

# Elections for Sale?

## The Funding of Political Parties in Britain

*By Emmanuelle Avril*

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**Great Britain only belatedly passed certain laws regulating the funding of political parties. With a small share of public money and varied sources of private funding, this system is accused of favouring large donors and extremism. These criticisms invite us to think of a fairer system.**

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In Great Britain as in other countries, the relationship between money and politics is a difficult one. On the one hand, in representative democracies political parties need resources, particularly in terms of finance. Expensive electoral campaigns, for example, are vital for them to communicate their programs to voters. On the other hand, this way of operating is strongly discredited, and political parties stand accused of hijacking public debate as well as being under the hidden influence of those who finance them.<sup>1</sup>

The issue of party funding has a decisive impact on the public's perception of politics. Thus it contributes to a growing sense of distrust, as diagnosed in most liberal democracies. Voters feel that the ability to fund electoral campaigns allows certain individuals or groups to carry a disproportionate weight in democratic debate, or indeed to skew that debate completely. This mistrust is not a new phenomenon, and the notion of a crisis of confidence is itself debated. Still, surveys have highlighted a

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<sup>1</sup> See for example, "UK party funding: no cash, no democracy," *openDemocracy*, November 24, 2011.

growing sense of unease in the population regarding political funding.<sup>2</sup> Paradoxically, calls for increased transparency only seem to have made the situation worse.<sup>3</sup>

In this context of voter disaffection with political elites, it is particularly important to pay attention to funding, which constitutes a blind spot in the way political parties function. Who funds the parties' activities and how? Who are the people in a position to influence party policy, particularly at election time? Finally, how can fair and ethical funding, adapted to the real needs of the democratic system, be designed? The main British parties all agree on the necessity to reinforce the legislative framework around their funding in order to restore their tarnished public image. Yet they disagree on the way such reforms should be implemented.

## A Late Legislative Framework

Up until 2001 donations to British political parties were not disclosed. Parties were not in any way required to reveal the identity of their donors, and there was no upper limit set for campaign spending. Britain was late in aligning with legislation already in force in other European countries, following a series of accusations of corruption in the 1990s. One of the most significant of these was the "cash-for-questions" scandal of 1994. This scandal involved the lobbying firm of Ian Greer, accused of having given money to two conservative members of Parliament in exchange for questions presented on behalf of one of Greer's clients, Harrod's owner Mohamed Al-Fayed. The other was the Ecclestone affair.<sup>4</sup> The impact of these scandals led the parties to agree on the need for better regulation of political funding. It also led to the creation of the Neill Parliamentary Committee, whose recommendations resulted in the Political Parties, Elections and Referendums Act, passed in November

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<sup>2</sup> This is the case for example in the surveys conducted by the Electoral Reform Society ([www.electoral-reform.org.uk](http://www.electoral-reform.org.uk)).

<sup>3</sup> Elise Uberoi, "Political party funding: controversies and reform since 1997," House of Commons Briefing Paper, March 2016, p. 4.

<sup>4</sup> In 1997 came the first scandal to tarnish Tony Blair's Labour party, six months after it took office. It was revealed that Bernie Ecclestone, the Formula 1 boss and former racecar driver, had received favors from the Blair government. Formula 1 had indeed been exempted from the 2002 law banning tobacco advertising, which aligned the United Kingdom with the European directive on the matter. Labour was forced to admit that Ecclestone had donated a million pounds to the party during the campaign. While continuing to assert that he had acted in good faith, Tony Blair made a public apology on television. Moreover, the party was made to return the money, after having been found guilty by two parliamentary commissions. It was proven that the Labour prime minister had indeed lied to Parliament in order to hide his involvement, having intervened in person only a few hours after he met Ecclestone, asking his colleagues in the Department of Health and Social Care to find some way of granting a "permanent exemption" to Formula 1.

2000, as well as in the creation of a new, impartial, and independent Electoral Commission.

The new law had three specific aims. One was to ensure that the parties disposed of sufficient funding to operate correctly. Next was to rebalance public and private funding, in order to limit the volume of donations coming from inappropriate sources (during the 1997 electoral campaign the Conservative Party was suspected of having accepted donations from individuals based in foreign countries). The final aim was to improve the parties' chances at winning elections. Today the Electoral Commission is made up of nine members appointed by the Queen, on the advice of Parliament. Three are chosen on the advice of the three main parties in the House of Commons (Conservative, Labour, and Liberal Democrats). Their mandate lasts four years, renewable once. Finally, one member represents all the other parties, with a two-year mandate.<sup>5</sup> This "hybrid" composition was the result of an amendment passed in 2009 that aimed to add members with "direct" political experience, as a response to the accusation that the commission had no real awareness of the practical dimension of electoral campaigning.<sup>6</sup> This, however, contradicted the initial principle of a nonpartisan commission.

Concretely, the new law requires parties to declare the donations received each week during the period between the dissolution of Parliament and polling day. The law also limits spending for all types of elections. The rules created by the Electoral Commission<sup>7</sup> set a limit of 30,000 pounds sterling per party for each of the 650 constituencies, as well as limits to the yearly spending per party and per election.<sup>8</sup> But even if the commission now plays a key role in the protection of the democratic system, it lacks the means to enforce these rules since the fines it can impose are not really dissuasive.

Furthermore, the British system, as opposed to what can be seen in the United States, for example, forbids the use of political ads on radio and television, since broadcasting in the UK is required to be impartial. Political parties are only allowed a limited number of broadcasts, and the airtime allocated to each of them during programming is strictly regulated.

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<sup>5</sup> The candidatures proposed have been evaluated by an independent panel that gives its conclusions to the Lord President of the House of Commons.

<sup>6</sup> Peter Wardle, *The Westminster Foundation for Democracy and the UK's Elections Experience*, 2019, p. 19.

<sup>7</sup> The Electoral Commission, *UK Parliamentary General Election 2019: Political Parties (GB & NI)*.

<sup>8</sup> The Electoral Commission, *Guidance for political parties UKPGE 2019*, p. 8.

These measures aim, on the one hand, to ensure the greatest transparency in the parties' financial accounts, and on the other, to try to redress the huge imbalance among the parties in terms of campaign spending, with a very clear advantage to the Conservative Party over its rivals. It is interesting to note that this second objective establishes a direct causal link between access to higher than average resources and election victory. The very need to legislate on party funding is thus based on the idea that the more money a party or a candidate is able to spend on a campaign, the greater their chances of winning.

## Various and Contested Sources of Funding

Of the three principal types of funding from which British parties benefit—donations, membership fees, and public funding—donations make up the most important source, as well as the most contested. Compared to other European parties, British parties depend much more heavily upon hefty donations from private donors.<sup>9</sup>

This is the case with Labour's financial dependence on trade unions, historically the party's key donors, as the media regularly points out. It is also the case with the Conservatives and their dependence on the world of finance. More recently, commentators have raised concerns about the opaque and dubious origin of the Leave campaign's funding: in 2018 the accounts of the business executive Arron Banks were subject to a criminal investigation after it was revealed that he had probably given more than eight million pounds sterling to the Leave campaign in 2016, which would make him the largest donor in British politics. He is also suspected of fostering close relations with Russia.

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<sup>9</sup> Mathew Laurence, "Political inequality: Why British democracy must be reformed and revitalised," *Institute for Public Policy Research*, (IPPR) report, 2014.

## **Sources of Public Funding**

The notion that there is no public funding for political parties in Britain is not entirely correct. While it is true that electoral campaigns do not receive public money, since 1975 British parties do receive a subsidy called “Short Money,” granted to opposition parties that have obtained either two seats or one seat and over 150,000 votes in the general election. This allows the party to cover administrative and travel expenses linked to activities for the House of Commons, as well as expenses linked to the activities of the Leader of the Opposition.

The Labour government, embarrassed by the Ecclestone scandal, committed itself to reinforcing the public funding of parties. The objective was to reduce the influence of private donors, and in 1999 this resulted in a major reevaluation of amounts to be allocated to parties, which were to be reassessed each year in April. From April 1, 2018, the monies given to eligible parties amounted to 17,673.65 pounds sterling for each seat won in the last election. To this was added 35.30 pounds per 200 votes gained. So, in 2018-19 Labour received 7.8 million in “Short Money” and a little over 600,000 pounds in “Cranborne Money” (a complement introduced in 1996 for activities carried out in the House of Lords).

In total, public funding of political parties in Britain only amounts to 22 percent of their annual income, well below the European average, which stands at 67 percent (and even at 74 percent in Denmark and 87 percent in Spain).

## **Sources of Private Funding**

There are great differences between parties in terms of private funding since it comes from a variety of sources such as membership fees, trade union funding, and donations from individuals or groups. Membership fees give Labour a strong advantage since the party currently has nearly half a million members, following the membership hike that came with Jeremy Corbyn’s rise to the head of the party from 2015, while the Conservatives only have around 180,000.

In addition, the relative proportion of membership fees in Labour's finances was reinforced by the 2014 internal reforms that aimed to reduce the party's financial dependence on the unions. One of the objectives was to encourage members of affiliated unions (the largest are UNISON and Unite, which supported both Corbyn and the candidate to succeed him as leader, Rebecca Long-Bailey), who had until then only been indirect party members, to become direct individual members, albeit at a lower fee. Thus, while early in the 2000s about 80 percent of the Labour Party's funding came from unions, the proportion was halved. Yet Labour is still portrayed in the right-wing press as being dictated to by the unions.

In contrast, the 10 main Conservative Party donors have given over 36 million pounds sterling to the party since 2001, which represents over 10 percent of the money collected since that date. While Labour also benefits from the largesse of wealthy individuals (especially in the early Blair years), the fact that most of the money received by the Conservative Party comes from donors who give hundreds of thousands of pounds each means that the party is seen as under the thumb of a handful of millionaires.

According to the rules set by the Electoral Commission, a donation is defined as "money, goods or services given to a party without charge or on non-commercial terms, with a value of over £500," and must be the object of a declaration specifying the name and the address of the donor. This only gives part of the overall picture, however, since the sources of microdonations, such as those received by Labour, cannot be identified. When the total amount of money donated by an individual exceeds 7,500 pounds a year, the donor's name is made public. Furthermore, only persons registered on the electoral roll (i.e., British citizens or citizens of Ireland, Europe, or the Commonwealth who live in the United Kingdom) are allowed to make donations, so as to avoid any foreign interference.

The overall amount of money thus donated to political parties has grown considerably during the past decade. In the year leading up to the May 2015 general election, the parties received a total of 100 million pounds in the form of donations, which made this election the most expensive one in the country's history, with a sharp increase from previous general elections (44 million in 2005 and 72 million in 2010).<sup>10</sup> This trend continued in the 2017 snap election, in which the parties collected 40.1 million in only three months. In the 2019 general election, the British parties received

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<sup>10</sup> Samuel Jones and Sam Van der Staak, "How to fix UK political party finance," *openDemocracy*, June 25, 2015.

30.7 million pounds in donations that went over the 7,500 threshold, nearly two thirds of which (63 percent) went to the Conservatives,<sup>11</sup> who benefited from the support of pro-Brexit individuals. The Conservative Party has clearly benefited the most from the increase in private donations since 2010, which reflects an effort among financial interests to maintain the Conservatives in power after 10 years in opposition (in 2015 the polls predicted a Labour victory, and since 2016 it is the prospect of Brexit that has been motivating donors).

## **A Big Donors Culture That Is Harmful to Democracy**

The extremely small proportion of public funding forces parties to court individuals and organizations likely to fund them, or even to seek out means of circumventing the rules. Such dependence on great fortunes is not very healthy for democracy. A comparative study has shown that the parties receiving a greater proportion of private donations have a tendency to adopt more extreme positions on sociocultural issues. The campaigns of June 2017 and December 2019 bear witness to this phenomenon. On one side were the Conservatives, who were funded by pro-Brexit organizations and individuals such as the JCB company, linked to the pro-Brexit industrialist Anthony Bamford, who gave 1.1 million pounds to the party, the highest donation. On the other side was Labour, whose policies were dominated by the radicalism of the Unite union, its greatest donor (4.5 million pounds in 2017). All this indicates that donors are in a position to orientate public policy in the direction that is favorable to them.<sup>12</sup>

This kind of distortion was made particularly visible during a fundraising event held in January 2018. Theresa May found herself confronted with what was described as a “donors’ revolt,” in which a quarter of the 50 donors present pressured her to promise to step down as prime minister as soon as a trade agreement could be negotiated with the EU. This kind of anecdote reveals the nature of power in the United Kingdom, where a handful of wealthy individuals can buy direct access to

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11 Lucas Audickas, “General Election 2019: Which party received the most donations?”, *House of Commons Library*, January 24, 2020.

12 Andrey Tomashevskiy, “Does private money increase party extremism?”, *Journal of Elections, Public Opinion and Parties*, August 2019.

ministers, ensuring that their point of view will be heard.<sup>13</sup> The potential influence of a small group of donors is a matter of concern for the democratic running of the country. Thus Boris Johnson (and more generally the Leave campaign) has been accused of benefiting from hedge funds,<sup>14</sup> which would account for his enthusiasm in promoting the extreme neoliberal economic model commonly referred to as “Singapore-on-the-Thames.”

## Toward a Fairer System?

The reforms put forward by the different groups that campaign for a cleanup of party funding, such as the Electoral Reform Society and Unlock Democracy, have two main and complementary objectives: first, to limit the proportion of donations in party funding; second, to increase the share of public funding.<sup>15</sup>

At present there is no set limit to the amount of money that an individual or group can give to a candidate or party. Setting an upper limit to donations would constitute a fairly simple tool, provided the right balance is found. If the limit is set too high, as is the case in Spain (100,000 Euros or 91,000 pounds), the change will have no real impact. But if the limit is set too low, as in the United States (2,800 dollars or 1,717 pounds per candidate), the parties will turn to other methods and the situation might get worse. Indeed, current spending limits for candidates and constituencies do not prevent parties from circumventing the rule: in 2015 the Conservatives took advantage of loopholes in the legislation to spend more than the authorized amount in campaigns for their target seats (but were fined later, following an investigation).

Furthermore, the development of new technologies has made the border between the local and national levels more porous.<sup>16</sup> For example, the strict rules that apply to broadcasting do not apply to ads on social networks, which parties are not required to account for. During the 2017 general election campaign, the parties dedicated 42.9 percent of their advertising expenses to online platforms (the

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13 Darren Hughes, “The ‘Donors’ Revolt’ Against Theresa May Proves Money Still Rules the Roost in Politics,” *Huffington Post*, February 1, 2018.

14 Owen Walker, “Hedge fund managers back Boris Johnson’s leadership campaign,” *Financial Times*, July 6, 2019.

15 Jess Garland, “Deal or no deal. How to put an end to party funding scandals,” *Electoral Reform Society*, February 2015.

16 Justin Fisher, “[Party Finance](#),” *Parliamentary Affairs*, vol. 71, no. 1 (2018), pp. 171–88.



Conservatives spent 2.1 million pounds on Facebook ads, while Labour only spent half a million). Given that the parties dedicate an ever-growing share of their campaign budgets to online ads, the regulators must find a way to intervene in this new space as well.

A limit to donations would contribute to reducing the funding gap between parties, but this should be matched by an increase in the amount of public funding to ensure that public funds can still play their role adequately while compensating for the loss in revenue. This has been opposed by Conservative—and coalition—governments since 2010 in the context of budget restrictions. Given the political context resulting from the Conservative landslide victory of December 12, 2019, such reform is very unlikely to take place, all the more so because direct funding of the parties would not be very popular with taxpayers.

Thus the money given to parties by big donors distorts the British political system. These big donors, who fill political parties' coffers without any limitation, sometimes by circumventing legislation, are in a position to indirectly influence decision makers behind closed doors. They are sometimes able to influence decision making directly too, for example when they are offered a seat in the House of Lords. As a result the voices of ordinary citizens are completely drowned out. The perception that the richest are controlling political life is harmful in many ways, particularly since such a perception might lead to rejection of the political system by the population as a whole and result in populism, as seen today with the success of Boris Johnson.

Although party funding is a vital element of the political system since it provides stability, all political parties suffer from a bad image in the media and in public opinion because of their dependence on sources of funding that may corrupt the normal running of democracy. Thus, even if the legislative safeguard between money and politics is more robust in Britain than in the United States, for example, it is clear that a reform of the funding system for British political parties must be part of the response to citizen distrust.

Like other reforms designed to “moralize” public life, the obligation for parties to declare donations above a certain amount has shed light on the parties' dependence upon their biggest donors. Paradoxically, public perception of the system's integrity has not improved with the obligation of transparency—in fact, quite the opposite. Nevertheless, political parties continue to be one of the main means by which citizens can participate in democracy. Reestablishing a bond of trust between citizens and parties will require a complete overhaul of the way political parties function.

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