Strong Parties
Clean Politics
The case for party funding reform
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As I write the country is at war in Iraq. There is much concern expressed in the parliamentary Labour Party and in the party generally. Accusations of high handed decision making and of exclusivity abound. Whatever the rights and wrongs of the situation I can’t think of a better example of the need for strong political parties. A balance of power between political leaders and party members is central to our democratic process so that governments under a pressure from a myriad of forces can be tested, questioned and held to account. Strong political parties of course need adequate and secure funding. The everyday experience of most of the population is of sophisticated communications, stylish images and professionally provided services. Politics on the back of a fag packet has long since passed its sell by date.

Traditionally of course the Labour Party has drawn much of its funding from the trade union movement. More lately, and I believe to its credit, the party has attracted funding from a wider variety of sources with many business men and women donating funds in a practical demonstration of support for Labour’s governance of the country.

The introduction of the Political Parties Elections and Referendum Act designed to bring transparency to the political finance system has had a sharper than intended effect with many large donors hounded by the press, accused of buying political favour or looking for political honours. At the same time some trade union leaders have declared their affiliations to be lined up against policy delivery. Meanwhile party managers try to plan. They have to run policy development, party membership, polling, IT systems etc with the certain knowledge that there is nothing certain about their income levels.

All this leads me to believe that we need to ensure financial support for core political activities. The state already provides some funding for political parties, at election time for example and for annual conferences. The principle is therefore established. Core funding from the state for core activities would leave the party managers free to develop membership activity and involvement leading to a healthier politics all round.
Why should the public be concerned with the health of political parties? Why should they care enough to contribute more public money to sustain them?

Since 1997 there has been increasing concern for the health of electoral politics in Britain. The focus of concern has largely been the collapse in the number of people turning out to vote. In 1997 71% of those eligible to vote, did so in the General Election; the lowest turnout since World War II. In 2001 voter turnout fell to 59%, the lowest since the introduction of the universal franchise. Turnout has not just dropped for general elections but across the board, with some of the lowest turnouts seen in local government and European elections.

The causes for this are numerous, complex, interwoven and necessarily subject to intense debate. The subject of low political and voting participation is not the main focus of this paper; we do, however, wish to focus on the role the health of political parties has to play in this much broader debate. In particular, we wish to draw attention to two issues. Firstly the relationship between party funding practices, public perception of corruption, and the contribution this makes towards the growing public distaste for politics. And secondly, the developments in campaigning practices; the centralisation of political campaign; how this relates to declining party membership and in particular the effect of decreased party campaigning activity at a local and interpersonal level.

We wish to advocate the need to complete the reform of funding law; which the Government, in a drive to end claims of sleaze, embarked upon in 1997. But we wish also to illustrate the immense opportunities such reform could bring if approached with these additional objectives born in mind. We have a rare opportunity to look at the general health of our parties, to stabilise political party membership, remove the concern that parties are beholden to a few rich backers, and to create a framework under which parties seek new and effective opportunities to engage with the electorate.

Sleaze and perceived sleaze

If a businessman or business woman gives £100,000 to charity, he or she is praised for putting something back into the community. If he or she gives the same sum to a political party, the question asked is "What’s he/she getting out of it?". In most cases the answer is "nothing". The requirement under the Political Parties, Elections and Referendums Act 2000 (PPERA) to publish all significant donations makes overt corruption highly unlikely. But many with the wherewithal to make a large donation will have financial interests that are affected by government decisions. It will always be possible to find a change in policy that benefits them and can be portrayed as a quid pro quo.

Six millionaire donors provided more funding to the parties in 2001 than all their members combined, and two donors gave almost half of all the money the Conservatives spent in the 2001 election campaign. In short; people are, quite simply, very cynical of big donors.

In May 2002, an ICM poll for the BBCs Today programme found that 74% of those questioned felt that the present way in which parties were funded gave too much influence to rich individuals and big business. Also, 82% of the people surveyed said they felt that the present system of funding made the public suspicious of politics and politicians. Although it should be noted that this does not necessarily translate into full public support for state funding at this point.

Over the last 10 years - under this government and the previous Conservative administration -
allegations regarding the connection between donations and influence have been rife. Whether it has been the controversy surrounding Lord Ashcroft under the Conservatives or the Bernie Ecclestone and Lakshmi Mittal allegations under Labour, the problems with large donors have stubbornly persisted.

Parties and campaigns

It has become apparent that where there are active and competitive local parties, voter turnout is much higher than where activity or competition is lower. The relationship between turnout and the marginality of a constituency, for instance, supports this claim. In 2001, there was a 10% difference in turnout between the safest and most marginal seats in the UK.

The relative allocation of resources depending on seat marginality relates to questions of people power as well as just money. Political parties do not have the resources to fight every constituency campaign, let alone every local council ward with the same resources they would presently fight an important marginal seat, nor should they necessarily ever want to. But they should be aware of the effects their present targeting strategies are having in an era of declining pools of person power available in campaigns. By compensating for this through national and specifically targeted advertising and direct mail campaigns, a short term goal of winning a marginal may well have been achieved, but it is likely to have had long term consequences in terms of overall voter turn out. In short: people respond to being contacted personally.

Moreover the effect of personal contact to people’s perception of politics in the longer term is significant. If over successive election campaigns a person has never been canvassed personally, the likelihood of them having a positive attitude towards politics and politicians and consequently the likelihood of them bothering to vote is likely to drop significantly.

In 1964, it is estimated that combined membership for the Liberal, Labour and Conservative parties stood at 3.2 million. By 2002, their membership had fallen to around 663,000. This means, for instance, that the average number of party members for the three main parties combined, is just over a thousand per constituency in Great Britain.

A recent study by Denver, Hands, Fisher and MacAllister on “Constituency Campaigning in the 2001 Election” found that the average number of campaign workers – active party members - for the Conservatives, Labour; and Liberal Democrats was respectively 61, 32, and 20 or 113 in total. It found, however, that in a safe Labour seat which is not a target for either the Liberal Democrats or the Conservatives, the average total number of campaign workers was around 68. It should be noted that turnout is at its lowest in safe Labour seats where the levels of activity are at their lowest (Fig.1). It is therefore not surprising that the study also found that the percentage of the electorate canvassed was in the words of the study “relatively modest”. (Fig.2)

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<th>Number of Campaign Workers</th>
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<td>Non Target Seats (Held)</td>
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Source: Denver, Hands, Fisher and MacAllister 2002

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<th>Mean % of electorate canvassed during 2001 Campaign</th>
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Source: Denver, Hands, Fisher and MacAllister 2002
If anything the Denver, Hands, Fisher and MacAllister study probably over estimates the resources available to local political parties, as it depends on local parties to accurately report the number of people involved and there may be a temptation to exaggerate.

It is not just the volunteer capacity of the parties that is in decline: the number of paid staff at a sub national level has also declined. In Paul Webb’s study “The Modern British Party System” he finds that local or regional staff have declined between 1964 and 1998 by over 58%.

The days when nearly every constituency had at least a couple of paid organisers are long gone. The recent increase in state support for political parties has done little to change this trend. In fact, it has helped increase the trend of resources moving towards the centre — towards the national, usually London based office.

PPERA

The present legislation, the Political Parties, Elections and Referendums Act 2000 (PPERA), sought to restore public confidence in politics by establishing the Electoral Commission and the first legally binding rules concerning donations to political parties.

The PPERA states that parties can only accept donations over £200 from UK registered voters, or UK based organisations and companies. Furthermore, straightforward gifts of cash or bequests, sponsorship of party events, and gifts in kind - such as providing free office space or supplies - should be categorised as donations.

Political parties are required to make four quarterly returns to the Commission each year. The return should give details of cash and non-cash donations received by the party locally and or nationally. Parties must report the following to the Electoral Commission:

- Donations totalling more than £1,000 accepted by a party locally or regionally,
- Donations totalling more than £5,000 accepted by the party nationally and or;

Though these reforms have made the system much more transparent, for which the Government should be applauded, it cannot be emphasised enough that these reforms have still not ended the perception that British politics is sleazy and potentially rather mercenary, let alone ensure that political parties are healthy or vibrant. The reform of party funding practices was started admirably, it is now time to finish the job.

Reform

A common angle of criticism towards any notion of state interference in political parties, takes the position that parties are autonomous, voluntary bodies, which choose to compete in electoral politics, but require mass support to do so. If they do not have this support, they should not be artificially propped up by the state. The reality is, however, that political parties have become fundamental institutions of our democracy. The health of our democratic and political system is inextricably linked with the health of our political parties, and as such we have a huge vested interest in their fate and thus a justification for intervening - to an extent - to ensure that they continue to serve the nation appropriately.

As institutions of “civil society”, our political parties are in long term decline. They are currently weaker than at any time since the 1950’s. Although over the last few years there has been an increase in the number of high profile independents and a growth in single-issue groups such as Health Concern Kidderminster, there is no indication that they can offer an alternative to political parties as a way of organising modern politics. No major democracy exists without a political party system.

There are few alternatives to reform. We can either let political parties continue to decline in public support while they cling to near total political power or seek to reverse the decline. The issue is not merely one of sleaze and party finances, it is the relationship to the health of our parties, their campaigning potential and the implications for the long term health of our democracy we wish to stress in our deliberations.

Options for reform

Donations from Individuals, Companies and Trade Unions

Some have argued that making political donations public, as is presently required under the PPERA should be sufficient; that everything else is a matter between the donor and the recipient party. Political parties, like the democracy they operate in need to be in a position to command broad based support not only on a few wealthy donors. It simply isn’t healthy for any party – in this case the Conservatives - to be dependent on two donors for over three quarters of the amount spent in the a General Election, but still be appealing for wide spread support from the country. Politics not only needs to be clean of sleaze and corruption – it needs to be seen to be clean.

As long as a reasonable connection can be drawn between donations to a party and a policy decision, there will be suspicion of corruption or undue influence.

Individuals

Over the last two years, large donations by individuals, such a John Paul Getty II who gave £5 million to the Conservative party or Lord Sainsbury who gave £2 million to the Labour Party, have caught the headlines. These donations represented respectively 18.3% and 39% of what the Labour and Conservative Parties spent nationally in the 2001 General Election. However, it is not just very large donations that have caused public controversy; even donations as relatively small as £10,000 have been cause for news stories.

As it stands, there is no limit on the amount individuals can donate to political parties.
Companies

Since the introduction of the PPERA, any donation made to a registered political party, political organisation, or any other political expenditure aggregating over £200 a year by a company must be detailed in a director’s annual report to its shareholders. The report must detail to whom the donation was made and the total amount of contributions to that source. Donated money, subscription fees, or money spent paying expenses for a political organization are all considered to be contributions. Significantly, companies must also obtain shareholder consent before incurring a political expenditure or donation.

Today, very few companies donating to political parties are household names. In 1997, companies such as Vodafone, Dixons, P&O, Scottish and Newcastle and Tarmac donated a total of £300,000 to political parties. In 2001, they donated nothing.

Bloomberg (UK) Ltd, Labour’s largest aggregate company donor between February 2001 and the end of September 2002, came in at number 43 in the Labour party’s list of donors. The Conservative Party, however, is still more dependent on company donations, but even here there is a shift away from household names. The Conservative Party’s top two aggregate company donors between February 2001 and the end of September 2002 were II R Ltd (giving £1,066,000.00) and Norbrook Laboratories (GB) Ltd (giving £1,015,000.00). While these contributions are significant, neither of these companies are household names.

The overall decline in donations from the business world is largely due to the impact of the transparency elements of the PPERA, but could also be attributed to an extent to the general dip in popularity of the Conservative Party. Whether under the present legal arrangements businesses would start giving to the Conservative Party again as a different phase in the cycle of electoral popularity were arrived at, is difficult to say. Anecdotal evidence does suggest that businesses now simply consider it not worth their while engaging in this area of public affairs activity. Large companies, particularly common household names, seem to have decided that donations to political parties are now more trouble than they are worth.

Trade Unions

The Trade Union and Labour Relations (Consolidation) Act 1992 regulates trade union donations. A trade union needs a political fund only if it wishes to engage in political activities such as giving money or services directly to or on behalf of candidates or political parties. A political fund is established by a majority ballot of all members of that trade union. It is almost wholly financed by contributions from members and any of these can opt out of contributing. The fund may be maintained for up to ten years after which the membership has to be reballoted. During 2003, for instance, Amicus, Labour’s second largest affiliate, will hold its political fund ballot.

Some have argued that donations from trade unions should not be thought of in the same terms as business donations as the bulk of donations are affiliation fees paid on behalf of individual member who have contributed the funds themselves, and that members have the right to opt out of the scheme.

The essence of the relationship between trade union members, the union and a political party is not in any way the subject of criticism in this paper. It is unique and in many respects reflects exactly the kind of local grass roots political activism the proposals in this paper aspires towards. The criticism rests solely with the degree of control over the political funds of a trade union. While the decision of the RMT in 2002 to reduce its contribution to the Labour party from over £90,000 to just over £20,000 is a good illustration of this problem. The decision was not based on a reduction in union members, by those paying the political levy, or by any decision of individual RMT members. Instead, the decision by the RMT to cut its contribution was based primarily on policy disagreements between its leadership and the Labour Government. The sense that an individual or small group of individuals can wield such disproportionate influence over a national political party or Her Majesty’s Government is offensive to most people’s sense of fair play, of a meritocracy of argument and influence in a free and fair liberal democracy.

The involvement of civic society organisations such as trade unions in the political life of this country - particularly at a time of declining participation in other political institutions - should be embraced and celebrated. It would be wrong, however, to presume and to assert as some have that changes to the mechanism by which member’s fees are or are not passed on to political parties would in any way undermine trade unionism. An underlying principle of the proposals of this paper is that trade unionism should be strengthened not undermined by the new arrangements proposed here.

Cap on Donations

The most effective method of removing the claim that money buys influence is to introduce a cap on donations. The IPPR in their recent paper “Keeping It Clean” argued for a cap of £5,000 for all donations, whether from individuals, companies or trade unions. The exact level at which a cap should be set should be determined by an independent body, but we welcome the proposal by the IPPR and would support a cap being set in the region of a four figure sum.

The two most realistic options for creating a cap are:

- To cap all donations at the same level, i.e. £5,000. The exact level at which the cap would be set would be determined by the Electoral Commission.
- Cap corporate and trade union donations at a different level from individual donations.

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The Canadian Government, for instance, has introduced legislation - with the backing of the trade union movement - that will cap individual donations at $10,000 but would ban trade union and company donations to political parties altogether (see Canada case study).

The purpose of the proposals in this paper is to remove the excesses of party funding practices which are offensive to the electorate. It is not intended to completely change the nature of relationships between political parties and interested groups. It would therefore seem excessive to completely legislate against any relationship between businesses, trade unions and parties. We therefore reject the Canadian model. Furthermore, to introduce a cap on some donations, such as companies or individual donations, and not on others, would be politically biased and would understandable fail to gain any degree of cross-party support. A cap should therefore apply at the same level to donations from all sources.

Affiliation Fees

The Labour Party is unique in Britain in that it is made up of direct and affiliate members. In 2002, it is estimated the Labour Party had 272,000 individual members and 2,744,709 affiliated members via twenty-two trade unions, the Cooperative Party and socialist societies.

As stated above, the involvement of trade unions in the party politics of the country is something to be celebrated. But if we intend to remove or at least significantly reduce concern about undue influence of large donors, whilst at the same time ensuring that political parties are healthy and remain active, then some elements of the relationship between trade unions and the Labour Party need to evolve.

In order for affiliation fees not to be simply regarded as corporate donations - and subject to the same degree of suspicion - and then criticised whenever there is a disagreement between an affiliated union and Labour Government, then the relationship must be altered as to be more fundamentally based on the active consent of individual trade unionists. Affiliation money must be seen to be going from individual members, with their consent, to a political party with the union acting as encouragement, support and conduit but not broker of behind-closed-doors deals based on amalgamated levies. This would be a healthy development for both the trade union movement as well as the parties gaining affiliation - at present largely the Labour Party.

For example, UNISON offers its new members the option of contributing to either the Affiliated Political Fund, thereby affiliating to the Labour Party, or to the General Political Fund, which is independent of any political party. However, even in this case there is nothing on its application explaining to a prospective member that they have the right to opt out of the political fund all together. The approach UNISON has taken should be embraced but developed further to make the choices subscribing members have more explicit.

The overt differentiation between trade union participation and political party participation in the terms which we propose would, most crucially, allow each to be celebrated and sold to prospective participants separately and on their individual merits in a way which is much more difficult when, as is presently the case, the waters are so muddled between the two. If individual trade unionists have real choice to opt in or opt out of paying the affiliation fee, it is fair to regard their contribution as an individual donation that is collected by the affiliated union on behalf of the party. This option needs to be a right of which every new member is informed, rather than a right that members have, but the union does not actively inform members or prospective members of.

If the law were reformed in this manner, then the present requirement for trade unions to hold expensive ballots on their political funds every ten years could also be reformed. This should in no way prevent unions from collectively...
affiliating to a party, but simply ensure that it a meaningful reflection of their members’ wishes.

Lowering campaign limits

The PPERA introduced for the first time a spending limit for political parties. For UK General Elections, a party’s spending limit for the twelve months up to polling day is £19,230,000 for Great Britain and £40,000 for Northern Ireland based on £30,000 per constituency contested.

This covers expenditure by the parties for the following activities: party political broadcasts; advertising unsolicited material to electors; manifesto or other policy documents; market research and canvassing; media/publicity; transport; and rallies and events.

In addition to this there is a limit to individual candidate’s expenditure: £5,483 plus 6.2p per elector in a rural (county) constituency or £5,483 plus 4.6p per elector in an urban (borough) constituency.

In the 2001 General Election, parties were allowed to spend £24,000 for each constituency they contested.

One simple way of reducing the amounts parties feel they need to raise would be to reduce the limit for national expenditure. By raising the amount parties can spend locally, an added incentive would be created to improve campaigning, recruiting and other political activity at a local level.

Funding activity

We need to be honest about the clear contradiction between public desire on the one hand for political parties to be more active and, on the other, wanting to restrict the sources from which they get their money. At the moment they are heavily dependent on trade unions and a few companies or rich donors.

Relying on party membership is not enough any more. Party membership, as has been shown, is in decline. The simple truth is that political parties need money and resources. We can either continue to depend on large donations or we can find a more democratic way of funding parties. If we chose the latter route, we have the opportunity not only to ensure that parties are sufficiently funded, but that we organise party funding law so as to encourage greater activity by parties at a local level, and move away from the trend towards centralised campaigning activity. The benefits of this would be twofold: firstly that local campaigning activity increases turnout at elections (as has been demonstrated). And secondly that this increased activity would stand an excellent chance of turning around the decline in party membership trends, thereby reducing the likelihood that parties simply become ever more reliant on public funds over the coming decades.

Any new form of public subsidy for political parties should have the aim of encouraging wider political participation, and increased local political activity. There are a variety of options for organising the dispersal of public funds to political parties. The ones we have considered here fall into the following categories:

- Money for votes
- Tax relief
- Membership and matching donations

Registered Supporters

Money for Votes

Public funds could be allocated to the parties on the basis of the amount of votes won at a general election. This is the system used in Australia and was the main recommendation of the Houghton Committee.

Even though the simplicity of this system is attractive, it would do nothing to encourage wider participation in politics, would strengthen the ‘winner takes all’ tendency in British electoral politics and could lead to a greater centralisation in political parties.

Tax relief

At present, political parties, unlike charities, are unable to reclaim the tax on donations. In 1998 the Committee on Standards in Public Life under the chairmanship of Lord Neill - in its report on ‘The Funding of Political Parties’ - concluded in favour of tax relief on donations up to £500 to political parties at the standard rate. It is important to note that this is the only major recommendation the Government failed to take up from the Neill report.

Even with a threshold fixed as low as £100 and set at the standard rate for tax relief, the poorer supporters of a party would lose out, as it would only apply to tax payers. By giving donations to political parties a similar status to those of charities, it would at least imply that we as a society regard political activity as a worthwhile public good.

Case Study: Australia

Registered political parties are entitled to election funding where an endorsed candidate receives at least 4% of the first preference votes.

The amount a party receives is indexed every six months to increases in line with the Consumer Price Index. In December 2002, the amount was 184.253 cents per eligible vote.

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Membership and matching donations

At the heart of any political party are its members. They provide it with activists, funders, and candidates. Political activity at a local level is primarily dependent on them. If, as we propose, it is desirable to encourage greater participation in parties then giving an incentive to parties to recruit and retain members would be a good way of going about it.

This could be done by offering to match funds for membership subscriptions and donations up to a ceiling of say £20. For example, if a party received a membership subscription of £10 it would receive another £10 from public funds. Combined with a ban on large donations, this would have some degree of effect in ensuring that parties are accountable to their members and through them to the population as a whole. Whilst this option may have the effect of halting the decline in party membership, it is unlikely to produce the revival in party membership that in our opinion is necessary.

Registered supporters

In order to succeed in revitalising political parties to any significant degree, we have to look beyond the number of people willing to simply donate to parties. Simply having parties funded by block grants not connected to the participation of individuals would do nothing to achieve this.

Both the tax relief and match funding options work on the principle of giving of public money in return for an action that society regards as a worthwhile public good, in this case donating money. Rather than simply valuing money, why not value participation?

Under a ‘Registered Supporters’ system, parties would receive a fixed sum such as £20 for every registered supporter. Parties could sign people up themselves or citizens could proactively request a form when they registered to vote. This system is similar in principle to that used in the United States to fund presidential election campaigns (see US Case Study).

In return for accepting money, parties would have to ensure that individuals received certain privileges, such as the right to vote

Case Study: Germany

The public subsidy is calculated on the basis of the most recent election result. For the first 5 million votes, each party receives DM 1.30 per annum and DM 1 thereafter. The party must have obtained at least 0.5 percent of the vote in the last election (or 1 percent of the vote in a state election) to be eligible.

In addition, DM 0.5 is granted for every DM 1 received by the party in membership dues up to 6,000 DM. Political parties cannot receive more than half their income from public funds. There is an annual limit on the total amount of public money available to political parties; it was DM 245 million in 1999.

Case Study: US Presidential Elections - Opt in Public Funding

Each US taxpayer has the choice of giving three dollars to the Presidential Campaign Fund from their taxes by ticking a box on their income tax return form. This money is then used to fund the following:

- Presidential primary candidates can receive matching funds for donations from individuals. Individuals can donate up to $1,000, however, only the first $250 will be matched by public funds. To qualify for these funds, a candidate must raise at least $5,000 worth of private contributions from individuals in twenty different states. They must also accept a spending limit, which in 1996, was $30.91 million.

- Presidential candidates can also receive public funds to finance their general election campaigns. Republican and Democratic candidates who win their party’s nomination for President are eligible to receive these public funds; however, if they accept these funds, they cannot raise private contributions to fund their campaign as well. Candidates can also spend up to $50,000 of their own funds. In 1996, the fund for each candidate was $61.82 million. Third-party candidates can qualify for public funds after the general election only if the candidate receives at least five percent of the popular vote.

- Federal funds can also be granted to each major party to pay for its National Presidential Nominating Convention. The base amount for these funds is $4 million, which is adjusted for inflation each year of a Presidential election. In 1996, each party was eligible for $12.36 million in public funds.

The interpretation of the freedom of speech provision in US Constitution (1st Amendment) has made it difficult in practice to restrict campaign donations and expenditure and has created a number of loopholes. In 2002 Bipartisan Campaign Reform Act was passed. It is to early to evaluate if it will achieve its objective of reducing the influence of money in US politics.
for candidates, to vote for party leader; or to have a say in policy matters. In effect these rights equate to a certain degree of membership rights: the exact degree, however, would be up to the individual parties to determine.

Parties would have to renew registered supporters regularly and would still be encouraged to recruit full members. If concern arose about the total amount a party was beginning to be able to raise, then Parliament or the Electoral Commission could decide to cap the total amount of money available to parties each year.

We propose this system as the most effective in terms of the criteria we have laid out as it would stand the best chance of encouraging a high level of engagement with political parties – of either supporter or member type – while ensuring that parties are responsive to their supporters. At the same time, unlike tax relief, it would not disproportionately benefit those parties which represent wealthier sections of society.

**Complementary steps**

**Subsidising Campaign Costs**

Political parties are central to ensuring elections are an active and informative exercise in democracy. Subsidising the cost of campaigning is one way to undermine the need for huge cash flows in and out of parties, at the same time as ensuring national and fair democratic criteria are met.

Evidence suggests that where political parties have more active person power – in an election – at a local level, the turnout is higher. In Canada, they have a system of refunds whereby expenditure by local candidates receives a higher rebate: 50% as opposed to 22.5% at a national level. This has the effect of encouraging local campaign expenditure.

The Houghton Committee recommendations included something similar in their report in 1972. According to the Electoral Commission in 2001, 55% of candidates from the four largest parties spent less than 50% of the permitted amount and only 28% of candidates from the same parties spent more than 80%.

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**Case Study: Canada**

On the 29th January 2003 a Government Bill was introduced to reform and tighten the rules governing the funding of political parties and candidates.

**Current Situation**

The Canada Elections Act provides that:

- Registered parties that obtain 2% of the vote at a general election (or 5% where they stand candidates can be reimbursed for 22.5% of their election expenses. Individual candidates can receive a rebate of 50% of their expenses if they receive at least 15% of the vote in their riding (constituency).

- Individuals can receive a tax credit (tax relief) up to a maximum of $500 on donations to candidates or political parties.

- Individuals, corporations, unions and other organisations can make political donations and there are no limits on the amount that can be donated.

**Proposed Legislation**

The proposed legislation seeks to:

- Introduce an annual limit of $10,000 on donations by individuals to registered parties and their electoral district associations, candidates and nomination contestants.

- Prohibit companies, unions and organisations from making contributions to any registered political party or any leadership contestants and it restricts them to donating up to a maximum of $1,000 in total to a party’s candidates, nomination contestants and electoral district associations.

- Provide for an annual allowance to registered parties in the amount of $1.50 per vote received by the party in the previous general election, provided the party has received in the last election either 2% of valid votes cast nationally or 5% of votes in the constituencies where the party stood a candidate.

- Increase the amount registered political parties can have election expenses reimbursed for, from 22.5% to 50%. Lower the percentage of votes that a candidate must obtain in his or her constituency to qualify for reimbursement of electoral expenses from 15% to 10%.

- Increase the maximum amount tax credit to $650 for political donations of $1,275 or more.
Though such a system would certainly help encourage more campaign activity, particularly poorer and less competitive local parties, it does nothing to ensure that parties are active all the time or are able to cover their day-to-day running costs. Unlike some of the other measures proposed though, this system would benefit new parties and independents as well as established parties, thereby making local races more vibrant and competitive.

Extended help in kind

Although Britain does not have a tradition of direct state support for political parties there is a tradition of political parties receiving help in kind, particularly in order to communicate with the electorate (Party Political Broadcasts; Party Election Broadcasts; Freepost for the Election Address).

At a time when parties are at their weakest for several generations, extending their political communications options may help promote activity. For example, through extending Freepost for local elections and increasing the quantity of such at general elections. At the same time the concept behind free political broadcasts, whereby parties are not allowed to advertise, but in return broadcasters are forced to provide a limited number of free broadcasts could be extended to areas such as bill boards or local authorities allowing controlled number of lamppost poster boards – as happens in some UK cities and in much of the rest of Europe - thereby removing a significant cost to parties.

Who to fund

Naturally as soon as the issue of introducing public funding of political parties is raised, the question of eligibility for this funding arises. A limit needs, of course, to be set on which parties are allowed to be included. If you set the limit too loosely, the potential that you may fund parties with no real support or extremist parties arises. Alternatively, if the barrier is set too high, the regulations could act as a barrier to entry that prevents new parties and movements from becoming established and, in affect, protect the existing party monopoly.

The Houghton Committee in 1972 tried to deal with this by recommending three ways in which parties could qualify for state funding. To qualify a party would have had to:
(a) have saved the deposits of its candidates in at least six constituencies, or
(b) have had at least two candidates elected as Members of Parliament, or
(c) have one of its candidates returned as an MP and received a total of at least 150,000 votes.

Since then, British politics has become more complicated. Parties such as the Greens and Scottish Socialist Party have emerged and have enjoyed success in European or devolved elections but not in Westminster elections. They would therefore not qualify under the Houghton formula these parties would not have qualified. Even if we simply look, at Westminster, we now have Dr Richard Taylor who sits in Parliament as an independent MP and represents Kidderminster Hospital and Health Concern – a registered political party that has 30 councillors. Any system should be flexible enough to cover such groups and parties as long as they have significant support.

Most of the funding systems described here, such as registered supporters or match funding, don't necessarily require a threshold. If it is decided that one is required for political reasons, then something along the lines of an updated Houghton formula -- reflecting the importance of local, devolved, European and national elections -- would then be required.

Valuing Political Activity

In Britain, we have a long tradition of valuing and celebrating the involvement of people and organisations in community and charitable activity. The government has established programmes to promote volunteering and community activity. It has also set a target of “increasing voluntary & community sector activity, including increasing community participation, by 5% by 2006”. Whilst to some extent it is not surprising that politicians lack confidence in their own area of community activity and feel reluctant to include political party activity in these sorts of targets, it is a regrettable indication of how political parties have been cut off from the concept of community service.

This differentiation can be seen, for instance, in the very different amounts of respect politicians manage to command from the general public compared with charity and public sector workers. MORI in a survey of the level of trustworthiness various groups of professionals are regarded with, found that politicians were thought of as the least likely to tell the truth, with only journalists having the same low standing. This perception is spreading to include political parties themselves and helping to generate an atmosphere of anti-politics.

It is important that we start defending political parties as public institutions and recognise their importance to our civic as well as political culture.

Doing it by themselves

By calling for increased public funding of political parties, we are no removing the necessity for political parties to reform themselves. Political parties have to find new ways to engage and involve the electorate. By increasing public funding in the way we have proposed, we would be creating a framework whereby parties are encouraged to do more themselves and not to become ever more dependant on the state.

Conclusions

Without healthy political parties, representative democracy becomes difficult if not impossible – to very loosely paraphrase Benjamin Disraeli. Though there are many elements of today’s political parties, the operation of which we should continue to criticise and call to be reformed; political parties nevertheless remain a vital and necessary part of our democracy.
Involvement and engagement with political parties is at an all time low, and there is no indication that the trend of the last 50 years has either bottomed out or started to reverse. At the same time electoral politics has become ever more dominated by political parties.

Moreover, the public regard for politics, politicians and political parties is at an all time low. The media scandals concerning the way in which parties are presently funded have contributed significantly to this decline in esteem.

We have a vital opportunity to stabilise political party membership, remove the concern that parties are beholden to a few rich backers, and create a framework under which parties seek opportunities to engage with the electorate more. And who knows, we may manage to kick-start a renaissance in political party activity. But even if our success is more modest than this, what we do know for absolute certainty, is that without reform, we can expect only more of the sorry decline we have had to observe over the last few decades.

The New Politics Network

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**Summary of Recommendations**

1. **Donation caps:** There is strong, public perception that politicians are for sale and that politics is a sleazy business. As long as parties are dependent on a limited number of large donors this perception will persist. Therefore donations from individuals, groups, companies and trade unions should be capped.

   **Recommendation:** The Electoral Commission should set the exact level of the cap, but we would recommend a figure between £5,000 and £10,000 pounds.

2. **Trade Unions Affiliations:** There must be a direct link between the individual paying the affiliation fee and the party. Otherwise, trade union affiliation fees are regarded simply as corporate donations.

   **Recommendations:** Reform the way trade unions affiliate allowing individuals to knowingly opt in or out of paying the affiliation fee and not just the political levy. While also ensuring that individuals are informed of their rights, in return the requirement to hold political fund ballots every 10 years should be scrapped.

3. **Reduce National Spending Limits:** At present, political parties can spend up to £20 million nationally. One way to reduce the amount of money parties have to raise is to cut the amount parties can spend.

   **Recommendation:** Reduce the National Campaign Limit from £20 to £10 million pounds.

4. **Increase Constituency Limits and give a rebate on constituency election expenses:** There has been a steady centralisation in British elections with more emphasis moving to the centre.

   **Recommendation:** To help shift the balance towards local activity, constituency spending limits should be increased up to 20%. This would allow the average spending limit for a county constituency to improve from £9,640 to £11,568. At the same time, candidates/agents should be able to reclaim up 50% of the money declared in their election returns. This allowance would give parties greater incentive to spend money in local campaigns.

5. **Matched Funding or Registered Supporters:** As well as removing the dependency on a limited number of large funders the objective of reform must be to strengthen parties and increase participation and engagement.

   **Recommendation:** Introduce a system of registered supporters whereby parties receive a limited donation per registered supporter. If this is not acceptable then a system of matched funding for donations up to £100 would be introduced.

6. **Who should qualify for support:** The purpose of increasing public funding is not to protect parties from competition or to maintain the present party system.

   **Recommendation:** To qualify for support a party should either have an MP, MEP, an elected member of a devolved assembly or parliament, 20 councillors or an elected mayor. To qualify for a rebate in a constituency a candidate should have to receive 10% of the vote.
Labour Party

Membership
Approximately 272,000 members, down from 405,000 shortly after the 1997 election.

Where does the money come from?
Despite the changes over the last 10 years the party remains dependent on trade unions for a large percentage of its income. Its 2002 accounts show an income of £3.4 million from membership subscriptions and 6.3 million from trade union affiliations. During the Eighties and early Nineties, Labour struggled to keep pace with a Conservative party bankrolled by big business and substantial foreign donations. However, since 1997 individually wealthy backers including the late Lord Hamlyn and Lord Sainsbury were joined by defectors from the Conservative party including Christopher Ondaatje. The tide seems to have turned again. Donations from Richard Desmond, Lakshmi Mittal, Paul Drayson and others have aroused such controversy that donors are staying away, leaving Labour increasingly reliant on the unions once more.

Existing State Funding
Traditionally, support from public funds has been confined to opposition parties, except for free party political broadcasts and candidate mailings at election time. However, the number of special advisers, many of whom are political appointee’s has risen sharply under Labour. The total salary bill for special advisers in 2001 to 2002 was £4.4 million, though this includes nonpolitical specialists. Labour will also benefit from some £500,000 to spend on long-term policy development from a fund administered by the Electoral Commission.

Policy on party funding
Tony Blair has said that raising money for the party is the aspect of the job he likes least. Peter Mandelson has written in favour of state funding, and Mike O’Brien, now a Foreign Office Minister, proposed a system quite similar to the Clean Money proposal on the Cleanpolitix.com website.

Some party traditionalists would be opposed to limits on donations, or to widening state funding, as they see the link with the unions as essential to maintaining the party’s roots. The leadership is in favour of wider state funding, but would not push it through without a consensus.

Campaign expenditure in 2001 General Election
Labour Party expenses totalled approximately £10.9 million for the 2001 General Election. Accounting for almost half of Labour’s expenditure, was the £5 million price tag on advertising. While party political broadcasts cost about £272 thousand, rallies and other events reached £1.2 million, and market research/canvassing amounted to £869 thousand. Money spent on unsolicited material to electors and manifesto development were £1.4 million and £517 thousand, respectively. Expenditure connected to media totalled £750 thousand, and money spent on transport cost £774 thousand.
“How we got into the sleazepit... and how we could get out.”

This Government has every reason to be proud of the Political Parties, Elections and Referendums Act. It was this country’s first comprehensive legislation on the funding of political parties. It brought in the ban on overseas funding, the limit on campaign spending and the duty to disclose large donations. A historic achievement, but not, of course, the end of it. It never is.

There is now a need for a second Political Parties Act to bring in a second stage of reform. I don’t think the Government will be hard to convince on this point. Ministers have been dismayed to discover that the disclosure provisions of the new act have not put an immediate end to press stories about ‘sleaze’. On the contrary the press has had a field day every time the Electoral Commission has published its quarterly list of donors. Transparency has just made it easier for the press to gather the information.

Newspapers have not concentrated on the biggest donations, such as the £125,000 from the steel magnate Lakshmi Mittal, the £100,000 from the Daily Express owner Richard Desmond, the £50,000 from Paul Drayson of the pharmaceutical company Powderject and the £36,000 conference event sponsorship from Enron. At no point has any newspaper offered any evidence of any improper influence in connection with any these donations, but the press will run for days with a ‘sleaze’ story even when there is no evidence of sleaze.

It’s not difficult to understand why members of the Government should feel aggrieved. We reformed the system, we cleaned up politics, we ended sleaze, but now we are getting none of the credit we deserve because of the publicity surrounding a handful of large donations.

It’s been a steep learning curve, but what else did we expect when we introduced transparency into the political system? It’s happened in every country when disclosure has been introduced – and we are the last country in western Europe and north America to introduce it – that the press has had a field day on the day when the parties’ annual reports are published. As Professor Keith Ewing, one of the architect’s of the Act, pointed out, we should always have expected ‘the press to do what they are supposed to do, which is to shine a bright light and poke around with a long stick’. That is the point of disclosure.

It’s true that our press has been more obsessive than the press in other countries, but that is because half our press is partisan and the other half is paranoid so they will all ascribe the most nefarious motives even to the most innocent donations.

What we are overlooking here is that disclosure was supposed to work not just as a searchlight but as a deterrent, making donors more reluctant to give money and parties more cautious about accepting it. It is already deterring donors. According to a Labour Party fundraiser ‘the big donors are running scared’. They find to their dismay that once they have been tagged a ‘Labour donor’ in the press their conduct becomes newsworthy on completely unrelated matters. And if individual donors are running for cover, so are company donors. Shareholder ballots made it more difficult for them to give money. According to view of the public relations director of a company that used to make donations, the government has made it almost
impossible for companies to give money without appearing corrupt. BP has even announced it is not making corporate donations to any political party anywhere in the world.

The Labour Party has also, some might say belatedly, become more selective about the donations it will accept. It has issued a Statement on Donations and in May 2002 it set up an ethics committee to vet donors. Transparency is thus operating on the demand side as well as the supply side. As Professor Ewing said: “It has taken time for transparency to have the desired impact, with the parties naively assuming that because donations are now disclosed, it did not matter what was revealed. There was not initially a sense that transparency was designed to require the parties to moderate their behaviour – to exercise care about the persons from whom they took money.”

There is, in other words, an organic process leading from the second. Essentially, disclosure and shareholder ballots were always going to reduce individual and company donations without providing an alternative source of finance. This was bound to push the parties further into debt, and maybe into bankruptcy. This is turn was likely to make the parties look with envy at the position in every other European and North American country where they already have a formal system of state funding for political parties. So it is no surprise that the first Act has created pressure for lower spending limits, for caps on donations and for a greater degree of state funding.

The Government foresaw, when it passed the Political Parties Act, that legislation on the funding of political parties would need to be reviewed on a regular basis. That is one of the reasons why it set up the Electoral Commission with the power to review legislation and recommend reforms. So it is no surprise that in its report on the 2001 election, published in July 2001, the Commission undertook in the longer term to ‘consider the argument for a cap on political donations and state funding of political parties’.

Looking further back to the spring of 2000, when the Political Parties Elections and Referendums Bill was on its way through the House of Commons, the very same issues of spending limits, donations cap and state aid were being moved as amendments at committee stage. As a member of that committee, I moved amendments to reduce the spending limit from £20 million to £15 million, to introduce a cap on donations of £_ million and to increase the budget for policy development grants, the only element of state funding in the Bill, from £2 million to £10 million a year.

In October 2002 the Institute for Public Policy Research (IPPR) issued the report of a research project on party funding, Keeping It Clean – the way forward for state funding of political parties, by Matt Cain and Matthew Taylor, recommending a lower limit on campaign spending, a cap on individual donations and a novel match-funding approach to state aid.

Although the IPPR is close to the Labour Party, the report carried a foreword by the Conservative MP Sir George Young supporting all three proposals and Conservative front-bencher Andrew Lansley attended the launch and urged his party to support all three recommendations. The Liberal Democrat treasurer Tim Razzall also welcomed the report. The then chairman of the Labour Party, Charles Clarke, said the Government was seriously considering lowering the campaign spending limit and introducing match-funding. A cap on donations, he said, would be more difficult.

A paper by Professor Keith Ewing for another left-of-centre think-tank, Catalyst, advocated a lower campaign spending limit and an increase in state support for political parties, but also argued against the cap on donations. Thus the proposal for a lower spending limit appears to enjoy all-party support already. This has its own ironies for me. I argued in the committee that, while it was a huge advance to introduce a national campaign spending limit for the first time in our history, it would not bite if it was set at £20 million and should be reduced to £15 million. As I told the committee: “I do not believe that the Labour party would get £20 million at the next election, let alone need to spend it. I am sure that the Conservatives would not get £20 million. Who would put up £20 million to get them elected next time?” The amendment was opposed by both the Government front-bench and even more strongly by the Conservatives. Yet my forecast proved all too accurate and by the time the Bill had reached the Lords, the Conservative Party treasurer and alleged tax exile Lord Ashcroft was so certain his party would not be able to raise £20 million that he voted for amendments to reduce the legal limit to £15 million and then to £13 million.

The Bill was enacted with a £20 million limit, but in the event the Home Secretary exercised his power to reduce the limit to £15 million because the Act had been in force for only four months before the election, and as it turned out none of the parties came close to spending even that. The Conservatives spent £12,751,813, down from £28 million at the previous election, Labour £10,945,119 and the Liberal
Democrats £1,361,377.

Now Professor Ewing is recommending that the £20 million limit should be reduced at least to £15 million which was actually the figure that he proposed when he gave evidence to the Neill Committee on behalf of the Labour Party. The IPPR has gone further and proposed a limit of £12 million in the election campaign and also a limit on how much a party can spend in any one year, starting at £20 million and reducing to £15 million.

I personally feel we could now go to a £10 million limit if we want to achieve an end to the election ‘arms race’ and a real downward step change in election spending. Given that there will always be room for argument over whether some items should count as campaign expenses, it is inevitable there will be some drift. The Canadians reckon that their political parties probably spend $5 million dollars more than the official campaign limit. If we want to hold campaign spending below £15 million, we should set the legal limit at £10 million. £10 million is also a figure that treasurers of the two larger parties can raise comfortably from members and small donations without the need to trawl for big donors.

The issue of state funding is rather more complex. If it is asked as a straight question: “Are you in favour of the state funding of political parties?”, the public is invariably against it by a big majority. But they don’t seem to mind about the various forms of state-aid-in-kind the parties already receive – free post, free halls, free conference security, free party politicals – which are worth an estimated £80 million a year. Nor has anyone objected to the first form of state aid in cash introduced by the Political Parties Act, the £2 million already being paid in Policy Development Grants. There is no particular reason to suppose the public will raise an outcry if there is a modest extension of the Policy Development Grants or grants for the training or treasurer and agents or youth work.

There will be a few Labour MPs as well as Conservatives who take a principled – or a populist – stand against state aid. But the Conservative Party will be in no position to do so. Their party has been saved from bankruptcy largely by the decision of this Government to treble the so-called ‘Short money’ paid to opposition parties in Parliament, increasing their share from just under £1 million in 1997 to nearly £3 million in 2002-03. They also accept public money in the form of policy development grants and grants from the Westminster Foundation. Their coffers are already full of public money. The latest quarterly report from the Electoral Commission, covering the last three months of 2002, shows that the Conservative Party received more money from public funds – £950,604 – than it received in cash donations – £883,039. Only when the value of donations in kind are added in are the Conservatives saved from being the first example of a political party funded mainly by the taxpayer.

The Conservatives also moved an amendment in favour of tax relief on donations to parties – a form of state funding – during the Political Parties Bill. More recently Teresa May, the Conservative chairman, joined with her opposite numbers in the Labour Party and the Liberal Democrats in writing to the Electoral Commission supporting the use of public money for the training of councillors, e-communications and international work.

In its report the IPPR argues for a voluntary form of state funding where political parties will be eligible for state support, on a formula that is related to the number of votes they receive and the number of members they recruit, but only for those parties that accept a maximum size for donations.

They also advocate a variation of proposal from the Neill Committee for tax-relief on small donations to political parties. Under the IPPR scheme small donations to political parties would be matched by grants from the Treasury, but on a steeply sliding scale so an annual donation of £50 might attract a matching grant of £50, but an annual donation of £80 would attract a matching grant of only £30. Above £100 a year the grants would cease.

The Government opposed the original recommendation of the Neill Committee because of the potential bias in favour of better-off taxpayers. A £100 tax exemption would be worth £40 to a higher rate taxpayer; £22 to a standard rate payer; £10 to a lower rate payer and nothing to a non-tax payer. But the IPPR proposal – based on similar tax-credit schemes in Germany and Canada – is designed to avoid this trap.

In his paper Professor Ewing draws a distinction between state funding, which he opposes, and state support, which he advocates. The difference is largely one of degree. He wants state funding, again related to the number of members a party recruits as well as the number of votes it receives, to be limited to a maximum of one third of a party’s income.

The Treasury would have an annual grant, capped at no more than £70 or £80 million, to distribute to the parties and it would be used to cover expenses like education and training, but also core activities and organisational costs, such as premises, staff, computers, telephones. That would be the sacrifice that taxpayers would have to make to end the parties’ dependence on large individual donations. “If they are to be drawn away from their sugar daddies, we must all be prepared to swallow a bitter pill and make a contribution ourselves,” he says.

With such broad support it may be possible to proceed on the basis of cross-party agreement. It is certainly true that it has been introduced in every other west European country on the basis of cross-party agreement. In Germany it was the Christian Democrats who introduced the first state funding regime in 1967.
They were followed by Sweden and Denmark in 1969, the Netherlands in 1972, the United States after Watergate in the early 1970s, Italy and Canada in 1974, Greece in 1984, Spain in 1987, France and Portugal in 1988. Britain would have done so in 1977 but it was not for the opposition of the Conservative Party under Mrs Thatcher. She had accepted state funding for opposition parties in Parliament in 1975, the so-called ‘Short money’, but opposed state funding for other parties.

We are now unique in the European Union in not having it. But at the same time we must recognise the political difficulties and sensibilities that stand in the way. Ironically the British public has become more opposed to state funding as a result of sleaze, even though it is arguable that the sleaze was caused, or at least aggravated, by the refusal of political parties to agree to a system of state funding in the first place. Sleaze is why we need state funding, but it is also why people oppose it. There is, however, no point in politicians’ complaining that the public is being irrational. It is up to them to regain the public’s trust. They cannot simply award themselves state funding out of taxpayers’ money without first convincing the public that it is in their interest.

The most problematic reform will be the cap on individual donations. Tony Blair did consider the idea briefly, in the wake of the Ecclestone affair, when he wrote in The Times that the Government should be ready to ‘limit individual and company donations to a modest amount’ and even to consider ‘whether there should be business funding at all’.

In the event the Neill Committee recommended against a cap on donations and the Government endorsed the Neill Committee’s view. At the committee stage of the Political Parties Bill I moved an amendment to set a £250,000 limit on individual donations, but that was opposed by the Government. When the Government ran into further problems over millionaire donors, I tabled an early day motion in the Commons to introduce a £100,000 cap on donations. That attracted over 100 signatures and various amendment to reduce the limit even lower to £10,000, but no support from the Government.

Now the IPPR has come in with a radical proposal for a limit on individual donations of £5,000. They based their figure on work with focus groups which should that £5,000 was the figure that would convince the electorate that a donation did not have improper motivations.

Andrew Tyrie is so far the only Conservative MP who has come out in favour of a donations cap, arguing that ‘big donations from rich individuals and their companies and from the unions … will have to stop’. The rest of the Conservative Party may find it difficult to agree because they still rely heavily on the support of a handful of millionaire donors, but on the other hand they may feel that the name of their party has been so tarnished by its association with sleaze, and that they gain so little advantage over Labour in the battle for individual donations, that their only hope is to put an end to millionaire funding through a cross-party agreement to cap donations.

It may be the Labour Party that has more difficulty in reaching agreement on this issue because of the ambivalent position of the trade unions. At the moment the Electoral Commission lists the affiliation fees paid on behalf of the members of each trade union as though they were a single donation to the Labour Party paid by an individual rather than as membership subscriptions paid by many members. The result is that most of the ‘millionaire’ donors to the Labour Party, as they appear in the Electoral Commission reports, are in fact trade unions. Between them they contribute roughly 40% of the party’s income. Thus if there were a cap on all donations above a certain size, regardless of source, the Labour Party would be in severe financial difficulties.

But this is an odd way of looking at affiliation fees. They are not a single charge on a union, but a charge per affiliated member; and it is the individual union member who has the right to decide whether to pay or not. It is the individual union member who votes whether to have a political fund or not. It is also the individual affiliated union member who has the right to vote in Labour Party leadership elections (although until recently it was the trade union that decided whether or not to hold a ballot) and to take part in the selection of Labour candidates. In all these ways they are like membership subscriptions.

However, when it was set up in 1900, the Labour Party was an organization of affiliated bodies. It had no individual membership. In some respects it has retained this corporate nature. Trade unions can vote as corporate bodies at the party conference (although the vote can be split) and they can decide as corporate bodies whether to affiliate to the Labour Party. They can even decide how many of their members to affiliate and recently a number of unions, including TGWU, GMB, CWU, RMT and Unison, have either reduced or threatened to reduce their affiliation as a way of saving money or of exerting pressure on a Labour government. This practice
of under-affiliation means, not that fewer will have the vote in a leadership ballot, but the votes of all will be devalued in proportion, even though none of them may have agreed to reduce the level of affiliation in the first place.

In proposing a donation cap of £5,000, the IPPR has acknowledged that this would require a change in the financial relationship between affiliated unions and the Labour Party, but has left the ball in the unions’ court on the basis that ‘it is not our place to stipulate how this should work’. Professor Ewing has taken the view that the party’s link with the trade union is too important to be swept away as the side-effect of the introduction of a donations cap. He suggests instead that the Labour Party should adopt its own maximum figure for private donations - to be set no higher than the national average wage or salary - while insisting that the unions should affiliate on their full membership.

Neither has put forward what would seem to me to be the common sense solution that the Labour Party should change the system so that affiliated members become a new category of members, paying less than ordinary members and enjoying fewer rights, but nevertheless entitled to vote in leadership ballots, in national executive elections and in candidate selections. Their affiliation fees would be paid directly and automatically to the Labour (or other) party and would not be affected by a donations cap.

It would then be possible to refine the blunt instrument of a donations cap but setting a maximum size for an individual donation, but allowing corporate donations – from both companies and trade unions – to be higher on the basis that the members of those organisations have to vote to permit the donations to be made – through shareholder ballots in the case of companies and political fund ballots in the case of trade unions – and trade unions have the added protection of the right to contract out.

This would then allow the donations cap to deal with the real mischief – the large individual donation – which will always raise the suspicion that a private deal may have been done or at least that the party is going to feel in some way beholden to the donor. And however much trust one may have in the individuals concerned, who can be sure that a party won’t behave slightly differently to a big donor? Maybe they’ll be worried about jeopardizing the chance of another large donation. Or, more likely in Labour’s case, they’ll lean over backwards in order to be seen to be fair.

For the first time in a generation all three main parties are prepared to talk seriously about ending their dependence on donations from wealthy individuals and reducing their spending in election campaigns. At the same time the public are so weary of sleaze – or accusations of sleaze – that many of them would tacitly accept an extension of state support for political parties in return for a decisive halt to the arms race on election spending and an end to millionaire funding of political parties.

We must never make it a condition that we should first achieve complete agreement between the parties. That was the mistake that Jim Callaghan made in the 1970s and it just handed a veto to the Conservatives who used it to obstruct all progress. But we do now have a historic chance to lift politics out of the sleazepit into which it descended in the 1990s and to do so without a slanging match that would damage the reputation of politics still more.

We are the nearest we have been since the 1970’s to finding a cross-party consensus on this issue. The Conservatives are the nearest they have ever been to supporting a significant lowering of election spending, a move away from millionaire funding and an extension of support for political parties. This may be because they are at the weakest they have been for 50 years, financially as well as electorally. But if we want to reform party funding on a cross-party basis, this is our moment to put our stamp on the political system and to make a decisive move towards clean and open politics.
Conservative Party

Membership
Approximately 318,000

Where does the money come from?
Throughout the ‘80s and up to the mid 90s the Conservatives always held a huge edge in finances, receiving large sums from many individuals and companies. However, since their loss of power they have found donations from these sources drying up, and have been forced to rely upon a small group of wealthy individuals and companies for most of their donations.

Sir Paul Getty, Sir John Paul II, John Wheeler, and Sir Stanley Kalms have accounted for over £8 million in donations since the beginning of 2001. IIR Ltd and Norbrook Laboratories (GB) Ltd remain their most consistent company donors, with each having given over £1 million since the beginning of 2001.

Since they have been the main Opposition Party the Conservatives have had to increasingly rely on public funding.

Existing State Funding
The Conservatives have been the main opposition party since losing the 1997 election, and receive the bulk of Short money and Cranbourne money that is given out. Since the beginning of 2001 the Conservatives have received over £6 million pounds from the Department of Finance & Administration and the Electoral Commission.

Policy on party funding
The Conservatives have been the most vocal opponent of any kind of state funding scheme. However, with their increasing reliance on public funds, it will be harder for them to continue that argument.

Campaign expenditure in 2001 General Election
Conservative Party expenditure for the 2001 General Election was in the order of £12.7 million. Advertising accounted for £4.4 million, while party political broadcast cost £567 thousand, and rallies/events reached nearly £2 million. Money used for market research/canvassing was £1.7 million, and manifesto/party policy document cost just over £1 million. The price of unsolicited materials to electors came in at £1.2 million and transport amounted to £1.4 million. Media related expenses were £356 thousand.

Conservative Party Funding

Source: www.cleanpolitix.com
Our politics is healthy.
Our party finances stink.

Andrew Tyrie MP
is Conservative member for Chichester

The electorate has concluded that politics stinks. The widespread impression that influence over government policy can be bought by the rich, and that honours – especially peerages – can be trafficked are two of the main reasons. Maybe they are no longer mistaken. More state funding, intelligently deployed, is now the only way to restore public confidence.

The stench is just too pungent to be put down to natural causes. There is the Eccleston £1 million donation to Labour. Was there really no connection between that and Formula One’s exemption from the tobacco advertising ban? There’s the Powderject £32 million contract and its Chief Executive’s £50,000 donation. There’s the Mittal £125,000. Was that really entirely unconnected with the Prime Minister’s letter to the Romanian Prime Minister on behalf of Mr Mittal’s financial interests? There are the Hindujas. Was the granting of passports to these brothers entirely unconnected with £1 million for the Dome – not a donation to Labour but important to them. Sir Anthony Hammond has not even been permitted to investigate that money – the Prime Minister kept the Dome outside his terms of reference.

Then there’s Labour’s blind trust. Just how blind can a trust be when the Prime Minister’s chief doorkeeper and the man to whom the whole Number 10 machine answers – Jonathan Powell – was allegedly running the trust (with Geoffrey Robinson) when Labour were in opposition? There’s the Enron donation. Can the public feel sure that the ending of the gas moratorium was entirely unrelated?

There’s the honours list. Is it just coincidence that, for example, Lords Bragg, Gavron, Haskins (also the ‘red-tape Tsar’), Sainsbury (now a Minister) made large donations to the Labour Party prior to their ennoblement? The unions are at it, too. It was recently disclosed by the Financial Times that the RMT Union were threatening to withdraw constituency support from their sponsored Labour MPs unless the government changed its employment policy.

At this point, any non-Conservative reader may conclude that this is a party rant. On honours I’m short of an answer to the Institute for Public Policy Research’s revelation that prior to 1997 about 6 per cent of public companies made donations to the Conservative Party but 50 per cent of knighthoods and peerages went to the directors of companies who made such donations. Another coincidence? I doubt it. Cash for Questions? Disgraceful, although those involved were never close to the centre of government and, for that reason, it pales by comparison with the links between money and the heart of the New Labour government. Overall, things appear to have got worse. I cannot think of an alleged case of influence at Number 10 bought for cash under the Tories - and certainly nothing compares with the Mittal, Eccleston, Enron catalogue - but I can’t prove that it never happened.

The awful truth is that the public may now be right to think that political funding stinks. Things are at a pretty pass. It’s not enough for those of us in parliament who can see all this to hold our noses and walk by, murmuring to ourselves that perhaps it is in our respective parties’ interests not to sniff around too much.

We must inhale. Only once we fully appreciate the foul odour in the electorate’s nostrils can we find our way to a solution.

The heart of the problem lies with big donations, from rich individuals and their companies, and from the unions.
These will have to stop. Individual donations should be limited to, say, £1000, or perhaps slightly more.

Donations from companies and trade unions should be banned altogether. Decisively breaking the link between union influence over the Labour Party and millionaire capture of both parties could profoundly improve the image of politics.

Institutional ‘millionaire’ funding will have to be replaced with something. There is not a major democracy where parties try to finance themselves exclusively from membership subscriptions – they all have some form of state funding – either from tax relief or grants or some form of matching funding for party membership lists, or a mixture.

I am attracted to matching funding. Parties should be paid a small sum for each party member they recruit, subject to an overall cap. The cash per member should be set at a level which encourages recruitment.

The sooner that action starts to be taken, the better. An easy to implement alternative to matching funding would be tax relief for political donations, up to a certain limit. Tax relief does not necessarily provide a stimulus to local activism but it would be a step forward on current arrangements. In the Spring 2003 budget the Chancellor could adopt the proposals of Lord Neill’s Committee on Standards in Public Life which suggested the extension of tax relief for individual donations to political parties. The two approaches - tax relief and matching funding - have similarities and, although it might be more difficult to administer, they could be run in tandem.

There are two main objections. The first is that it would force people, through the tax system, to give money for causes in which they do not believe. The second is that it might kill off what is called ‘civic engagement’ – the instinct for voluntary political activism.

I urge those who are concerned about the first objection to consider that approaching two thirds of parties’ General Election campaigning activity is already provided by the State. Forty per cent of all activity between elections also comes, in cash, or kind, from the State. Some is ‘Short money’ (a parliamentary grant for opposition parties), special advisers’ salaries, the policy development grants and the like. Most is ‘stolen’ in advertising revenue forgone from the ITV, or similarly purloined from BBC licence fee payers through the imposition of Party Political Broadcasts (PPBs).

In advanced democracies access to the airwaves is a large slug of the total cost of party politics. In the US, for example, the lion’s share of Presidential election spending goes on buying TV advertising space. The arrangements for UK political advertising - where the airtime is free - are voluntary only in theory; if the broadcasters jibbed they know that parliament would probably impose PPBs. Estimates of the cost of running political parties, together with a breakdown of the source of the cash or benefit in kind, are set out in Fig. 4 & 5.

So we are in the worst of all possible worlds: the public is already paying for parties but we are retaining the large individual, company and union funding which, even though it only pays for a small proportion of total party costs, corrodes public confidence.

To the civic engagement concern at least three points need to be borne in mind. First, most of the ‘party’ civic disengagement has already happened. Mass parties are dying. Their combined membership peaked in the 1950s at around

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Fig. 4

Estimated cost of party politics in a non election year with percentage contribution by the State under present arrangements

<table>
<thead>
<tr>
<th>General party expenditure</th>
<th>£42,360,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private party total</td>
<td>£2,008,600</td>
</tr>
<tr>
<td>Value of party political broadcast</td>
<td>£11,360,000</td>
</tr>
<tr>
<td>Policy development grants</td>
<td>£4,600,000</td>
</tr>
<tr>
<td>Special adviser salaries</td>
<td>£4,600,000</td>
</tr>
<tr>
<td>Short money</td>
<td>£5,600,000</td>
</tr>
<tr>
<td>Grantsomes money</td>
<td>£60,000</td>
</tr>
<tr>
<td>State total in cash and kind</td>
<td>£8,360,000</td>
</tr>
<tr>
<td>Total cost of party politics</td>
<td>£70,000,000</td>
</tr>
<tr>
<td>State total as a percentage of total cost</td>
<td>49.3%</td>
</tr>
</tbody>
</table>

Note
Campaign spending figures taken from the Electoral Commission. Party spending figures derived from their accounts. Free postage a Home Office estimate. Values of PPBs and PEBs estimated from Institute of Public Policy Research and Independent Television Association estimates respectively, adjusted for inflation by the Advertising Association’s index of TV rates.
4 million, excluding trade union affiliation. That figure has fallen by over eighty per cent. The combined membership of the major parties at the moment is probably only a little over half a million and falling, which is under half that of the Royal Society for the Protection of Birds. (Fig. 6) These days people take their dose of national politics from TV and radio, or in other ways, not by putting on their hats and coats and going to a public meeting.

Secondly, we politicians shouldn’t assume that the decline in mass parties necessarily betokens a sickly polity. It is true that the public gave up on parties a long time ago. Yet they have never been more engaged in causes and associations than they are now - pressure groups, single-issue campaigns and the like. Ecology groups have seen the largest increase with over 1600 now listed in the Directory for the Environment. There has also been a dramatic increase in membership of pressure groups: the Green Movement has increased membership from 1.5 million in 1970, to 5 million in the mid 1990s, to cite just one example. People are active on specific issues that matter to them, often highly local, rather than through parties.

I can provide some anecdotal evidence to illustrate this. At the beginning of the year an independent hospital was threatened with closure in my constituency. Over 75,000 people signed a petition to save it in a little over a fortnight. Even allowing for some double and triple signatures this is a remarkable degree of engagement. The Countryside Alliance was created from virtually nothing in just over a year and has since been able to mobilise several rallies, on two of which over 400,000 participated.

The wider public has probably never been so well informed about politics or so committed to the issues which most matter to them. Those who have the opportunity to influence or make decisions are besieged by lobbies and pressure group interests on specific issues. Ministerial postbags have mushroomed. MPs used to receive 10 to 15 letters a week 50 years ago. Today they average 300. We are living in a highly politically active and issue driven society. In some respects it is an anti-party culture and it is certainly one in which deference to formal institutions of all types has all but collapsed. But I’m not sure this is a bad thing, particularly if it also comes in the broadest sense, with greater civic engagement. It is true that there are some serious problems of disenfranchisement from the political system, particularly in the inner cities. But the notion that our political fabric is collapsing as a consequence of ‘disengagement’ is just so much nonsense. It is mainly the staid, old and by-passed party politicians and academics, for whom it is something to write about, who peddle this line.

Thirdly, those who believe strongly in the case for more civic engagement in party politics should at least try matching funding as a means of reviving it. The incentive on parties to recruit would be strong. An intelligently devised form of state funding may provide the best hope of restoring a measure of local party-political activism. It might spur parties better to represent those who engage in interest group activism, particularly on local issues. It might also do something to counter the centralisation that has come with the dominance of the national media in modern political discourse.

Some might argue that the proposals I have suggested are too radical. Can’t we rely on the Major/Blair clean-up - shareholder voting for party donations and the publication of a donor register - to act as a disinfectant?

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**Fig. 5**

Estimated cost of party politics in an election year with percentage contribution by the State under present arrangements

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>General party expenditure</td>
<td>£42,960,000</td>
</tr>
<tr>
<td>Election campaigning</td>
<td>£25,960,000</td>
</tr>
<tr>
<td>Private party total</td>
<td>£67,000,800</td>
</tr>
<tr>
<td>Value of party political broadcasts</td>
<td>£16,360,000</td>
</tr>
<tr>
<td>Value of party election broadcasts</td>
<td>£18,360,000</td>
</tr>
<tr>
<td>Free postage</td>
<td>£17,640,000</td>
</tr>
<tr>
<td>Special advisor salaries</td>
<td>£6,500,000</td>
</tr>
<tr>
<td>Short money</td>
<td>£5,600,000</td>
</tr>
<tr>
<td>Oncoming money</td>
<td>£20,000</td>
</tr>
<tr>
<td>State total in cash and kind</td>
<td>£11,100,000</td>
</tr>
<tr>
<td>Total cost of party politics</td>
<td>£178,000,000</td>
</tr>
<tr>
<td>State total as a percentage of total cost</td>
<td>62%</td>
</tr>
</tbody>
</table>

**Note**

Campaign spending figures taken from the Electoral Commission. Party spending figures derived from their accounts. Free postage a Home Office estimate. Values of PPRRs and PEBs estimated from Institute of Public Policy Research and Independent Television Association estimates respectively, adjusted for inflation by the Advertising Association’s index of TV rates.
Sadly no. If it could reasonably be argued that these initiatives - the establishment of the Nolan, Neill, Filkin Committees and the creation of the Electoral Commission - had restored public confidence I would prefer to leave it at that. But they have not restored public confidence.

On the contrary and paradoxically, these reforms may have made things worse, for several reasons. First, the new committees are inadvertently aggravating the perception of sleaze, by drawing the public’s attention to even relatively minor transgressions. These committees are as dependent upon media attention as every other actor in public life for their work and the mobilisation of a wide public’s approbation for it. And the media, understandably enough, know that newsworthiness does not lie in a measured report but in emphasising and exaggerating every shortcoming which these bodies have spotted, however trivial. It would be very worrying if the disinfectant - the Major/Blair committees - may inadvertently be contributing to the death of the patient - clean party politics.

There are other reasons why we need to think carefully before empowering and enlarging the anti-sleaze committees. The combined annual cost of running these sleaze-busters at £15 - £20 million, is probably roughly the same as any reasonable increment in state funding implied by my proposals. Of course, that is not the end of the story - one could not merely be substituted for the other. Some monitoring would still be required; nor does state funding necessarily eradicate sleaze, as recent German scandals illustrate. Nonetheless, any value for money assessment of “anti-sleaze” funding needs to take the burgeoning cost of the sleaze-busting committees seriously and weigh it against other methods of restoring public confidence.

Secondly, the reforms have destroyed the broad base of funding that had existed by deterring most firms from making donations. This has left the main political parties in the hands of a dwindling number of wealthy individual donors. The electorate are even more likely to distrust donations from this select group than donations from large corporations. It is asking a lot of the electorate to believe that these people never bend an ear; hint at a deal or angle for a gong. I don’t.

Thirdly, the parties themselves don’t help. Any number of Wicks Committees on standards in public life or Filkinsque sleaze-busters, will not be able to do much to help if parties are determined to make political custard pies out of trivia.

We can’t stay where we are and I’m confident we won’t. Whatever the reform route taken it is essential that firm caps be kept on the overall level of campaign spending at national level – this is widely accepted in most countries. Money should never be able to buy power.

The tragedy is that politics as a whole in Britain is probably less corrupt than in any other major democracy, not just the civil service but parliament, too. A series of mainly minor scandals over the past decade have encouraged an orgy of party political mud-slinging. The public have been left with the impression that everyone in public life is on the make.

The opposite is the truth. The MPs I know, on all sides of the House, are dedicated and uncorrupt. But the current structure of party funding is now encouraging the wrong conclusion to be drawn in the public mind.

We must clean up the image of parties. Parties matter: As Disraeli said: “without parties parliamentary government is impossible”. He might have added that without public trust in them democracy cannot function.
Notes: Excludes Trade Union affiliation, which has also fallen.
There is a break in Labour Party comparability from 1980.
The Liberal Democrats were formed in 1989.

Sources: Labour Party NEC reports.
Whiteley, Seyd and Richardson, *True Blue*.
M Pinto-Duchinsky, *British political finance 1830-1980*.
Personal Communication Liberal Party Leader’s Office (1980).
Conservative Central Office.
Liberal Democrat Party HQ.
Butler and Butler, *British Political Facts, 1900-2000*.
NCSR, *British Social Attitudes, 2001/02 edition*.  

**Fig.6**  
**Political party and other organisations: post-war membership**  
Estimates  

![Graph showing political party membership trends from 1945 to 2000.](image)
**Liberal Democrats**

**Membership**

Approximately 73,000 members, below the 1990s peak.

**Where does the money come from?**

The Liberal Democrats have never had access to funds on the same scale as the two larger parties. Their total election spend in the run-up to 2001 was in the region of £4 million, against around £20 million for Labour and the Conservatives.

Their largest private backer is the Joseph Rowntree Reform Trust Ltd.

Other supporters are wealthy individuals and a smattering of private companies. Recently, there has been a rapprochement with the unions and UNISON has provided around £60,000 of funding to the Liberal Democrats.

**Existing State Funding**

The Liberal Democrats receive the second largest share of Short Money And Cranborne Money, to assist their opposition work in Parliament. They will also have a share in the policy development fund administered by the Electoral Commission.

**Policy on party funding**

The Liberal Democrats are the party most in favour of reforming the funding system. They have attacked both large private donations and the creeping extension of existing block grants from the public purse. Matthew Taylor, the Liberal Democrats Shadow Chancellor, recently proposed a cap on donations accompanied by match funding of small contributions.

**Campaign expenditure in 2001 General Election**

The Liberal Democrats campaign expenditure reached over £1.3 million. Most was spent on transport at £593 thousand, and the media at £230 thousand. Costs for advertising were £196 thousand, rallies and other events were £73 thousand, and party political broadcasts were £55 thousand. Manifesto/party policy document amounted to £91 thousand, and market research/canvassing was £66 thousand. Unsolicited material to electors was priced at over £54 thousand.

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**Liberal Democrat Funding**

Source: www.cleanpoli.tox.com
The reputations of parties are at stake

The funding of political parties and, in particular, of electoral campaigns is becoming an important issue in all democracies. This is especially true in the UK, where the major parties are becoming increasingly dependent on a tiny number of personally wealthy individuals. In my view, this process has a detrimental effect on the reputation of all political parties, and it is time for it to end.

At the last election, some individuals made single donations of as much as £5 million. That’s more in one donation than the Liberal Democrats could spend in total, in fact, more than twice as much. Such huge donations raise the question of what individuals want and what might be given in return, adding to a general belief that politicians are corrupt and that favours are offered in return for money. Most people won’t draw a great distinction between donations to political organisations and the thought that the party might be in someone else’s back pocket.

Few of us believe a cash strapped Party Treasurer will not leave window of opportunity for an individual or group to push for something that is in their interests. At the very least, they will have a level of access that no other person is likely to have. A seat at the top table or personal meetings with Cabinet Ministers may be intended as no more than a “Thank you”, but it looks like special access and in practice is likely to be just that.

In response to such concerns the Neil Committee recommended that all donations should be publicly declared, but this has not delivered the solution that was anticipated. It certainly made the process open to public scrutiny, but the public did not like what it saw. There is an element of truth when Ministers argue the reason this Government has been attacked so much is simply because they are the only Government to have put the information so publicly on the record. The result of this increased scrutiny is that few businesses will now make a donation to any political party, and meanwhile membership of all political parties is nose-diving as politics becomes seen as increasingly sleazy and not for normal people. The inevitable result is that the parties are even more desperate to hunt out multi-millionaire donors. Money counts in elections – just one enormous donor recruited (or lost) can make the difference between success or failure.

The other result has been a gradual secretive move towards much greater state funding for political parties. The proportion of funding of political parties undertaken by the state has increased rapidly in the last few years, but not with clear public support, nor even in a way that has been properly open to public scrutiny.

To give an overview of the extent of the rise, state funding has increased from £1.5 million in 1997 to some £9 million in 2002. This has proceeded without proper debate, and without the proper quid pro quo of curtailing large donations. In the case of opposition parties it has included increases in ‘short’ money to fund their ‘parliamentary’ work and the introduction of direct funding for party policy development. Both are only available for parties represented in the Commons. For the Governing party there has also been a huge rise in the number of “political advisers” for Ministers funded by the taxpayer. There may well be further increases soon relating to the introduction of information technology by political parties.

These are all subtle ways of avoiding the big announcement of state funding – funding the Conservative party claims to oppose even though it happily accepted over £1 million pounds between April and June alone last year from the state in direct funded aid, not to mention the free party broadcasts, free distribution of election literature and so on.
Because these measures have crept in, rather than being part of a major single reform, the parties have at the same time been allowed to continue the ‘arms race’ search for multi-millionaires, so this creeping state funding has not even cleaned up their act.

The current state funding system is particularly undemocratic because it rewards political parties according to their existing strength at Westminster. That means it rewards the status quo and discriminates against those that actively attempt to challenge it. I find it extraordinary that funding devoted to research explicitly includes the work of political parties in developing European Manifestos, and manifestos for Scotland and Wales, yet it is tied exclusively to representation in the House of Commons. Organisations such as the Green Party are excluded, despite the fact that the manifesto policies relate to elections in which they not only compete but in which they have already elected representatives.

The current moves towards state funding are, however, nowhere near as advanced as countries such as America, where there are already substantial amounts of state funding. If we take the last Presidential Campaign, by the end of 1999 George W Bush had already been given $64,784,085 by the state to fight his campaign. Pat Buchanan’s 2000 Presidential bid received $16.6 million in public funding ($4 million in the primaries and $12.6 million in the general election as the Reform Party nominee). In the end he only received 0.42 per cent of the vote. This is clearly a situation where state funding has gone out of control. The problem in the US is exaggerated in that state funding comes on top of (and rewards) the money raised from major donors instead of replacing it (despite rules originally intended to restrict such donations). Sadly, the development of state funding in Britain so far replicates this error.

Instead, in return for state support there needs to be an end to donations of any size that may conceivably influence party or Government policy. This means that donations must be kept relatively small: to hundreds or perhaps a few thousands of pounds, as opposed to tens of thousands, and most definitely not hundreds of thousands. The majority of people are looking for a situation in which donations are on a sufficiently small scale that there can be no suggestion that an individual could possibly unduly influence the Government, or the policy of opposition parties.

I believe that we need to implement a key element of Lord Neils report – match funding. In return, major donations should be banned altogether. This system would mean that the state links any funding it gives to the individual small-scale donations that are raised. I do not suggest that the rate should necessarily be £1 for £1 or £4 for £1. The rate will be determined by a mature debate about what political parties need to raise and spend to function effectively. That debate needs to be tied to the work of the Electoral Commission on the capping of spending of political parties. Clearly, there should be a limit on how much money can be raised. If we are going to cap how much parties can spend, there is a limit to how far state funding will go.

Under the system that I propose, funding would be based on the ability of political parties to recruit individuals willing to declare publicly that they are paid up party members or donors. This is because the small amounts each individual pays are the key to unlocking the match funding. If a new party such as the Greens, which has grown relatively quickly over recent decades could build up its membership and a degree of electoral success, why should it not be able to obtain funding in the same way as established parties within Parliament do? That said, it is also important that the funding is genuinely tied to legitimate political parties, in the sense that they contest genuine elections. It may be that in the Scottish Parliament, the Welsh Assembly or the House of Commons, there is a minimum requirement to contest seats and obtain a minimum threshold of support. We can easily then avoid a situation whereby people set up pseudo-parties, as we have seen in some areas of the world, to access funds to buy themselves a holiday home!

It has been argued that this proposal may assist extreme groups such as the British National Party. In any democracy however, we must defeat them democratically. In any case the current system has the potential for one multi-millionaire to bankroll the British National Party at higher levels than those parties in the political mainstream. It is just a matter of chance whether someone actually comes along with sufficient money to do so. That is the risk with the present unregulated system, and it is that highly undemocratic risk that we should end. Instead, the BNP, like anyone else, would have to recruit large numbers of paid up politically registered members to get any financial support – a task that has always eluded them. The example set by James Goldsmith in 1997 when he backed and ran the UK Independence Party using £20 million of his own money but hardly any members is not one any democrat should want repeated. Next time it could be the BNP.

The result of a change to funding based on individual membership won’t just clean up the system of funding. It also holds the key to transforming party attitudes, to recruiting members and holding on to them. That in turn could reverse the historic fall in political activity and so raise electoral turnout. The result of tying funding to small individual donations is that party activity in the country will once again revolve around finding people that will become members of the party and make small donations that reflect their political beliefs. No longer will parties prefer to concentrate their efforts on cultivating a very few rich people rather than attracting a large membership.
This is how party funding leads into a related issue, equally vital for effective democracy – voter turnout. It is my belief that there are two major factors affecting voter turnout related to the funding of political parties that tend to be underestimated. The first is the loss of belief in the political system itself. This loss of belief is inextricably linked to the feeling that all political parties are very similar. That they are only in it for themselves – which is very closely tied to seeing them constantly pursuing millionaires whilst not being particularly concerned with the interests of ordinary people. I genuinely believe this perception is usually misplaced, but it has gone a long way towards distancing the electorate from the political parties. Making politics free of this odour of corruption can only help restore faith and so turnout.

The second cause of declining voter turnout relates to the fact that people are now far less involved in community groups. This has affected not only political parties, but also a broad spectrum of groups from the Women’s institute to the local parish council. People are less willing to become involved in community activities because there are so many alternatives available. They now have the option to travel much longer distances to see friends and relatives. They can entertain themselves through TV and DVDs instead of dinner dances and coffee mornings. They are able to in essence, ‘opt out’ of involvement in the local community.

This has led to a significant decline in political membership and in activity on the doorstep – just as other community groups from the WI to the Young Farmers’ have also declined. In 1953, for instance, there were 2.8 million members of the Conservative party, but by 1979 this was down to 1.5 million. Last year Labour also announced a 10 per cent fall in membership to 280,000. This phenomenon has affected all political parties and they have had to act accordingly.

Parties have as a direct result developed targeting strategies whereby the decreasing number of activists, and limited party funds, are moved to a handful of constituencies that they think can be won in any election. It is a sad fact that in a safe seat, activists are no longer likely to be canvassing much, and there will no longer be much literature distributed. This is because activists will have been asked to go to the neighbouring constituency where the outcome is less clear-cut. This strategy is utilised by all parties. We know that in the areas where there are the highest levels of political activity, there are the highest election turnouts. In the constituencies where there is the least amount of political activity, there tends to be the lowest turnouts – so increasing turnout requires increasing members and activity in many more seats and that means an end to prioritising millionaires over members. This process of targeting has then reinforced the decline in party membership, since in seats with little campaigning activity there is little recruitment. It then becomes a self-reinforcing vicious circle of declining membership, declining campaigning, declining turnout and further declining membership.

I believe that a process of refocusing the political parties is crucial. It should be remembered that between 1946 and 1951 the Conservatives raised their membership from 250,000 to 2.8 million, and this raised £10 million in small amounts. This clearly shows that building up membership is possible. Indeed, the mass membership political parties were explicitly created as a result of the extension of the franchise in the 19th Century in order to build an organisation to get out the vote. Voter apathy isn’t new – it is the decline of grassroots party activity that is new. So the emphasis should now clearly be turned back to parties concentrating on building membership rather than relying on big benefactors.

This growing dependence on a select group of benefactors rather than membership has been reflected in the centralisation of staff within parties. Figures released on the breakdown of staff show that in 1997, the Conservative Party employed 59 regional and 147 central staff, but by 2002 that had changed to just 18 regional and 172 central staff. The latest figures from the Conservative party show that of their funding of £20 million during a General Election year, only £1.4 million came from small donations from individual members. I do not wish to make a party political point, and these figures make no particular criticism of the Conservative Party, as this centralisation process is now taking place across the board.

If we are to have a genuinely healthy democracy, we need to move away from tying funding to very wealthy individuals who inevitably seek some return, but also to rebuild the membership on the ground to deliver the electoral message in a conventional way. I do not accept the proposition that somehow, people today are much less willing to vote. It is far more clearly true that political parties spend much more time persuading large numbers of potential activists on the ground to become involved in getting people out to vote. This has made a very significant difference.

The campaigning process is crucial to any democracy. In a properly functioning political system, political parties need to be able to raise sufficient funds to fulfil all of the tasks required in a democracy. The idea put forward by some that parties should be funded for every part of the democratic process except the campaign is ridiculous. The campaign is the most important element of a democracy. The counter-arguments between the political parties, and their ability to communicate these arguments allows the electorate to take their decision accordingly.

Back door state funding of the type that is rapidly developing at the moment does not tie in with building membership on the ground or developing dynamic and active political parties locally. It leads to the freezing of the existing political hierarchy and the development of central funding and therefore central-office focused political parties, whilst leaving the corruption of the race for major donors alive and well.

The truth is British politicians have been busy increasing state funding, although we are doing it in the worst possible way. If people want a significant amount of money to go to central headquarters, unrelated to membership, and locking in the success of existing political elites, then they should support the status quo. But I think outside the offices of the major political parties, that is not what people want. Soon, if we don’t start to do something about it, it will be too late.
Just as the democracies of Western Europe have evolved from and reflect a variety of experiences, so do their individual political party systems. The following provides a closer look at the essence of party funding systems in Spain, Italy, France, Germany, Sweden, and the Netherlands as well as their impact on democracy in these countries.

Spain

The party system in Spain became firmly established in the mid-1970s; however, party membership still makes up less than two percent of the Spanish electorate. The area of party financing is difficult to evaluate as a result of the nature of the rules regulating transparency and the lack of implementation by the government. Since the reform of political parties, Spanish parties have been mostly dependent on public funding. Since 1987, annual grants have been given to Spanish national party organisations and parliamentary party groups. Public subsidy allocation to national campaigns and the national organisations are allocated according to three criteria: the set amount of ESP 2,564,000 for each seat a party wins in one of the two national parliamentary chambers; an additional ESP 38 is granted for each vote won in the election of representatives; and ESP 96 is given for every vote received in the senatorial election. However, in order for parties to be eligible for these funds, they must have won at least one seat in a multi-member constituency. The nature of this system of allocation favours major parties. Public grants are given to the caucuses in the seventeen regional parliaments. For the expenses occurring from regional and municipal elections, public financial aid is given. (del Castillo 1989:176, 185)

The Spanish government also provides free poster space for all political parties.

A complete ban exists on donations from public enterprises, government contractors, and foreign institutions – except the European Parliament. The law regarding the amount of money Spanish political parties are allowed to spend in campaigns, states that the total depends on the number of citizens within the constituencies where parties have candidates. Since 1985/1987, Spanish political parties have annually released their figures concerning campaign expenses, fund-raising, current income, and total expenditures. Although a special agency has been established to monitor the financial management of political parties, public disclosure is rarely enforced or regulated in Spain.

Italy

The Italian party system has gone through continuous reform from 1994 onwards. The present legislation concerning party financing was amended in 1997, and the most noticeable aspect of the legislation is the difference between the legal requirements and the reality of actual political practice. While Italian parties are mainly funded by public subsidies, membership subscriptions also play a role in party funding. Taxpayers’ and party supporters’ partial agreement is sought after to legitimise public funding in Italy. Only parties with representation in Parliament benefit from public financial support.

A public referendum in 1993 shifted state subsidies to fund only electoral activities. The number of Italian citizens is multiplied by ITL 1,600 in order to calculate and distribute public financial support. The fund is then distributed to parties in relation to the number of votes won in the general election.

Legislation exists that regulates state aid for political party owned radio stations and newspapers. In 1997, an act was passed that allows every Italian taxpayer to have the
option of giving up to twenty-two percent of his or her income to the political system. These “tax check-off” funds are then allocated to all parties that have at least one seat in proportion to the number of seats won in the previous election. Each taxpayer is allowed the opportunity to decide how a particular part of public revenue should be spent, and the total sum of money in this fund is not allowed to exceed ITL 110 billion. Furthermore, political parties can receive free mailing, courtesy of the national government, for a party’s campaign materials to be sent to each voter before national elections. The Italian government also provides parties with the use of public buildings, granting them rental contracts for at least six years. Moreover, the government reduces the rates for the use of public space for advertising by one-third.

For the most part, no limits exist regulating individual or corporate donations in Italy. However, any donation given from a company to a party must be approved by that company’s board of directors and listed in the company’s annual report. All donations of more than ITL 5 million are required to be disclosed. Each party is required to give an annual report of their financial transactions to the speaker of Parliament. Contrary to German law, Italian law requires that election campaign donations, incomes, and expenditures be separately declared to the state auditor after every election.

France

The French have greatly increased the amount of public money available to political parties since 1995 in response to major scandals; however, political parties still retain vast freedom in their actions. Also in response to the scandals, party involvement at the local level has been granted more attention and resources. Data regarding certain items is not publicly available as a result of France’s constitutional right to freedom of action of parties. State subsidies have been given to candidates and political parties in France since 1988. Public funds are granted to public parties in two ways and equally divided between the two types of subsidies. The first is funds to be used in parliamentary elections by parties who have candidates in at least fifty single-member districts; it is to be distributed in proportion to the number of votes won in the first round of voting. The second is funds allocated in proportion to the current number of MPs. These public funds made up more than half of the national parties’ incomes in 1998. Smaller parties rely on the funds for up to ninety percent of their income. In 1995, an additional form of subsidy, utilising public funds to match the funds raised by the party, was established; however, it was aimed at new parties that mainly concentrated on referendums, not necessarily legislative elections.

Free poster space is given to political parties by the government. MPs in France are given free and unlimited train travel within the country, and the parties are given funds to hire staff.

Up to forty percent of donations and membership fees given to French political parties by individuals are deductible from one’s taxable income. In one year, an individual’s donations may not exceed FRF 50,000.

Private corporations and public-sector companies, since 1995, are prohibited to donate funds to candidates and political parties. Unlike Spain and Italy, foreign funding of political parties is banned in France. The government has set up a special agency that regulates political parties’ financial management. All parties in France are obliged to produce annual reports; however, these financial reports often omit relevant information. For example, as in Spain and Italy, information concerning local activities of political parties in France is often left out. Moreover, relationships between parties and specific associations or foundations are vague, and the legal status of parties is ambiguous.

Germany

The constitution, the rulings of the Supreme Court, the law on political parties, and the income tax code have shaped the rules of party finance in Germany. Many parliamentary party groups - including parliamentary parties and party institutes - are not covered by the definition in the German constitution; regardless, they still receive public funds. German political parties have two major sources of funding and two minor sources of funding. One-third of the funding is from membership dues, one-third is public grants, and the final third of funding consists of donations and payments by office-holders (assessments).

Germany, as in Italy, requires partial agreement of taxpayers or party supporters to legitimise public funding. Political parties in Germany are obliged to gain a half percent of the national vote or one percent of the vote in at least one of the sixteen state elections in order to have access to public funds. There are two limitations to the amount of the public subsidy a party may receive: the first is that a party must collect an equal amount of funds from both private sources and public subsidies; the second is that public subsidies to all political parties may not total over DEM 245 million for 1998 and will be adjusted for inflation each year.

Forty percent of the public subsidy is allocated according to the amount of votes won. In state and local elections, each vote received by an eligible party entitles the party to public funds of DEM 1.00, and for the first five million votes, they receive another sum of DEM 0.30 per vote. The Treasury sets aside the other sixty percent of the funds for party subsidies; public funds match small donations by individuals and membership fees in a ratio of 2:1. The six parties represented in the federal parliament frequently obtain more than ninety-five percent of the total allocation of the public funds. There are presently no public funds allocated for local party organisations.

The German government makes free poster space available to political parties. Additionally, German MPs have access to free train travel within Germany, and the parties receive funds to hire staff.
As far as the media are concerned, private broadcasters are allowed to charge a specific fee to cover all their costs, while public networks may only charge enough money to cover their production costs.

The German Supreme Court has forbidden tax benefits for corporate donations to political parties; however, currently in Germany, the tax benefit is given to individuals, but limited to contributions totalling DEM 6,000 per donor per annum. A fifty percent tax credit is given to individuals up to DEM 1,500 for a political donation up to DEM 3,000 per year per taxpayer. There are no legal limits for individual or corporate donors’ contributions to political parties in Germany. Regarding party expenditure, no limits exist on the total amount or on specific items for campaign expenses or routine spending. Another current regulation requires parties to provide public disclosure of all the large donations they receive. In Germany, only big donors – their names and addresses, and the total of their donations, starting at DEM 20,000 – are obliged to disclose. Annual reports of political parties in Germany are presented to the speaker of Parliament.

Sweden

The party funding system in Sweden is unique in that a great importance is placed on public subsidies for sub-national party branches. Sweden’s strong tradition of privacy and the fact that parties use different bookkeeping systems causes the collection of data relating to party funding to be very difficult. (Gidlund and Koole 2001) Similar to Spain, Swedish political parties receive large amounts of public subsidies. This, however, was not always the case. Until the 1965 introduction of public subsidies, many parties were heavily reliant on business donations. Unlike most of the countries discussed in this paper, Sweden, at the sub-national level, used a base amount for funding political parties. Currently in Sweden, public subsidies are divided into three categories: a general subsidy to the party, a subsidy for the secretariats of parties represented in parliament, and a subsidy to the party groups in parliament. The amount of the general subsidy reflects the average number of seats won by a party over the two most recent elections – SEK 282,450 per seat in 1999. If a party has not won seats in parliament but has obtained at least 2.5 percent of the national vote in either of the two most recent elections, it can still receive the amount in public funds per seat for each one-tenth of a percentage of the vote. Regional and local subsidies are made up of a fixed sum and an amount depending on the number of seats. If a party is represented in either of the two chambers of Parliament, it is entitled to a base amount of public funds dependant on the amount of seats held. If a party loses representation, it is only eligible for public funds for one year after its defeat.

The Swedish government pays for expenses relating to election materials and distributing public information. Local governments are responsible for election officers, transport to and from polling stations, and polling station facilities. The national government also offers free mailing of party’s campaign materials to each voter before national elections. Public funds are given to political parties to hire staff, and MPs receive free train travel throughout the country. During election campaigns, Swedish public parties are granted free time on television and radio.

Legal limits for individual or corporate donors’ contributions to political parties do not exist in Sweden, and no limits for party expenditure apply to the total amount, to specific items for campaign expenses or to routine spending. Moreover, tax benefits are not provided for political donations, and the major parties have agreed to not accept corporate donations. Only in Sweden are parties not required to give any public information about their donors, and no official monitoring system for political parties’ funds exists in Sweden. However, political parties have agreed to make available the annual income and expenditure of their national headquarters. While this system is still in place, following scandals in Germany in 2000, a Swedish royal commission has argued for regulation on having public disclosure of parties funding.

Netherlands

In the Netherlands, there is a history of reluctance to officially recognise political parties. Until the 1990s, membership dues were the most important source of funding for political parties. However, in response to the dwindling of past individual and private support, the Law on State Subvention of 1999 grants political parties direct public subsidies to those whose memberships have gone below three percent in ratio to voters. Similar to Sweden, the Netherlands uses a base sum in funding for each political party. As a result of a new law passed in 1999, parties represented in either of the two chambers of Parliament have the ability to receive public subsidies at the national level. All subsidies are given for goal-oriented activities such as researching and dispensing information to members. In 1999, the amount of state subsidies totalled NLG 10 million.

Free poster space is also provided to parties by the government in the Netherlands. While in Europe smaller parties usually receive less media time than larger parties, all Dutch parties represented in the second chamber of parliament are allocated an identical amount of time on the radio and television.

Tax benefits for donations to political parties by individuals and corporations exist in the Netherlands. Both donations from individuals - up to NLG 120 plus up to a maximum of ten percent of an individual’s gross annual income - and corporations - no more than NLG 500 per year plus a maximum of six percent of its annual profits - are deductible. As in Germany and Sweden, there are no legal limits for individual or corporate donors’ contributions to political parties, for the total amount of party expenditure, or for specific items in campaigns or routine spending. However, as in Sweden, the major parties in the Netherlands have agreed to not accept corporate donations. The Netherlands has
gained greater requirements regulating disclosure over the years. In the mid-1990s, the Ministry of Home Affairs’ suggestion of publicly disclosing donations received by private organizations of over NLG 10,000 was adopted by most political parties. Furthermore, the Law of State Subvention to Political Parties of 1999 stipulated that these donations be published in the party’s annual financial report; the law also states that it is forbidden to spend public funds on campaigns. Also included in the law were provisions stating that any party found publishing or distributing racist materials or engaging in racist activities will be banned, by a judge, from public funding for a certain period of time. (Commissie Subsidiering Politieke Partijen 1991)

Conclusion

It can be concluded that legislators prefer to utilise public subsidies rather than private funding to, at least, close the gap between the increasing costs and decreasing membership of parties, and to prevent corporations or wealthy individuals from gaining influence in political parties. However, the use of public funds to finance political parties has been controversial. Some argue that public financing has contributed to the decline of party membership. In Sweden, this has not proven true, for party membership remained stable after large-scale state subvention was introduced for an extended period of time. Another fear is that large public funding systems will “petrify” the political party system; however, European party systems were considered “frozen” long before party subsidies were initiated. Furthermore, new parties such as the Greens have emerged, and their survival and growth has heavily relied on public funding. Public subsidies, especially when limits and guidelines are loosely enforced and regulated, do not prevent corruption. It is rather thought that a framework of complete freedom plus effective disclosure would work better. Besides apparent fraud, if all donations to parties are permitted, corruption is less likely to occur. Moreover, a party’s debts and assets as well as the income and expenses at the local and regional level must be included in the reporting process to allow for an easy cross-check. Transparency and strong enforcement are vital in order to have a healthy political finance system. Because state funding in many European countries is contingent on the number of seats held in Parliament, political parties are forced to focus their efforts on winning elections rather than gaining or keeping financial support from their grassroots. Regional party bodies may begin to feel alienated because of the diminishing importance of common ideologies; and because large sums of money are received by the national headquarters, which do not require the involvement of these local party bodies. However, the availability of public funds for parties at the local level may stimulate the number of parties that only contest elections at the local level.

This article was based heavily on the work of Karl-Heinz Nassmacher writing for the forthcoming edition of the IDEA Handbook on Funding of Parties and Election Campaigns.

We are extremely grateful to Mr. Nassmacher and the IDEA for making this material available to us.

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Fig. 7

Funding of Political Parties in the European Union

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<tr>
<th>Country</th>
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<th>Indirect public funding</th>
<th>Foreign funding allowed</th>
<th>Trade union funding allowed</th>
<th>Corporate funding allowed</th>
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Ceilings (Cap)

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<th>Ceiling on how much a donor can give</th>
<th>Ceiling on how much a party can spend on an election campaign</th>
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Provided by Maja Tjernström, International IDEA
Information from Austin, Reginald & Maja Tjernström (forthcoming 2003) International IDEA Handbook on Funding of Parties and Election Campaigns, International IDEA, Stockholm. The information regards political parties (not candidates) and laws on the state/federal level (not local levels).
**Scottish Nationalist Party**

**Membership**

The SNP has a policy of not divulging membership figures.

**Where does the money come from?**

The SNP’s web site states that “the SNP is funded entirely through donations and receives no support from big business or trade unions.” One source of funding, donations from Bermuda-based Sir Sean Connery and other members of the Scottish diaspora, was closed off by the provisions of the Political Parties, Elections and Referendums Act 2000 banning foreign donations.

**Existing State Funding**

The SNP receives a modest amount of short money for opposition work at the Westminster Parliament, and similar payments for its opposition activities in the Scottish parliament.

**Policy on party funding**

The SNP is in favour of lower caps on campaign expenditures and immediate caps on individual donations, which would be reduced even further with additional state funding. They also propose linking and limiting campaign spending to party membership, forcing party’s to spend more time and effort actively recruiting members.

**Campaign expenditure in 2001 General Election**

The SNP spent over £226 thousand for the 2001 General Elections. Most money was used for unsolicited material to electors at £65 thousand, and then for advertising at £51 thousand. Approximately £38 thousand was paid for party political broadcasts and an equal amount for media related expenses.

Manifesto / party policy document cost over £13 thousand and market research/canvassing was just under £3 thousand. Rallies and other events totalled over £5 thousand, while transport cost almost £10 thousand.

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**Source:** www.cleanpolitix.com
Membership

About 15,000

Where does the money come from?

The party’s website states that it “receives no handouts from the fat cats of industry nor do the Trades Unions fund it. It relies almost entirely on voluntary contributions. National turnover in 1999-2000 was around £400,000, with some constituency organisations also having a substantial income and expenditure.”

Existing State Funding

The party receives Short Money contributions towards its opposition activities in the Westminster Parliament and will receive about £130,000 from the policy development fund administered by Electoral Commission.

Policy on party funding

Unknown

Campaign expenditure in 2001 General Election

Plaid Cymru paid out over £87 thousand in the 2001 campaign. Most money was allocated to advertising at £23 thousand. Party political broadcasts and rallies/events amounted to £7 thousand and £2 thousand respectively. The costs were approximately £18 thousand for manifesto/party policy document, £17 for market research/canvassing, and £16 for unsolicited material to electors. Media expenses came in at just over £2 thousand, while transport was £249.

Source: www.cleanpolitix.com
Membership
March 2003, membership stood at: 5,853

Where does the money come from?
The party is funded by mixture of membership subscriptions, bequests, personal donations and profits from fundraising project Snackdragon.

Existing State Funding
The only public funds received by the Green Party relate to assistance on Electoral Commission for setting up computer systems to record donations

Policy on party funding
The Green Party has long been in favour of State funding, on the grounds that "As long as parties are dependent on donations from businesses, wealthy individuals and trade unions there will always be the perception that these donations influence party policy." (Green News)

Campaign expenditure in 2001 General Election
The Green Party spent just under £45 thousand on the 2001 General Elections. Most money was allocated to party political broadcast and manifesto/party policy document to the sum of £21 thousand and £16 thousand, respectively.

Media expenses came in at third, with a price tag of over £3 thousand, while advertising cost £984. Unsolicited material to electors amounted to nearly £2 thousand, and transport totalled £384.


Nassmacher (forthcoming 2003) ‘Party Funding in Continental Western Europe’ in IDEA *Handbook on Funding of Parties and Election Campaigns*


**Biographies**

**Margaret Prosser OBE**

Margaret is a Non Executive Board Member of the Fair Markets Board, Department of Trade and Industry; a Member of the Low Pay Commission a Member of the Central Arbitration Commission; a Board Member of the Trade Union Fund Managers and an Executive Council Member and Chair of the Women’s Committee of the International Chemical and Energy Workers’

She has had a long and illustrious career in the trade union movement, which saw her serve as Deputy General Secretary of Transport & General Workers’ Union from 1998 – 2002. Prior to that she served as National Organiser 1992 – 1998; National Women’s Secretary, 1984 – 1992; and District Organiser, 1983 – 1984 all at the Transport & General Workers’ Union.

From 1996 – 2001 she was Treasurer of the Labour Party

**Peter Facey is Director of the New Politics Network.**

His previous positions include National Membership Officer for the Liberal Democrat Party; Parliamentary Officer for the Electoral Reform Society, and most recently he was Chief Executive of the British Youth Council.

At the BYC he was responsible for working on the European Commission’s consultation on youth policy and organising the largest survey of young people in the UK. At the ERS he was responsible for working on the Independent Commission on the Voting System (known as the Jenkins Commission).

Peter was the Liberal Democrat candidate for Lambeth and Southwark at the GLA elections and for the London Region at the 2000 European Parliament elections.

**Martin Linton MP was elected Labour member for Battersea in May 1997**

He is Parliamentary Private Secretary to Baroness Blackstone at the Department for Culture, Media and Sport and is a member of the Administration Select Committee.

A journalist, Martin has worked for the Daily Mail, Financial Times, Labour Weekly, Daily Star, and most recently the Guardian. He served as a councillor in the London Borough of Wandsworth from 1971-82.


**Andrew Tyrie MP was elected Conservative member for Chichester May 1997**

He has served as a member of the Public Accounts Commission and the Select Committee on Public Administration. He has also served on the Standing Committee for the Financial Services and Markets Bill and the Finance Bill (2000).

Since entering the House he has published several pamphlets: Sense on EMU (European Policy Forum, 1998), Reforming the Lords: a Conservative Approach (Conservative Policy Forum, 1998), Leviathan at Large: the new regulator for the financial markets (Centre for Policy Studies, 2000 (with Martin McElwee), and Mr Blair’s Poodle: an agenda for reviving the House of Commons (Centre for Policy Studies, 2000).

Until his selection as Parliamentary candidate for Chichester, he was Senior Economist at the European Bank for Reconstruction and Development. He had previously been a full-time adviser to successive Chancellors to the Exchequer, the Rt Hon Nigel Lawson (1986-89) and then the Rt Hon John Major MP

**Matthew Taylor MP was elected Liberal Democrat member for Truro in 1987 and then for Truro and St Austell in May 1997**


Prior to entering Parliament, Matthew was Sabbatical President of Oxford University Student Union, and Economic Researcher for the Parliamentary Liberal Party.