

# None of the above

## How to solve the political Party funding problem

*With Party Political funding hitting the headlines, suggestions have been made for the State to contribute to campaign costs. Such calls are misguided. Confidence in the UK's political system can be restored through the provision of information about funds, rather than through costly, bureaucratic measures paid for by the unwilling taxpayer. This paper urges the Neill Committee to reject all forms of State subsidy and to avoid premature answers to an important question.*

### A question of confidence

There has been an unfortunate decrease in confidence in the British political system. Stories of "sleaze", "cash-for-questions", and "corruption" have opened up a debate on the sources of finance received by political Parties. Equally unfortunate is the immediate suggestion that State funding can provide a solution.

Young first — and second — time voters are especially susceptible to a cynical attitude towards Party politics. With the Government finally admitting that taxpayers cannot be expected to foot huge University fees, the idea of graduates with loans to repay funding political campaigns with which they disagree can only exacerbate the disaffection of today's youth.

The main Parties spent in

excess of £40m in the 1997 General Election. This is a significant sum of money, particularly for a Government committed to sensible public spending limits. It is also a totally unnecessary and inefficient allocation of the taxpayers resources.

### POSSIBILITIES FOR REFORM

#### Paying by numbers

A common thread to most of the suggested State funding systems is proportionality. Funds can be allocated in proportion to a Party's 'popularity'. This could mean popularity in terms of the numbers of votes cast at a previous election, or the current opinion poll ratings, or the number of MPs, or the number of Party members):

**% popularity = % State funds**

If funds are allotted according to voters preferences at a previous *general* election, the governing Party has a clear advantage. If the last test of electoral opinion is used (e.g. *council* elections) the opposing Parties will usually have the advantage over a Government in mid-term blues. Present popularity is not clear and oddities soon appear.

### **Green with envy**

If Party funding for the 1994 European elections had been awarded on the basis of vote share in 1989, the Green Party would have received 15% of the resources. If, however, the number of MEPs elected had been the benchmark for funds, the Greens would have received nothing. Given their significant lack of support in 1994, an equally small proportion of the fund would seem fairer.

Some from smaller Parties have argued that a lack of funds prohibits them from campaigning, thus potentially reducing their vote. They claim that state funded campaigning improves democracy because it allows different shades of opinion to be aired. It would seem to make more sense in that case to give *more* money to *less* popular Parties in order that the bigger Parties can not out spend them. Would the B.N.P. benefit if it re-takes a seat in the Isle of Dogs? Should the taxpayer fund Sinn Fein? The latter, after all, boasts two MPs and substantial local authority representation.

There is the further problem of tactical voting. Voter X may not be a true supporter of Party Y, but votes for them on the basis that Party Y can defeat Party Z. There is no reason to assume that voter X approves of a donation to Party Y simply because of the vote X casts.

Incidentally, if more money means more votes, the Conservatives would still be in power. Instead, a campaign budget greater than Labour and the Liberals combined 'bought' them less than half the seats they won in 1992.

### **Bogged down in bureaucracy**

Vernon Bogdanor argues for State funding on the basis of political activity measured in terms of Party membership.

This approach has one key advantage over other forms of 'pay by numbers'. Rather than providing funds that allow Parties to ignore the importance of membership subscriptions, Parties are rewarded for encouraging people to participate in the political process. Democracy is saved.

But again, funds will be going to the Party that least needs them. Worse is the prospect of administering the system. The funds have to be collected and portioned out on a Party membership ratio. Presumably an independent commissioner would have to check the validity of the membership lists (which could run to millions of people)

and decide which list should be used for which election. Would lists be inspected every year? Equally, there is the problem of block membership, with an organization or union joining as the representative of all its half million members to swell numbers.

Professor Bogdanor claims that only two credible sources of income exist for political Parties: (1) big businesses / rich individuals / trade unions, or (2) the State.

Is non-state funding therefore to be illegal? Or can both sources live alongside each other?

If Parties receive a 'core' fund from the State, but are allowed to raise other sources of revenue as well, the problem of suspicious donations still exists. If non-state fundraising is outlawed, is this not an outrageous denial of free speech? If it is *democracy* that the Government seeks to bolster with its anti-sleaze drive, then freedom of speech and expression must form part of it. In a free society, free people should be free to put their money where their mouths are.

That the State already provides certain forms of aid to political parties (free air time for election broadcasts, free election mailings et cetera) is no argument for *further* State aid. The logic of Professor Bogdanor's argument here is that because the State provides *some* health care and education, it should provide *all* of it. Removing the private alternatives would

increase the tax burden and act as a drag on the economy. State funding of Parties would have the same outcome.

### Spending limits?

State and private funding could co-exist with a national campaign spending limit in the same model as constituency campaign spending limits. Parties would be guaranteed a minimum level of core (State) Funding, but constrained by a maximum upper level of expenditure.

Apart from the fact that any such limit is inevitably arbitrary, the same problem of free expression exists. There are practical problems too.

The United States' system of spending limits is open to 'soft' money. That is money can be paid to a *Party*, but not necessarily to a *campaign*. Funds could be built up in terms of property and technology to produce high-quality campaign literature during an election. But can a mid-term purchase of computer hardware (or software) be taken as campaign expenditure? Can assets be held in one year which can be liquidated for a future campaign when donations fall? This is a classic 'combat knife' question. Whose definition is the right one?

### Overseas experience

State funded campaigns are no guarantee to the public of a

corruption-free political system. The Italians, for example, abolished State funding in 1993 after a spate of corruption scandals. A subsequent 1996 law allowing a voluntarily donated proportion of a worker's tax money to enter a central fund for subsequent distribution to the Parties has been less than warmly welcomed. Although a similar system of voluntary \$1 contributions works in the USA many people will not donate money to a cause in which they do not believe (Sinn Fein is a uniquely British concern). We do not require people to *vote* for a certain Party they dislike. We should not require them to *pay* for one either.

### **Open declarations**

The only plausible alternative, with minimal costs to the taxpayer is for Party donations to be openly declared. Admittedly this again involves an arbitrary figure being set on what constitutes a donation worth declaring. It certainly does not seem sensible that every raffle ticket should be accounted for. An annual subscription of £50 to a political Party seems equally unlikely to buy "influence in Government" beyond giving the subscriber a vote in a Party referendum, or annual conference.

Given the political concern over the Labour 1,000 club (where members donate £1,000 at periodic intervals, it seems sensible for public confidence in the system that these donations

should be registered.

Individual "Blind Trusts" are another suggestion. But these only add to the appearance of secrecy. Restoring confidence must be about proving that political Parties have nothing to hide. Businessman *x* could always tip off a Party that the £1m cheque they will receive in the next few days actually came from him.

One viable variation on this theme is a Crown Blind Trust, headed by an independent member of the judiciary. Donations could be received with instructions for forwarding to the appropriate Party. Funds would be distributed at sporadic intervals of no more than one year to make identification of donors more difficult.

Legislation to ensure that Parties themselves provide fully audited accounts of high income and expenditure can hardly be considered difficult if large donations are being received. Periodic inspections by a Crown Auditor need be the only expense to the tax payer.

### **RECOMMENDATIONS**

**None of the above** State funding programmes to be selected.

**A Register of Donations** over £1,000 from the same source per annum.

**A Crown Audit** of Party income if that Party's expenditure exceeds £1m per annum, or £5m

in a general election year.

**A Crown Blind Trust** to distribute anonymous donations headed by an independent member of the judiciary.

The views contained in this Briefing are not necessarily those of the ASI and are presented as a contribution to public debate.

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