearly suggests a kind of “threshold” effect in the sense that the impact of conditions for party creation only became visible once they became hard to meet.

However, and contrary to what other scholars have maintained, there has been no visible effect of the increasing amount of regulation in Macedonia. Party funding regulations certainly have an effect on the process of party development, but had no impact at the systemic level. In particular, access to public subsidies helped parties to endure. For this reason, if money is “the mother’s milk of politics” as Stanbury once stated, then the state can be considered to be the sacred cow of party survival in Macedonia. This finding certainly has important implications for other countries in the region as it shows that for (especially small) parties, joining an electoral coalition is not only a means to secure office and policy goals, but also a primary survival strategy. On the other hand, even though we point to the explanatory power of ever-present corruption and patronage practices, their impact should be taken with caution. As a result, future studies about party regulation in new democracies, and especially of party finance, are well advised to consider corruption and patronage as the primary explanatory variables for party survival, among other things, rather than regarding them as circumstantial conditions.

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Notes
1. Reilly and Nordlund, Political Parties in Conflict Prone Societies.
2. Biezen and Casal Bérttoa, “Party Regulation in Post-authoritarian Contexts”; Casal Bérttoa, and Biezen, “Party Regulation and Party Politics.”
3. See Polity IV Project, “Political Regime Characteristic.”
4. Bieber, “Regulating Minority Parties,” 98. According to the last census (2002), the ethnic composition is: Macedonians 64.2%, Albanians 25.2, Turks 3.9%, Roma 2.6%, Serbs 1.8%, Vlachs 0.4%, and others 2.3% (www.stat.gov.mk).
5. See Polity IV Project, “Political Regime Characteristic.”
6. Smelter as cited in Meleshevich, Party Systems in Post-Soviet Countries, 5.
7. See Stojarova and Emerson, Party Politics in the Western Balkans.
8. Merkel, “Embedded and Defective Democracies.”
9. Huntington, Political Order.
10. Casal Bérttoa et al., “The Carrot and the Stick.”
11. For party membership see Whiteley, “Is the Party Over?”; for party formation see Biezen and Rashkova, “Determining New Party Entry.”
12. The supporters can be party sympathizers, like in Norway and Poland, or they can be party members like in Portugal and Romania, or both like in Bulgaria and Lithuania.
13. Roper, “The Influence of Romanian Campaign”; and Rashkova, “Learning the Game.”
14. Katz and Mair, “Changing Models of Party Organization.”
15. For a list of the legal texts employed here, as well as an in-depth analysis of campaign funding in Macedonia, see Taleski and Casal Bérttoa, “Party Regulation and Party System Development.”
16. Bourne and Casal Bérttoa, “Prescribing Democracy?”
17. The transition to democracy was gradually introduced in Macedonia. After the legal changes that allowed political pluralism were put in place, the Assembly of the SRM adopted, on 20 September 1990, 24 amendments to the constitution of the SRM which introduced and guaranteed private property, freedom of association, sovereignty of the people, direct, free, and secret elections, equality of individuals, and the division of powers. With these amendments the Constitutional Court was also given the power to decide on the constitutionality and legality of “political organizations, social organizations and associations of citizens.”
18. As a result, during the 1990 legislative elections there were two parties that made a direct federal appeal: the League of Reformist Forces (later the Liberal Party of Macedonia, LP) and the Party of Yugoslavs in Macedonia (SJM). And, as can be seen in Tables 2 and A (in the online appendix, see Supplemental data), both were rather successful.
19. Spasov, Factors of Shaping, 345.
20. Mojanoski, Social and Political Profile, 126.
31. Ibid., 126.
32. Spasov, *Factors of Shaping*, 346 and 348.
33. Ethnic parties were briefly banned in Bosnia and Herzegovina before the 1990 elections, and Albania and Bulgaria imposed constitutional bans on ethnic parties. However ethnic parties proved more resilient than the legal regulations. For more see Bieber, “Regulating Minority Parties.”
34. According to the CC, and taking into consideration that parties are associations of citizens and that their actions are of general interest, the legal term “financing from their own sources” cannot be considered to include business activities (U45/2000 and U61/2000, 28 February 2001).
35. The UÇK would later transform into a political party (the Democratic Union for Integration, DUI) in May 2002.
36. The set-up and functioning of the “internal research-analytical centres” is regulated in the 2013 law for parties’ research and analytical centres.
37. Public funds were supposed to come from the MoJ’s budget rather than from the whole state budget. The State Electoral Commission was also put in charge of checking the veracity of electoral results so public funds could be accurately distributed.
38. See Škaric, *Democratic Elections in Macedonia*; or Bugajski, *Ethnic Politics*, especially Chapter 4 (97–131).
39. The League of Communists of Macedonia (SKM) was the Macedonian branch of the League of Communists of Yugoslavia (SKJ), the ruling party in the SFRY until 1990.
40. Dimovski, “Pre-electoral coalitions in the Republic of Macedonia”; and Hislope, “Macedonia.”
41. Scarrow, “Party Subsidies and the Freezing of Party Competition”; and Casal Bértola and Spirova, “Get a Subsidy or Perish.”
42. It is important to note here that (1) the number of (electoral/legislative) parties does not include independent candidates or coalitions of independents (for example, GPM); and (2) “new parties” excludes mergers of existing parties; and (4) small parties are those with less than 5% of the vote.
43. Lijphart, “Electoral Systems and Party Systems.”
44. Casal Bértola and Walecki, “Regulating Polish Politics.”
45. In particular, electoral volatility decreased below the so-called “earthquake” threshold (that is, 15%).
46. We are thankful to the anonymous reviewers for this suggestion.
47. Casal Bértola and Spirova, “Get a Subsidy or Perish”; and Casal Bértola and Walecki, “Regulating Polish Politics.”
48. It is important to note here that we consider that a party has survived when it presents candidates at the next election, even if it does so as part of an electoral coalition (for example, NSDP, TMRO, DS, and so on) or even does not manage to get 0.1% of the vote (for example, PDP or NDU in 2011).
49. Huntington, “Democracy’s Third Wave.”
50. See Reilly and Nordlund, *Political Parties in Conflict Prone Societies*.
51. Stanbury, “The Mother’s Milk of Politics,” 795.

Notes on contributors
Fernando Casal Bértola is a Nottingham Research Fellow at the School of Politics and International Relations. He is also co-director of the Centre for Comparative and Political Research (http://www.nottingham.ac.uk/ccpr/index.aspx) at the University of Nottingham. His work has been published in *Party Politics, Government and Opposition, International Political Science Review, South European Society and Politics*, and *East European Politics*. 
Dane Taleski is a doctoral candidate at the Political Science Department, Central European University (CEU) in Budapest. His major research interests are post-conflict democratization, political parties, and ethnic politics in South East Europe (SEE) and his minor interests include regional cooperation in SEE and EU integration. He has published articles in *Ethnopolitics*, *Suedosteuropa*, and *New Balkan Politics*, co-edited a research study on monitoring regional cooperation in SEE (Berlin: FES, 2013) and contributed to chapters in several edited volumes.

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