

The way we fund our political parties needs to change if we are to avoid more scandals

By Democratic Audit

*Party political funding scandals have become a regular feature of political life, with the Conservatives, Labour and the Liberal Democrats all having been tainted at various times. **Bobby Friedman**, the author of *'Democracy Ltd: How Money and Donations Corrupted British Politics'*, argues that the reliance on wealthy donors and trades unions risks further scandal, disempowers grassroots members and makes the state funding of political parties seem an ever more attractive option.*

When it comes to party funding scandals, it is only ever a matter of time. It may be months, or it may be a couple of years, but sooner or later another party is going to come unstuck as a result of its big donors.

It's easy to pick out the behaviour that might seem worrying to ordinary voters. As I found in the research for my book *Democracy Ltd*, one Lib Dem fundraiser resorted to locking rich businessmen in a



Labour's former fundraiser, Lord Levy (CC by ND 2.0)

room until they pledged to sign the cheques that were the order of the day; another, Labour, tin-rattler, waxed lyrical to me about the benefits of the party's donor clubs that offered "access" and were like a "sort of gold card on British Airways"; while a former Tory Chief Executive claimed that "If you were a major donor, you could get to see the leader pretty much any time".

All three main parties try to make hay at their opponents' expense, of course, and the level of debate is pretty superficial. Labour MPs criticise Conservative links with big business; the Conservatives have a go at Labour for their links with the unions; and the Lib Dems stand on the side-line, sniping at the others.

The truth is rather more complex, but also rather more important. A story like Lord Levy kneeling on the floor, tapping up the late former Chelsea Chairman Matthew Harding for money, or Stuart Wheeler deciding to give the largest ever donation of £5 million because "I was worth £90 million and I took the view that no one really should mind whether they've got £90 million or £85 million", is all good fun. But, suddenly, the system catapults you towards scandal.

There may be plenty of sharp practices out there – the Electoral Commission has, by its own admission, relatively limited powers and anyone who wanted to circumvent the current laws badly enough would be able to do so. However, it is the perfectly legal way in which our donations system works – or, to be more exact, doesn't work, that is of more concern.

When you delve a little deeper it is obvious that there is little to choose between the parties. Labour does have the union link, which is a purely corrupt relationship, in which the payment of cash leads to direct and deliberate influence over policy. This is not replicated elsewhere, and the party is rightly coming under fire for this unrepresentative and undemocratic influence. However, in terms of large donors, there is a common theme. All three parties are desperate for money from the rich and do their very best to court people who give lots of cash. The Tories do have more big givers, but this is a matter of outcomes not inputs. The Lib Dems are happy to take cash from hedge funds and Labour welcomes money from property developers, just as the Conservatives do.

To suggest that there is a divergence of practice is misleading and does not bear up under the harsh light of political reality. Donations have necessarily taken pride of place at the expense of membership subs and local raffles and tea dances. As gifts have grown larger, and fundraising more professional, so the need to chase a tenner from a local member has fallen away. Why bother to go to the trouble and expense of doubling your membership, when the total raised can easily be outdone by the largesse of one multi-millionaire?

At the same time, the parties have been told that they are allowed to spend nearly £20 million at every General Election, plus lots more in between. This target leads to an arms race where every penny counts. The pressure is on the fundraisers to find ever more extravagant sums. "There's never an easy time to raise money for a political party," one of David Cameron's former fundraisers told me. "You just think it's a good time and it might last for a few weeks and then some catastrophe happens and it falls off a cliff". With the parties running up huge debts to pay for election spending, every person in charge of the fundraising effort knows that a cheque here or there could make the difference between government and opposition.

The impact on our political system is catastrophic. Much as it may be in vogue to detest politicians, political parties are private bodies that have a public function. They help to develop policy, to train future leaders, and to put forward coherent (well, coherent enough) sets of policies. It is not that we should support the right of the Conservatives and Labour to flourish per se, but that we should help whichever are the major parties to perform this public role.

However, by placing reliance on big donors, their fortunes oscillate along with them. When Michael Brown, who paid for more than half of the Lib Dems' spending at the 2005 election, was busted for fraud, the party's star waned with his. Unfortunately for the third party, the £2.4 million he gave them was largely and deliberately wasted by them on advertising – by the time he donated, it was too late to make meaningful use of the money, but the party's bigwigs wanted to look keen so he would carry on giving in the future. Sadly for them, by 2010 he was a criminal on the run.

More importantly, the parties decide on policy. Inevitably, there will be huge conflicts of interest between the areas they control and what might be of use to donors. I found a whole host of examples where parties or individual MPs accepted money and then acted in a way that might be perceived as benefitting the people keeping them in the black. It is little surprise that one recent survey found that only 2 per cent of people thought that MPs never do special favours for people and organisations who give very large contributions.

Unsurprisingly in the circumstances, the fundraisers and party leaders are hit with a huge amount of flak. And yet, they are not ogres. Almost without exception, when I spoke to British political fundraisers I found them to be genuinely interested in politics and the welfare of their parties. They were not confidence tricksters on the make. But it is these same people who are caught up in funding controversies.

There is something about the system that fails everyone in it. As Peter Watt, a former Labour Party General-Secretary, explained, when you need money, you push at the boundaries. “It’s like tax avoidance,” he told me. “Each party comes up with its own version of the K2 avoidance scheme.” The controversy over the number of donors ending up in the Lords can be similarly explained. There are no illegal deals struck, but, as one senior Lib Dem told me, it is the fundraiser’s task to lobby the leader to grant honours to some of the people who have donated. It is a process that the leader and the fundraiser dislike and yet, in reality, they have no choice. Likewise, donors expect to meet senior people in the party.

It is for this reason that I find myself coming to the difficult conclusion that the only thing to do is to restrict big donations and to finance any shortfall with an extension in public funding. We already spend more than £100 million on political parties every year (including benefits in kind), and many times that on politics more generally. It may well be possible to avoid significant state funding – perhaps by reallocating funds from elsewhere – but the price of a first class stamp per person each year is a small price to pay to address a real problem. Most of all, though, reducing the reliance on large donors provides an opportunity. It is all too easy to ignore the grassroots when their money does not matter. But if you make small donations and membership fees a key source of income again, perhaps supplemented by tax breaks or a matching system, then individual voters will matter again.

The startling thing is that the vast majority of people who have been involved with fundraising for the main parties agree that radical reform is needed. Of course, many politicians on all sides will disagree, but they are often arguing a case borne out of self-interest, worried that they will be left exposed if they disarm in the wrong way. However, it is a much simpler decision for the people who have been at the coal face. They know that the system fails party leaders, fundraisers and the public alike. There need be no more secret deals in locked rooms, no more fundraisers begging on their knees for cash. The system is broken – now the politicians need to fix it.

Note: this post represents the views of the author and not Democratic Audit or the LSE. Please read our comments policy before posting.

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