A discussion on the financing of political parties is desperately needed. Government is wasting more than money if it buries research on the difficult choices between public funding and capped donations

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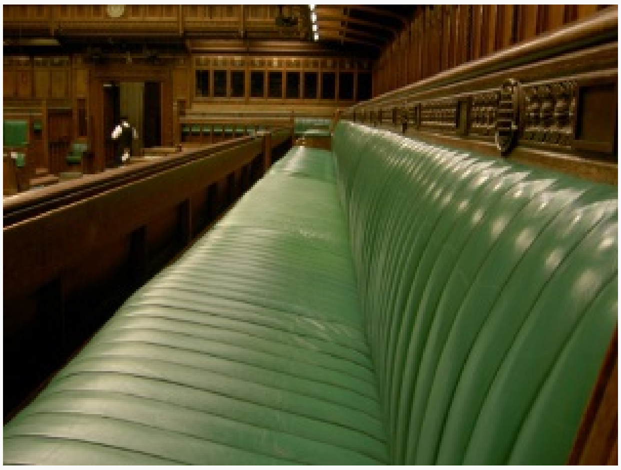
If political parties are to play their essential role in our democracy, we must ensure that they are funded appropriately. A recent report into party financing concludes that if we want to reduce donations, we have to cap them and therefore also extend public funding of parties. ***Justin Fisher*** *fears that these radical conclusions will be largely ignored by government who are against any increase in the public funding of parties at this time of economic crisis.*

You have to feel for Sir Christopher Kelly. On 22nd November, he presented the thirteenth report of the Committee on Standards in Public Life – *Political party finance: Ending the big donor culture*. Work on the report had begun soon after the 2010 election and cost £445,000, but to all intents and purposes, it was buried before most had had the chance to read the Executive Summary. As things stand, the stance of the parties (or at least sections of them) suggests that this may be the latest in a long line of reports on party finance that get filed away under 'seemed like a good idea at the time'.

This is a shame, because much of what the report has to say is at least worthy of sober discussion. Kelly's report makes two vitally important points early on: first, that political parties play an essential role in this country's democracy. No sensible review would suggest otherwise. Second, the report makes it clear that there is a difficult choice – if you want to remove large donations, you have to cap them – and if you cap them, you have to accept that an extension of public funding is the only realistic way of ensuring that parties survive. So there is a choice: caps and an extension of public funding or the status quo. Kelly was right to highlight this. Too often in discussions of party finance, there is a sepia-toned view of politics that suggests it can be funded on jumble sales and cream teas alone. It can't – parties are essential to our democracy and parties need large sums of money to function properly. Full stop.

The report makes 24 detailed recommendations; the most significant of which are capping donations, extending state funding and cutting election expenditure limits. This is radical stuff, very much outside the British tradition of party finance which has evolved in a very different way from other European and North American countries. Don't forget, it was only ten or so years ago that legislation was introduced that brought any transparency to party finance. Before the introduction of the Political Parties, Elections and Referendums Act (PPERA), political finance in Britain was virtually unregulated, with parties not even obliged to publish accounts. So PPERA was itself radical, but still within British traditions – voluntary funding of parties with low levels of state funding. The Hayden Phillips review challenged this tradition, but party fighting led it to being shelved and the subsequent Political Parties and Elections Act merely tinkered ineffectually around the edges.



Credit: UK Parliament (BY NC ND)

Like Phillips, the Kelly report recommended donation caps. But Kelly went further. Where Phillips recommended a £50,000 cap, Kelly went for £10,000, arguing that such a cap would not advantage any party to the extent that the £50,000 cap would. Critically, Kelly also tried to deal with the trade union question in respect of caps in a more coherent way than the Phillips report had done. Capping individual and company donations is relatively straightforward. But trade union donations (which include affiliations) are potentially more difficult as they are made up of individual trade unionists' contributions to the union's political fund. Defenders of this arrangement therefore argue that trade union payments should be regarded differently. The trouble is that politically, this is a very difficult case to make. And it is made more difficult by the fact that as unions have merged, much of Labour's trade union income now comes from a small number of so-called 'super unions'.

Coupled with that, many unionists no longer support Labour, but still pay into the political fund which is also used for other political purposes. Kelly's proposal was that for unions not to be caught by the cap, they should demonstrate that they were in fact making a collection of individual donations by requiring trade unionists to both 'contract in' to the political levy and then make a positive decision that some of that levy should be paid to Labour. Historically, this has been a 'no-go area' – even Norman Tebbit abandoned the idea of 'contracting in' in the Conservative's trade union reforms in the 1980s. Times change, of course, but attachment to tradition lasts longer in the Labour Party, and many have rejected Kelly's proposals for this very reason.

Kelly's antidote for the parties if caps were introduced was an extension of public funding. The term 'extension' is important here, because we've had some public funding for many years. His proposals were an allocation from the public purse based on votes not only at Westminster level, but also in the devolved elections – a sensible move given how important the devolved institutions have become. This would have added up to around 50 pence per elector per year – a tiny sum. Yet the reaction to this part of the proposals was as predictable as it was depressing. For sure, there is rarely a good time to propose more extensive public funding (though in truth, polls suggests that opinion is very volatile on this issue), and a proposal in the depths of an economic crisis is even more difficult. Kelly acknowledged this and proposed that nothing should be done until after the next election. But he was drowned out by shrill cries of indignation from all quarters. Speaking for the Conservatives, Baroness Warsi announced that "the public will simply not accept a plan to hand over almost £100million of taxpayers' money to politicians". Good, populist stuff, but not the stuff of good policy making. Recent research that I have carried out with Jennifer VanHeerde-Hudson examines this issue more closely – we find that the public is remarkably ignorant on matters of party finance and as result, generates contradictory and very mixed messages about reform. Our conclusion is that in such cases, public opinion is a very poor guide for politicians and over-reliance on it may produce short-term gains but ultimately serious longer-term policy problems. But short-termism often wins out and even Nick Clegg – a previous champion of radical reform in this area – distanced himself from the report's conclusions very rapidly.

The final key area is election spending. As a sop to those who would inevitably criticize any extension of public funding, Kelly's Committee proposed a 15% reduction in spending limits. Here the committee got it wrong. They fell into the trap of effectively saying that campaigning is a bad thing – it is not. Campaigning not only informs electors, it also helps boost turnout. And, parties do not only campaign against each other; they also have to campaign against other important actors like the media, whose expenditure is not constrained. When PPERA introduced expenditure limits, it did so in a sensible way – limiting excesses but not constraining the parties unduly. But over time, the real limits have been reduced – they have never been adjusted for inflation and are in real terms over £4 million lower than they were when they were first introduced. Coupled with that, the reduction in the number of seats in the Commons will reduce the limit even further. The report suggests that the growth of e-campaigning may make such a reduction easier to bear. But based on the 2010 experience, this argument is fanciful. In that election, e-campaigning was an insignificant sideshow.

So the likelihood is that we'll have another full scale enquiry in five years' time. Hopefully that one will at least be discussed, not least because at the cost of nearly half a million pounds, it's a strange way for a government to treat its own commissioned research.

About the author

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Justin Fisher is Professor of Political Science and Director of the Magna Carta Institute. He is joint editor (with Christopher Wlezien) of the *Journal of Elections, Public Opinion and Parties* . In recent years, he has acted as an advisor and consultant to the Electoral Commission, the Committee on Standards in Public Life, the Council of Europe, the Hayden Phillips review of Party Finance, and the Public Administration Select Committee.