

SEPTEMBER 2012

**PARTY
FUNDING**

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CONTENTS

Introduction

Key terms

The party funding debate in context

Essential reading

Backgrounders

In the news

KEY TERMS

Cash-for-honours

Cash-for-questions

Cranborne Money

Short money

Trade Union

INTRODUCTION

1 of 6

NOTES

1
1
2
4
5
6

The issue of political party funding and fundraising has been prevalent in any discussion of British politics since the mid-1990s. Most recently were the 2006 cash-for-honours scandal [Ref: [Telegraph](#)], the 2009 cash-for-amendments scandal [Ref: [Guardian](#)] and the 2010 lobbying scandal [Ref: [Independent](#)]. Sir Hayden Philips’s review of party funding in 2007 was the first to suggest an upper limit or cap on donations to political parties in order to increase transparency and put an end to scandal [Ref: [Guardian](#)], and since then the focus has increased on political parties about the donations they receive both from wealthy individuals and businesses, and the extent to which donors have undue influence over political parties [Ref: [Guardian](#)]. David Cameron declared in 2010 that party funding would be the “next scandal to rock parliament” [Ref: [The Sunday Times](#)], and the results of an enquiry led by Sir Christopher Kelly, chairman of the Independent Committee on Standards in Public Life, published in 2011, proposed that the state should regulate the funding of parties and limit all donations to £10,000 [Ref: [Telegraph](#)]. Any short-fall would be made up by allocating £3 for each vote a party receives in an election [Ref: [Financial Times](#)]. Whilst the state does contribute indirectly to party funding through initiatives such as ‘Short Money’ for opposition MPs expenses and Policy Development Grants, the proposal would be a substantial increase in the states involvement in the accounts of independent political parties [Ref: [Parliament](#)]. According to some critics this would place limitations on the ways that the electorate can engage and support political organisations [Ref: [Electoral Commission](#)]. If the essence of democracy is that the government should be held to account by the populace, they argue, than any intervention by the state is an infringement of our democratic right to pursue our political goals [Ref: [Politics](#)].



Political parties

Sir Hayden Philips noted in his review that 50 years ago one in 11 of the electorate was a member of a political party; today that ratio is just one in 88 [Ref: [HMSO](#)]. The Conservative party has seen its membership fall from a 1953 peak of 2.8 million members to around 177,000 today. The Labour party reached its peak membership around the same time but is currently now down to 194,000 members [Ref: [House of Commons Library](#)]. Lacking the dues paid by ordinary members political parties have had to find funds from new sources to pursue their election campaigns [Ref: [Electoral Commission](#)]. For the Conservatives, this has broadly meant relying on fewer, wealthier donors, whilst the Labour Party has increasingly had to rely on its historic ties to trade unions [Ref: [Guardian](#)]. Both of these funding sources have been criticised for their lack of transparency and the likelihood that they will lead to undue influence on party policy as donors to political parties ultimately want something in return, it is argued [Ref: [Telegraph](#)]. “Dubious loans and bribes from shabby billionaires expecting favours in exchange” it is argued, damages politics [Ref: [Guardian](#)]. Ex-Conservative party Prime Minister John Major, in a leaflet entitled ‘The Erosion of Parliamentary Democracy’ argued that “All the party machines are moribund, near-bankrupt, unrepresentative and ill-equipped to enthuse the electorate” [Ref: [BBC News](#)]. This has led some to question why, if parties fail to gain the financial support of the electorate as they used to, and are unrepresentative, the state should consider supporting them at all. Wouldn’t it better to allow them to go bankrupt in the hope that new parties with grassroots support will take their place [Ref: [spiked](#)]? Others claim political parties have failed the electorate because they have not represented

their interests and that state funding makes these same people, through taxation, the real funders – so state funding doesn’t solve the problem, rather it entrenches it [Ref: [Open Democracy](#)].

Engaging the voter

It is hoped that, by capping donations and incentivising parties to seek funds from more diverse sources, public interest in policy and how it is shaped will be stimulated [Ref: [Stumbling and Mumbling](#)]. However, others argue that big donors have become prominent because they fill a vacuum: if Britain’s established parties were not moribund – if they were capable of generating a level of political support – they would be far more capable of financing themselves without recourse to the super rich, trade unions or other interested bodies. The problem then is not money but the inability of politicians to engage the public politically [Ref: [Open Democracy](#)]. Whilst politicians have expressed concern with spending more public funds during a time of recession [Ref: [Politics Home](#)], it has generally been accepted that, at about £3 per person, per year, the cost to the individual would not be excessive [Ref: [Guardian](#)]. A more pressing concern for some, however, is that it may actually reduce the incentive for parties to engage with the electorate; given that established parties will now be funded for every vote they receive, leading perhaps to politicians being ‘lazy and out of touch’ as they no longer need to convince the electorate for support [Ref: [Telegraph](#)].



Political interests

Some have suggested donations to political parties should be seen analogous to giving money to a charity [Ref: [BBC News](#)]. Conservative chairman Lord Feldman said that giving money to the RSPCA or a political party are good for society and so both should be rewarded with tax breaks [Ref: [Telegraph](#)]. Others agree that political parties form an essential part of the governance landscape, developing policy, recruiting future representatives and leaders, and preparing them for government, but they argue it's only state funding that will solve the current crisis [Ref: [Institute for Government](#)]. Others go further, pointing out that joining, or donating to a political party, isn't an act of consumerism, and that policies aren't products being sold in a marketplace [Ref: [Third Estate](#)]. Political parties ignore the issues that really matter to voters, they say, caring only about the funders who share their views. With guaranteed state funding they can afford to ignore everyone. So, do we need a funding method that forces parties to take heed of voter's political interests, rather than a system that potentially expels voters for good?



ESSENTIAL READING

4 of 6

NOTES

UK Party Funding

Financial Times 26 March 2012

FOR

Why public finance of political parties is justified

Martin Wolf *Financial Times* 29 March 2012

Only voters can get rid of the stink of politics' dirty money

Polly Toynbee *Guardian* 29 March 2012

Labour and the Tories must accept state funding

Dennis McShane *New Statesman* 27 March 2012

Political funding: paying for the party

Guardian 28 October 2011

Time for state to fund political parties, says James Purnell

Nicholas Watt & Allegra Stratton *Guardian* 29 May 2009

AGAINST

Taxpayer funding of political parties would damage our democracy

Robert Oxley *Politics* 4 April 2012

Why state-funded political parties would be a disaster for our democracy

Open Democracy 29 March 2012

Why Fund the Politically Bankrupt?

Tim Black *spiked* 28 March 2012

State funding for political parties should be scrapped not increased

Harry Phibbs *Daily Mail* 22 November 2011

State funding for parties will guarantee sleaze: look at Europe

Daniel Hannan *Telegraph* 3 April 2006

IN DEPTH

Vouchers: a third way for financing political parties

Alex Hern *New Statesman* 23 July 2012

A Corrupt System Badly in Need of Reform

Sunday Times 1 April 2012

Don't dally, I want big money out of politics fast

Nick Clegg *The Sunday Times* 1 April 2012

Full transparency is the best disinfectant

Telegraph 26 March 2012

UK Party Funding: No Cash, No Democracy

Open Democracy 24 November 2011

Review of party funding

The Committee on Standards in Public Life 16 November 2010

Strengthening Democracy: Fair and Sustainable Funding of Political Parties

HMSO March 2007

Funding of Political Parties – A Brief Overview

Richard Kelly *Parliament* 2006



BACKGROUNDERS

5 of 6

NOTES

In brief: party funding - Commons Library Standard Note
Richard Kelly *Parliament* 3 April 2012

Cash for access and the problems of party funding
Jacob Rowbottom *UK Constitutional Law* 28 March 2012

Party Funding: All in this Together
Guardian 26 March 2012

History of Party Funding Scandals
BBC News 26 March 2012

How Cameron's Lobbying Prediction Came True
Emily Payne & Rebecca Seales *The Sunday Times* 25 March 2012

A transparent attempt to rejuvenate politics
Tim Black *spiked* 10 November 2010

Funding Political Parties in Britain: A pathway to reform
Stuart Wilks-Heeg & Stephen Crone *Democratic Audit* 2010

Bernie Ecclestone and Tony Blair, a truth revealed 10 years too late
Telegraph 12th October 2008

Cash for peerages analysis
Graeme Wilson *Telegraph* 12th April 2008

Political funding in Britain: what can we learn from history?
Michael Pinto-Duschinsky *HistoryExtra.com*

Party Finance, Overview
Electoral Commission

Donations to Political Parties
UK Political Info

Introduction: Political Parties, Funding and Democracy
Karl-Heinz Nassmacher *Idea*

The Problem With Party Finance: Theoretical Perspectives on the Funding of Party Politics

Jonathan Hopkin *London School of Economics*

Funding of Political Parties and Election Campaigns
Reginald Austin & Maja Tjernstrom *Idea*

ORGANISATIONS

Conservative Party

Democratic Unionist Party (DUP)

House of Commons

Independent Committee on Standards in Public Life

Labour Party

Liberal Democrats

Plaid Cymru

Scottish National Party (SNP)

Sinn Féin



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“The state should regulate the funding of political parties”



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IN THE NEWS

6 of 6

NOTES

Tory party 'has moral duty' to return £440,000 in donations from Polly Peck

Guardian 24 August 2012

David Cameron raises £1.3 million from donor dinners

Telegraph 20 August 2012

Tory income almost halved after election

Guardian 3 August 2012

Party funding: Tories, Labour and Lib Dems suffer fall in 2011 income

BBC News 3 August 2012

'Secret No 10 computer' reopens cash-for-honours row for Blair

Telegraph 14 July 2012

Financial sector spent £92m lobbying politicians

Telegraph 10 July 2012

Lobbying register 'to be introduced by 2015'

BBC News 17 May 2012

Cross-party funding talks begin

Channel 4 News 11 April 2012

Party funding: what is the solution?

Channel 4 News 26 March 2012

Labour and Tories blame each other for funding deadlock

BBC News 30 March 2010

Alistair Darling to ban lobbying with taxpayers' money following pressure from Conservatives

Daily Mail 24 March 2010

MPs to call Met commissioner as witness in cash-for-honours probe

Daily Mail 11 October 2007



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Debating Matters because ideas matter. This is the premise of the Institute of Ideas & Pfizer Debating Matters Competition for sixth form students which emphasises substance, not just style, and the importance of taking ideas seriously. Debating Matters presents schools with an innovative and engaging approach to debating, where the real-world debates and a challenging format, including panel judges who engage with the students, appeal to students from a wide range of backgrounds, including schools with a long tradition of debating and those with none.



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Other (please specify)

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Surname

School/company/organisation

Professional role (if applicable)

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Email address

School/work phone

Mobile phone

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