# THE FUNDING OF POLITICAL PARTIES IN BRITAIN
## Prospects for reform

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## Introductory

Britain has one of the most primitive regimes for regulating the funding of political parties in the developed world. The current regulatory framework was constructed in the 19th century to deal with abuses of the Victorian era, and has not been significantly updated to take account of a changing political context and the emergence of disciplined party government. Although there have been problems for some time caused by the absence of effective controls, these problems were brought into sharp focus in the years since 1979, with the period since 1992 being associated with particular abuses. It is no longer possible to say that 'major scandals related to the funding of political parties have not occurred'.[1] The purpose of this article is to identify the main concerns with the current arrangements for the funding of political parties in Britain and to canvass the options for their reform. The sense of urgency which has been created by a number of high profile controversies provides the best opportunity for some time to transcend particular problems by introducing comprehensive reform grounded in constitutional principle.

The need for reform of the funding of political parties was addressed by the Labour Party in its election manifesto in 1997 where it was proposed that the question would be referred to the Committee on Standards in Public Life for examination.[2] This is a non-partisan committee which had been established in 1994 by Mr John Major when he was Prime Minister to examine concerns about standards of conduct of all holders of public office and to recommend reforms necessary to ensure the highest standards of propriety in public life. The terms of reference of the Committee (now chaired by Lord Neill of Bladen) were extended in November 1997 by the new Labour government to enable it 'to review issues in relation to the funding of political parties, and to make recommendations as to any changes in present arrangements'. The Committee reported in October 1998,[3] and it

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1 K-H Nassmacher (1992) 'Comparing Party and Campaign Finance in Western Democracies' in AB Gunlicks (ed) *Campaign and Party Finance in North America and Western Europe*, Westview, ch 10.

2 Labour Party (1997) *New Labour: Because Britain Deserves Better*, Labour Party. It was also proposed to require parties to declare the source of donations above a minimum figure, and to ban foreign donations.

3 Committee on Standards in Public Life (1998a) *The Funding of Political Parties in the United Kingdom, Report*, Cm 4057-I, HMSO.

is likely that its recommendations will form the basis of legislation, though it is unlikely that a Bill will be introduced to give effect to these recommendations before the parliamentary session 1999–2000.[4]

## The Problems of Party Funding

Consideration of the problems relating to the funding of political parties in Britain begins with the secrecy surrounding party finances. There is no obligation on political parties to publish their accounts, or to disclose the identity of their donors. The Home Affairs Committee recommended in 1994 that political parties should 'make published accounts available to all those who request them'.[5] But not all did so, a notable exception being the Scottish National Party (SNP).[6] The information supplied by those who do publish does not include the identity of donors, except in the case of the Labour Party which has since 1995 disclosed annually the names of donors giving more than £5000 annually, though not also the amount of the donation.[7] Indeed the extraordinary secrecy practised by the Conservatives was justified by the party treasurer on the ground that 'Conservative Central Office is not a charity dedicated to helping the sick and suffering, it is a fighting machine dedicated to winning elections', and that it would be 'the height of folly to expose how such a machine manages its resources'.[8] Since the election in 1997, however, both the Conservatives and the Liberal Democrats have agreed to follow the example set by the Labour Party.

Apart from secrecy, there are questions about donations to political parties, both in terms of their source and size. One problem concerns the persistent allegations of large-scale foreign funding of the Conservative Party. Indeed it has been suggested by one commentator that the Conservatives were receiving as much as £7 million from overseas accounts before the 1992 election.[9] The mischief of overseas money was compounded by the concern that in some cases the money donated was not always from people whose conduct was beyond reproach. An example is the claim that a donation of £1.5 million by CK Ma was 'given on the understanding that the then Conservative government would have trafficking charges against fugitive tycoon Ma Sik-chun quashed in Hong Kong'.[10] This donation also

4 The Prime Minister expressed his views for far reaching reform in T Blair (1997) 'My plans to clean up party politics', *The Times*, 17 November.

5 Home Affairs Committee (1993-94) *Funding of Political Parties*, HC 301, HMSO, para 62.

6 The SNP did, however, claim in evidence to the Home Affairs Committee that at national level, it 'annually publishes accounts': Home Affairs Committee (1992–93) *Funding of Political Parties*, HC 726, HMSO, p 150.

7 The number of such donors rose from 24 in 1995 to 66 in 1996 and to 135 in 1997.

8 A McAlpine (1997) *Once a Jolly Bagman* , Weidenfeld and Nicholson, p 229.

9 M Linton (1994) *Money and Votes*, Institute of Public Policy Research, p 66. Concern about foreign money was last expressed in 1936 in relation to the British Union of Fascists: see Labour Party (1936) *Annual Report 1936*, Labour Party, p 165.

10 *Daily Mail*, 21 January 1998.

highlights the problem of very large gifts to the political parties which are now becoming much less unusual. Although the Labour Party does not accept foreign donations, it was revealed in the drama surrounding a donation by Mr Bernie Ecclestone that it too is in receipt of million pound donations.[11] A few such donations have been publicly disclosed.

Large donations have inevitably raised questions in some minds about what this money buys. The main issue in this context has concerned the allegation that donors to the Conservative Party in the period since 1980 were rewarded with political honours and peerages. Under the *Honours (Prevention of Abuses) Act* 1925 (UK) it is a criminal offence to offer or accept money as an inducement to procure an honour; the offence applies where the purpose is to benefit the donor or any third party. Nevertheless it has been pointed out that there is a 'very strong correlation' between honours and donations since 1979, with 'over 50% of knighthoods and peerages for services to industry or export ... awarded to companies which had made donations to the Conservative Party', and that 'businessmen have been ten times more likely to receive honours if their companies have given money to the Conservative party'. Moreover, 'the companies that have been the biggest donors to the Conservative Party during this period have almost all been rewarded with honours for their chairman or managing director'.[12] There are also predictable allegations of large donations buying access to or influence over elected officials.

But there is concern not only about what the money is said to buy. Perhaps more importantly there are problems caused by the uneven flow of political money, leading in particular to a substantial inequality between the main parties. Indeed it is possible that the Conservatives have spent more than any of the other parties (and sometimes more than all of them combined) at every general election in the 20th century.[13] It is true that the gap between the Conservatives and Labour closed significantly in 1997. But this closing of the gap has in itself created new problems related to the escalating costs of campaigns and the 'arms race' which has developed between the parties, to say nothing of the devastating consequences for the loser, with the financially incontinent Conservative Party now in serious difficulty. At the general election in 1992, for example, the Conservatives spent £11.1 million and the Labour Party £10.5 million.[14] By 1997 this had increased to £28 million and £26.5 million respectively. The parties were thus able to take full advantage of an extraordinary loophole in British electoral law: although parliamentary candidates are subject to tight limits on their election expenses, there are no corresponding controls on the parties.[15]

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11 *Guardian*, 5–17 November 1997.

12 Linton (1994) pp 74–5.

13 M Pinto-Duschinsky (1981) *British Political Finance 1830–1980*, American Enterprise Institute, pp 143, 167.

14 Linton (1994) p 22.

15 An attempt to apply existing law to national campaign spending was rebuffed in *R v Tronoh Mines Ltd* [1952] 1 All ER 697, where it was held that the *Representation of the People Act* 1948 (UK) (as it then was) 'is not intended to

A final concern relates to the overtly partisan use of legislation by the Conservative government and the unequal distribution of the burden of regulation between the political parties. Until very recently trade unions have provided considerably more than half of the funds of the Labour Party. But trade union membership is in decline, so that the level of trade union affiliation to the Labour Party is now at its lowest since 1946.[16] Nevertheless legal regulation of trade union financial support for the Labour Party has been the subject of gradually tighter restriction since 1984.[17] Under the *Trade Union Act* 1913 (UK), trade unions were required to ballot their members for authority to adopt political objects. Armed with this authority a trade union could then establish a political fund, which could be used for political expenditures, but which could be financed only by a separate levy from payment of which individual members could claim exemption.[18] Although there were no comparable restrictions on companies,[19] in 1984 trade unions were required to conduct a ballot for authority to continue political objects every ten years, while the definition of political objects was extended.[20] Additional restrictions on trade union political funding were introduced in 1988 and 1993.[21]

## The Principles of Reform

It is against this background that the Neill Committee began its work. But before considering how the law should be reformed to deal with the fore-

prohibit expenditure incurred on advertisements designed to support, or have the effect of supporting, the interest of a particular party generally in all constituencies ... and not supporting a particular candidate in a particular constituency' (at 700). See also *Walker v UNISON* (unreported, Lord Abernethy, Court of Session, 3 April 1995).

16 On levels of trade union affiliation, see H Pelling and PJ Reid (1996) *A Short History of the Labour Party*, 11th edn, Macmillan, pp 197–9. The decline in trade union influence can be explained also by the fact that the Labour Party has increased its membership in recent years, and also broadened its financial base.

17 This is all the more paradoxical for the fact that the practice of the closed shop (whereby workers could be required as a condition of employment to be trade union members) was rendered unenforceable as result of legislation in 1982.

18 See KD Ewing (1982) *Trade Unions, Labour Party and the Law: A Study of the Trade Union Act 1913*, Edinburgh University Press.

19 Since 1967 companies have been required simply to disclose to their shareholders political donations in excess of £200. See now *Companies Act* 1985 (UK), s 235 and Sch 7.

20 *Trade Union Act* 1984 (UK), Part III, now *Trade Union and Labour Relations (Consolidation) Act* 1992 (UK), ss 71–96. There have been two rounds of ballots since the legislation was introduced. In only one case was a continuation ballot unsuccessful.

21 The *Employment Act* 1988 (UK) required trade union political fund ballots to be held by post rather than at the workplace, and the *Trade Union Reform and Employment Rights Act* 1993 (UK) introduced elaborate arrangements for ballot scrutineers and also withdrew the State subsidy for postal ballots which had been introduced in 1980. The result was that trade unions were required to comply with an obligation imposed by the State at some considerable cost.

going and other problems, it is necessary to have a clear sense of direction, and a clear framework of principle to guide the reform process.[22] In evidence to the Neill Committee the Labour Party submitted that regulation in this area should be built on three complementary principles.[23] The first of these is the principle of openness and transparency in the financial affairs of political parties, desirable for reasons which were well rehearsed by the US Supreme Court in the landmark case *Buckley v Valeo*.[24] It was said in that case that disclosure 'allows the voters to place each candidate in the political spectrum more precisely than is often possible solely on the basis of party labels and campaign speeches', and helps to 'alert the voter to the interests to which a candidate is more likely to be responsive and thus facilitate predictions of future performance in office'.[25] For 'candidate' in this passage we might also read 'political party', for the point made applies just as forcefully to parties as it does to candidates.[26]

The second principle is the principle of 'equality of political participation', whereby 'all major interests are fairly represented, and no individual is permitted by financial resources to have disproportionate access to or influence over elected officials'. The first aspect of this principle (the comprehensive representation of interests in the political process) has implications for the structure of the Labour Party organisation, which is based historically on trade union funding and participation at all levels in the affairs of the Party.[27] Although affiliated membership has steadily declined since World War Two (peaking at 6.5 million in 1979 at the end of an era hospitable to trade unions and trade union membership), there are in fact some 3.6 million trade union members who are affiliated to the Party and who pay a small political levy annually. Not only does this ensure an important form of political representation and participation, it also helps to sustain a related but important goal of any regime for the funding of political parties which is that they should be supported as far as possible by the small voluntary contributions of as many people as possible.[28]

The second aspect of the principle of 'equality of political participation' — that no one should be permitted to buy access to elected officials — is also

22 The Neill Committee published a document raising questions which it wished to consider: see Committee on Standards in Public Life (1997) *The Funding of Political Parties: Issues and Questions*, Committee on Standards in Public Life.

23 Labour Party (1998) *Transparency, Participation, Equality: Party Funding for a Modern Democracy*, Labour Party.

24 424 US 1 (1976).

25 Ibid at 67.

26 As the Supreme Court also acknowledged, transparency is important not only to ensure that the electors are fully informed before they cast their votes; it is useful also to help deter the risk of corruption by exposing large contributions and expenditures to the light of publicity. See also the remark of Mr Justice Brandeis: 'Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman' (quoted in ibid at 67).

27 See C Attlee (1937) *The Labour Party in Perspective*, Gollancz, pp 86–7.

28 See Hansard Society (1981) *Paying for Politics*, Hansard Society.

recognised to a limited extent in the British system, though not in terms of the way in which political parties are funded. Nevertheless we catch a glimpse of this principle in the Rules Relating to the Conduct of Members of Parliament,[29] which reproduces the text of a Commons resolution of 15 July 1947 (as amended on 6 November 1995) in which it is stated to be:

> inconsistent with the dignity of the House, with the duty of a Member to his constituents, and with the maintenance of the privilege of freedom of speech, for any Member of [the] House to enter into any contractual agreement with an outside body, controlling or limiting the Member's complete independence and freedom of action in Parliament or stipulating that he shall act in any way as the representative of such outside body in regard to any matters to be transacted in Parliament.[30]

The resolution also now provides expressly that no MP is to accept any fee, payment or reward to advocate or initiate any cause or matter on behalf of an outside body, though it does not prevent an MP from 'holding a remunerated outside interest' or from being sponsored by a trade union or other organisation.[31]

The third principle identified by the Labour Party is the principle of 'equality of electoral opportunity', whereby 'those who compete for political office should have a fair opportunity of doing so, and should not be placed at a disadvantage by inadequate financial resources relative to others'. This also has two aspects, the first of which is to ensure that the main political parties have an adequate level of funding, and are not prevented for lack of money from presenting candidates for election or campaigning effectively in an election. But it goes further, in the sense that the main political parties should be properly funded in order to enable them to perform their other functions adequately, functions which include member participation, policy making and the training of elected officials. It has been recognised for some time that the State has a role to play in ensuring that this objective is met, a role which has historically been acknowledged by the State accepting responsibility for costs which hitherto had to be met by the candidates or the parties themselves, or more recently by making public funds available for hypothecated purposes. The latter strategy includes the Short and Cranborne schemes of funding the Opposition parties in Parliament.[32]

The second aspect of the principle of 'equality of electoral opportunity' is to ensure that no one is permitted to secure advantage at an election

29 HC 688 (1996). See also Cabinet Office (1997) *Ministerial Code: A Code of Conduct and Guidance on Procedures for Ministers*, Cabinet Office.

30 House of Commons Debates, 15 July 1947, col 365; and House of Commons Debates, 6 November 1995, col 661. The 1947 resolution arose from a dispute between WJ Brown MP and a trade union.

31 HC 688 (1996) para 55.

32 See K Ewing (1987) *The Funding of Political Parties in Britain*, Cambridge University Press, pp 118–21.

because of disproportionate access to financial resources. This aspect too is already recognised by British law, to the extent that since 1883 there have been limits on the permitted election expenditure of candidates for parliamentary and other elections.[33] It is recognised also to the extent that there is a statutory prohibition on television and radio advertising for political purposes generally, a measure introduced in 1954 with the advent of commercial television. The continuing operation of the prohibition was justified by Lord Justice Kennedy as being necessary to avoid 'the danger of the wealthy distorting the democratic process'.[34] Perhaps the most forceful judicial defence of this principle is to be found in the judgment of the Supreme Court of Canada in *Libman v Quebec (Attorney-General)*.[35] It is said there that the spending limits imposed by Canadian federal law on political parties and candidates 'are essential to ensure the primacy of the principle of fairness in democratic elections', a principle which was said in turn to flow 'directly from a principle entrenched in the Constitution: that of the political equality of citizens'.[36]

## Reporting and Disclosure

The first and probably the least contentious of all the strategies of reform is the disclosure by the parties of their financial affairs. As long ago as 1928 the Labour Party policy was for 'the publication of accounts nationally and locally',[37] and representations to this effect were made to the Speaker's Conference in 1930.[38] In 1949 the House of Commons resolved that 'political parties, and all other organisations having political action as one of their aims, should publish annually full and adequate statements of their accounts'.[39] The Labour Party has always published its accounts (revenue accounts and balance sheet), and in the 1980s the Conservatives followed suit, though in the course of doing so providing very little information. More recently, however, the Conservatives have provided more detailed information, though it does not answer the many questions about their funding which were raised before 1997. In any event, publication of revenue accounts and balance sheets does not give a complete picture of party funding, and in particular does not necessarily reveal who are the large donors to the parties.

Many countries in the liberal democratic tradition now have in place legislation which requires political parties to disclose details of their income and expenditure. This is true, for example, of Australia, Canada, France, Germany, Japan, Spain and the United States, though the nature and detail

33 *Representation of the People Act* 1983 (UK), s 76, containing measures (as amended) first introduced in 1883.

34 *R v Radio Authority, ex parte Bull* [1995] 4 All ER 481 at 495.

35 (1997) 151 DLR (4th) 385.

36 Ibid at 410.

37 Labour Party (1928) *Annual Report 1928*, Labour Party, p 192.

38 Labour Party (1930) *Annual Report 1930*, Labour Party, p 48.

39 House of Commons Debates, 15 December 1949, col 3039.

of the information to be disclosed varies widely. In evidence to the Neill Committee, the Labour Party proposed a legal obligation to disclose the name of any donor giving in excess of £5000 nationally or £500 locally, together with disclosure of the size of the donation. Full disclosure of financial information clearly meets the objective of transparency and openness, though it also has a number of other consequences. There is some reason to believe that full disclosure of donations and the publicity which it generates may have some effect in reducing the size of donations,[40] thereby promoting indirectly both of the other goals of reform: it would reduce the risk of money buying access to or influence over elected officials; and in some circumstances could help to reduce the income gap between the parties by removing the disproportionate impact of large donations by wealthy donors which tend to benefit some parties more than others.

But in order to be effective, it is important not only that disclosure should be contemporaneous, but also that it should apply to all fund raising practices and to all units of party organisation. Take two examples: one is the donating of money indirectly through an intermediary; and the second is the donating of money to a constituency party or association for re-routing to the party nationally. The first practice was adopted before 1997 by the Conservative Party which had a number of fund raising clubs.[41] Indeed there is evidence to believe that companies were encouraged to donate through these clubs in order to avoid the obligation to disclose to shareholders political donations in excess of £200 annually.[42] This suggests the need for a regulatory regime which identifies not only those who give directly to political parties, but also those who give through intermediaries. The possibility of money being donated at constituency level suggests also a need for regulation which addresses this risk, while acknowledging also that there is a case in any event for proper transparency and accountability at constituency level. It is largely (though not wholly) for this reason that the Labour Party proposed that constituency donations in excess of £500 annually should be disclosed.[43]

This is not to deny, however, that there are problems with disclosure as a strategy. In the first place, what should be disclosed; how often should it be disclosed; and in what form should it be disclosed? As already suggested, the practice of other countries shows some remarkable differences in approach. In Canada, for example, the parties are required to disclose annually donations of CN$100 or more,[44] while in Germany the obligation to disclose

40 It is significant that in the two leading countries — Canada and Germany — with disclosure but no contribution limits, the level of donation is low by British standards.

41 See *Observer*, 28 July 1996.

42 *Observer*, 21 July 1996. Loans were also encouraged for this purpose: *Independent*, 20 May 1996.

43 This in principle (though it is unlikely in practice) would permit a substantial sum of money (at least £300,000) to be donated to different party units without any of it having to be disclosed.

44 See KD Ewing (1992) *Money, Politics and Law: A Study of Electoral Campaign Finance Reform in Canada*, Oxford University Press, ch 4.

applies only to donations in excess of DM20,000.[45] Admittedly these are not serious problems raising issues of principle, though they do require some thoughtful consideration. More difficult then are the issues of principle which inevitably arise, most notably the argument that disclosure of the names of donors who contribute more than a certain amount is a violation of their right to privacy. This is a right which is protected by article 8 of the European Convention on Human Rights (ECHR) which is to be incorporated into domestic law by the *Human Rights Act* 1998 (UK). There are, however, permitted exceptions to the right to privacy where these are 'prescribed by law' and 'necessary in a democratic society' on one of a number of grounds, including the protection of the rights and freedoms of others.

Although there is no example of any of the disclosure legislation in European national systems being found in violation of the ECHR, it is nevertheless the case that mandatory disclosure and the attendant publicity could operate to the disproportionate disadvantage of the small parties on the fringes of the political process. There is a very real danger that their members and supporters could find themselves the target of retribution by employers, landlords and others.[46] The point is well made by the US Supreme Court decision in *Brown v Socialist Workers '74 Campaign Committee (Ohio)*[47] which challenged the Ohio disclosure laws and found that they were unconstitutional to the extent that they applied to the Socialist Workers' Party, though the Court was not prepared to grant a blanket exemption for small parties. But this is not an argument against disclosure, so much as an argument in favour of a requirement to disclose which reconciles the public interest in transparency and the private interest in secrecy or confidentiality. Full disclosure requiring annual disclosure of donations which in aggregate exceed £5000 nationally or £500 locally would appear adequately to reconcile these interests.

## Contribution Limits

The second strategy is to impose a limit on who may donate to a political party and how much legitimate donors may give. Many jurisdictions have restrictions of the former kind, which typically include a prohibition on donations from overseas contributors, or in some cases from corporations and trade unions (with Quebec, for example, providing that only individuals may donate). But few have imposed limits on the size of permitted donations, though countries which have taken this step are the United States and France. In the United States individuals may donate $1000 per election to a

45 *The Law on Political Parties (Germany) (as amended 1994)*, art 25 (2).

46 There is also the concern raised by some that corporate donors could be discriminated against by local authorities when tendering for contracts. But companies have been required to disclose political donations since 1967, and there is no evidence of discrimination of Conservative donors by Labour local authorities.

47 459 US 87 (1982).

federal candidate and $20,000 annually to a political party, while political action committees may give $5000 per candidate per election, and $15,000 to a national party annually. There are also restrictions on how much individual contributors may donate in aggregate to different candidates, though these do not apply in the case of political action committees.[48]

There is clearly a case for saying that a contribution from certain sources is unacceptable. There are few who would be prepared to justify a donation of funds which have been obtained by illegal means, as in the case of the donation of £440,000 by Asil Nadir to the Conservative Party in 1993.[49] There is also a case for prohibiting donations from foreign sources, on the ground that the right to take part in the political life of a nation and to influence the result of an election should be confined to those who will be directly affected by the outcome.[50] But not all political parties are convinced of the merits of the case, with the Scottish National Party in particular being accused of wishing to 'buy the first Scottish Parliament with undisclosed foreign funds'.[51] There is also the difficult question of who should be regarded as 'foreign' for this purpose, with EC law presenting a particular challenge. The Labour Party suggests that the right to donate should be confined to those who are entitled to vote, which would include British citizens overseas who are on the electoral register in this country. This would exclude British citizens who have lived overseas for more than 20 years, as they do not qualify for the vote.[52]

Although not a widely adopted strategy, a limit on the size of permitted contributions is one which has a number of virtues. It addresses in a particularly direct way the principle of equality of political representation by eliminating at least one source of influence by the disproportionately wealthy. Contribution limits thus eliminate the dependence of the political parties on large donors and thereby remove the suspicion that a political contribution buys access and influence. Indeed in the view of the US Supreme Court, contribution limits address the 'major evil associated with rapidly increasing campaign expenditures', namely 'the danger of candidate dependence on large contributions'.[53] Reducing the size of potential

48 See L Klein (1998) 'Political Party Funding and Campaign Finance in the United States of America', paper delivered at meeting on 'The Funding of Political Parties: Europe and Beyond', University of Bologna, 6–7 February. On France see YM Doublet (1997a) *Le Argent et la Politique en France,* Economica, and (1997b) *Le financement de la vie politique,* 2nd edn, Presses universitaires de France.

49 Cf McAlpine (1997) where it is said that the taking of this money was a 'mistake' (p 253). But it was not returned.

50 For a discussion of this issue, see Royal Commission on Electoral Reform and Party Financing (1991) (Chairman P Lortie) *Final Report,* vol 1, pp 450–1.

51 *The Scotsman,* 6 June 1998. There are, however, serious questions of principle about political parties which are part of an international movement, such as the Labour Party itself.

52 *Representation of the People Act* 1989 (UK). See R Blackburn (1995) *The Electoral System in Britain* , St Martin's Press, pp 78–80.

53 *Buckley v Valeo* 424 US 1 (1976) at 55.

donations would go some way towards promoting the goal of electoral equality. Contribution limits would reduce the flow of money into party coffers and would reduce the advantage enjoyed by those parties supported by wealthy donors. To the extent that any party had a competitive advantage, it would be only because it was successful in recruiting a large number of members or a large number of donors contributing small amounts of money.

This is not to deny, however, that there are difficulties also with this strategy for reform, perhaps more serious than those which would have to be overcome in introducing a reporting and disclosure regime. The first problem is what might be referred to as a structural problem. Political parties in Western democracies are not all constructed on the same basis; there are different models of political party, referred to by Duverger as 'elitist', 'mass' or 'indirect'.[54] Some political parties are composed exclusively of individuals, but those in the last category in particular may not be. The Labour Party, for example, is an organisation of associations and individuals, its constitution being a federal structure which brings together constituency labour parties, affiliated trade unions, and socialist societies (such as the Fabian Society). Under the constitution of the Party it is the trade union and the socialist society which is the member of the Party; trade union members are members of an association which is in turn a member of the Party,[55] even though members of affiliated trade unions have personal rights as individuals in Party affairs (for example to vote for the Leader and Deputy Leader).

But this is not the only problem — significant though it may be. The experience of other jurisdictions suggest that there are practical problems which need to be confronted here too, not the least of which is the question of what is a contribution. Thus how do we distinguish a contribution from a membership fee (and is it the business of the State to determine what the maximum membership fee should be)? How do we deal with contributions in kind (such as the use of cars, helicopters, aeroplanes, computer equipment, telephone banks, or seconded labour)? And how do we deal with loans either interest free or at below the market rate? The Conservative Party in Britain helped to keep itself afloat in the 1990s by use of the last device,[56] while denying trade unions the right to borrow money to sustain the Labour Party.[57] But apart from difficulties in determining what is to be limited by being treated as a contribution, there is the problem also of policing and enforcing any regulatory framework based on contribution limits. Although

54 M Duverger (1972) *Party Politics and Pressure Groups*, Nelson, pp 6–18.

55 See S and B Webb (1920) *A Constitution for the Socialist Commonwealth of Great Britain*, Longmans Green, pp 84–6; also Attlee (1937) pp 86–7.

56 The published accounts of the Party show that loans rose sharply since 1992 when they stood at £2.3m. By 1995 this had risen to £5.9m, in 1996 to £8.6m, and in 1997 to £11m. Many of these loans were made interest free. The issue of soft loans was first raised by the *Sunday Times*, 27 September 1992.

57 See House of Lords Debates, 25 June 1984, col 762. See *Trade Union Act* 1984 UK, s 14, now *Trade Union and Labour Relations (Consolidation) Act* 1992 UK, s 83.

there may be a danger of exaggerating the problem, the experience of the United States and France suggests that it may not be insignificant.

## Spending Limits

The third strategy is to focus not so much on the income of the parties as their expenditures, by imposing a limit on how much they may spend. This is a strategy which has played a significant part in Labour Party thinking on party funding and electoral regulation. In 1928, for example, the Party's programme contained a commitment to 'prevent Political Parties spending money on Elections except such expenditure as appears in the Election Returns of Candidates and their Agents'.[58] A proposal to this effect was presented to the Speaker's Conference in 1930,[59] but made no progress, though the matter was revived in the long title of the government's *Representation of the People Bill* 1931 (UK) which proposed 'to restrict the purposes for which the funds of political organisations may be applied'. But bizarrely the Bill had to be withdrawn because it included no measure dealing with this specific question, and its replacement — the *Representation of the People (No 2) Bill* 1931 (UK) — contained no mention of party election spending, either in the long title or in the body of the Bill.[60] The Labour Party has called for national spending limits subsequently in evidence to the Houghton[61] and Home Affairs Committees,[62] and most recently in its evidence to the Neill Committee.

Spending limits have a number of virtues, the most obvious of which is that they help to reduce the cost of campaigns, provided that the limit is set sufficiently low. This is not an insignificant virtue for the political parties as well as others, particularly in view of the fact that with devolution,[63] the number of elections in Britain is set to increase. Secondly, and perhaps most importantly, spending limits foster a sense of equality of electoral opportunity by ensuring that no political party is able to win an election by virtue of the volume rather than the content of its message, a point acknowledged by Lord Justice Kennedy who as we have seen was alive to the danger of 'the wealthy distorting the democratic process'.[64] And thirdly, by reducing the 'arms race' between the political parties and the opportunity to spend money, spending limits also have the virtue indirectly of promoting equality of political representation by reducing the pressure on the parties to seek large donations from a few selected individuals.

Yet despite their obvious virtue as a method of regulation, spending limits are nevertheless unusual, though Spain is an example of a large

58 Labour Party (1928) *Annual Report 1928*, Labour Party, p 192.

59 Cmd 3636 (1930) HMSO, p 5.

60 House of Commons Debates, 22 January 1931, col 344.

61 See below, note 72.

62 Home Affairs Committee (1992–93) p 84.

63 See *Scotland Act* 1998 (UK) and *Government of Wales Act* 1998 (UK).

64 *R v Radio Authority, ex parte Bull* [1995] 4 All ER 481 at 495.

European country which has adopted this strategy.[65] Thus under Spanish electoral law a limit is set by multiplying by 25 pesetas the number of inhabitants in the constituencies where the party has candidates; this sum is then increased by 20 million pesetas for each of the constituencies in which the party has candidates.[66] Outside Europe, spending limits carry the principal regulatory burden in the Canadian federal system, and also in a number of Canadian provinces.[67] Since 1974 both candidates and political parties have been subject to tight spending limits in Canadian federal elections, and these have been accompanied by even tighter limits on the permitted expenditures of third parties, that is to say pressure groups and others which might wish to take part in a campaign (though as we shall see, the latter limits have twice been successfully challenged in the courts as being unconstitutional).[68]

But here too a number of problems have to be confronted. First, what would be limited and why? Would it be all expenditures by political parties, or only election expenditures, and if the latter, how do we distinguish an election expenditure from the other general expenditures of the parties? Secondly, how could such a system operate in a country such as the UK where there are no fixed term Parliaments and where election expenditure might be incurred at some considerable time before an election? Thirdly and just as seriously, there is the problem of third party expenditures. Trade unions, pressure groups, corporations and others may wish to spend money directly on advertising to influence the outcome of an election. Such expenditure would threaten to undermine the spending limits on the political parties if so-called third parties were free to spend without restraint. This suggests that it would be necessary to impose a limit on third party as well as political party spending.[69] But how could this be done without compromising the right to freedom of expression, which by article 10 is also protected by the ECHR?

The ECHR has already made its presence felt in the context of British electoral law in the landmark decision of the European Court of Human Rights in the *Bowman* case.[70] Under the *Representation of the People Act* 1983 (UK), s 75, it is an offence for anyone to incur expenses with a view to promoting or procuring the election of a candidate at an election, subject to an exception of £5. During the general election in 1992, Mrs Bowman, the executive director of the Society for the Protection of the Unborn Child

65 France is another: see *Pierre-Bloch v France* (1998) 26 EHRR 202.

66 *Representation of the Spanish People Organic Act* 1995 (Spain), s 175 (English translation published by the Spanish Parliament). The Spanish legislation is all the more interesting for the fact that it operates in the context of a system of proportional representation.

67 On Canada, see Ewing (1992).

68 The issues are exhaustively canvassed in Royal Commission on Electoral Reform and Party Financing (1991) vol 1.

69 Cf *Representation of the People Act* 1983 (UK), s 75.

70 *Bowman v United Kingdom* (1998) 26 EHRR 1.

(SPUC), distributed 25,000 copies of a leaflet in Halifax (though she lives in London) outlining the views of the different candidates on the questions of abortion and human embryo experimentation. She was prosecuted under s 75 of the 1983 Act for having spent an unspecified amount in excess of £5, but acquitted because the summons had not been issued within a year of the alleged offence as required by the statute. Bowman nevertheless instituted proceedings claiming that her right to freedom of expression had been violated, a view endorsed by a majority of the European Court of Human Rights which was 'not satisfied that it was necessary ... to limit her expenditure to £5 in order to achieve the legitimate aim of securing equality between candidates'.[71]

## State Aid and Public Funding

The fourth and final strategy of reform is the public funding of political parties. This is perhaps the most common method of intervention, having been adopted for example in Australia, Italy, Sweden, Germany, Canada, France, Spain and Japan. In some respects, this is simply the logical extension of a strategy which in Britain has seen the State absorb some of the costs previously incurred by the political parties; make available aid in kind to the parties (as in the case of broadcasting); and provide cash subsidies for particular aspects of the work of the parties, as in the case of the Short and Cranborne schemes of financial assistance for the Opposition parties in Parliament. In 1975 the then Labour government appointed a committee chaired by Lord Houghton of Sowerby to consider whether provision should be made from public funds to assist political parties in carrying out their functions outside Parliament. Although a majority of the Committee recommended that an annual grant should be paid by the Exchequer to the parties for general purposes (based on the level of electoral support),[72] its recommendations were never implemented. The Labour Party was divided, and the Conservatives were opposed.

As a method of intervention, state aid has a number of clear virtues and relates to at least two of the principles of reform which we have identified. In the first place, it may help to relieve the political parties of 'external pressures'[73] and the need to seek large donations from wealthy individuals,[74] particularly if accompanied by spending limits in the different elections in which the parties are involved.[75] This would have important implications for the principle of equality of political representation, insofar as it would help to reduce the suspicion that wealthy individuals were able to buy political influence with large donations. Further, state aid also has benefits in terms of equality of electoral opportunity, and indeed is justified in Germany partly

71 Ibid at 19.

72 Committee on Financial Aid to Political Parties (1976) *Report*, Cmnd 6601, HMSO, para 10.19.

73 Labour Party (1974) *Annual Report 1974*, Labour Party, p 39.

74 *Tribune*, 14 November 1997.

75 See K Ewing, 'Take the Money and Run' (1997–98) Winter *Citizen* 8, p 8.

on the ground that it helps to ensure equality of electoral competition. The reasons are quite clear: state aid or public funding allows the parties to compete at election time with a secure financial base, although it does not guarantee complete equality between the parties, particularly if there are no limits on permitted election expenses. This benefit is likely to be reinforced if the public funding were to take the form not only of annual subventions to the political parties, but also a reimbursement of their election expenses.

But this is not to deny that there are problems to be addressed in relation to public funding. The first issue is one of principle: should individuals be compelled through their taxes to support political parties to which they are opposed? There are some who see this as raising important questions of political liberty, not unlike the issues surrounding trade union political levies. Thus when workers were compelled by the practice of the closed shop to become members of a trade union in order to retain a particular job, legislation (in the form of the *Trade Union Act* 1913 (UK)) ensured that they could not be required to pay the political levy which would be used in turn to support a political party to which they were opposed. This is an issue which is raised by the Conservative Party in its evidence to the Neill Committee when it argues that 'forcing taxpayers to contribute to the costs of Party political activities of which they do not approve would be a very significant step', which could only be justified 'if it were believed that it would otherwise be impossible for political parties to operate effectively'.[76]

The second issue is more practical: what form should public funding take? Should it be in the form of a general cash hand-out (or 'dole' as it has been described) or a payment for specific purposes, such as election expenses? How should it be calculated? Should it be on the basis of votes or seats at the preceding general election; the number of party members or donors to party funds; or a combination of both? Indeed should it take the form of a Treasury subvention at all, rather than income tax relief for political contributions below a certain amount? This is a popular idea which is promoted by some on the ground that it would encourage the parties to seek new members or small donors. The obvious benefit of such an initiative is that it would help to wean the parties off the dependence on large donors in favour of small donors and would broaden the base of support for political parties. Although superficially attractive, there are a number of reasons why such a scheme should be rejected, not the least of which is that it does not favour the parties equally. Rather, it works to the advantage of those parties whose members and supporters have a high disposable income, and who would benefit from tax relief.

As with the other strategies for reform, the problems with public funding relate neither to questions of principle nor to problems of practical implementation. They come down to questions of political expediency, though not in any pejorative sense of the term. The problem essentially is that at a time of fiscal prudence it would be difficult for a party in government to be seen to be putting its snout in the public trough, without

76 Conservative Party (1998) *The Funding of Political Parties*, Conservative Party, p 9.

courting damaging headlines comparing the subsidy to political parties with how the money might otherwise be better spent enhancing the education, health or welfare budgets. Yet in the long term, the Ecclestone case has revealed that public funding might attract fewer unsavoury headlines than a system based on large private donations,[77] even if contemporary problems of alleged corruption in France remind us that public funding is no guarantee against controversy. Nevertheless considerations of this kind suggest that any extension of public funding is more likely to be acceptable if it is tied to purposes which will clearly benefit the electorate by enhancing the quality of political representation.[78]

## The Need for Effective Enforcement

There are thus a number of options available to those who wish to bring forward a package of reforms which would address the problems of political funding in Britain and also create a regulatory framework which ensure compliance with any reforming legislation which might be introduced. In practice the ideal solution would not be based on one or other of these different options, but on a combination of two or more of them. In other words effective reform may need to be based on a combination of reporting and disclosure, limits on the sources of contributions, extended state aid and public funding, and spending limits. But before effective reform can seriously be contemplated, it is necessary to have regard to the fact that there are a number of obstacles on the road to reform and that these obstacles will have to be cleared before any legislation is to work effectively. One of the most important of these is the need for effective enforcement machinery, without which any legislation in this field is likely to founder.

The point is illustrated historically and comparatively by the experience of Canada and the United States. In both countries legislation was introduced in the first decade of the 20th century to ban corporate contributions to political parties. In Canada the legislation was repealed in 1930, a legal platitude which was never enforced.[79] In the United States in contrast, legislation of 1907 was progressively extended in 1910, 1911, 1925, 1940 and 1947 so that even before the post-Watergate reforms, the United States had in place one of the most regulated frameworks in the liberal democratic world, requiring disclosure, prohibiting contributions from companies and labor unions,[80] and imposing spending limits on candidates and political parties.[81]

77 See note 11 above.

78 An example would be the Labour Party's proposal in evidence to the Neill Committee for public funding for training the members, officials and representatives of the political parties in matters pertaining to the responsibilities of their office.

79 Committee on Election Expenses (1966) (Chairman A Barbeau) *Report*, Queen's Printer, p 20.

80 Cf *Pipefitters Local Union No 562 v US* 407 US 385 (1973).

81 See K Ewing (1995) 'Legal Control of Party Political Finance' in I Loveland (ed) *A Special Relationship? American Influences on Public Law in the UK*, Oxford University Press, ch 10.

But as one leading US commentator has pointed out, the legislation 'scarcely impeded the flow of campaign money', for a number of reasons relating to poor drafting, an unwilling judiciary, and inadequate enforcement machinery.[82] It has been claimed by another commentator that for many years the 'enforcement of the federal prohibitions was marked by frank failure to press for indictment or to convict those under indictment'.[83]

The failures of the US system prior to Watergate point to the need for an independent agency responsible for supervision and enforcement of the legislation, though the experience of the Federal Election Commission (FEC) established in the United States in 1974 suggest that such a body is not a panacea on its own; much depends on the composition, powers and funding of any such agency, and in some of these respects the FEC is woefully deficient. So far as appointment and composition are concerned, the problem here is how to ensure that in such a crucial area the power of patronage is not abused by the Government, whoever the government might be. The Commission should not be the captive of any particular political party, and for this reason it would be important to cast around to look for precedents both at home and abroad which allow for sensitive appointments on other than the say so of the Prime Minister or Home Secretary alone. It is in fact not necessary to look very far, for at least in terms of domestic law there are three statutory provisions in diverse areas which may be relevant. One is the *National Audit Act* 1983 (UK) which provides by s 1 for the appointment of the Comptroller and Auditor General to be 'exercisable on an address presented by the House of Commons', and that 'no motion shall be made for such an address except by the Prime Minister acting with the agreement of the Chairman of the Committee of Public Accounts'.

Also worthy of consideration is the *Parliamentary Constituencies Act* 1986 (UK) which provides for the continuation of the Boundary Commissions, to be composed of a chairman who is to be the Speaker of the House of Commons, a deputy chairman who in the case of the Boundary Commission for England is a High Court judge appointed by the Lord Chancellor, and two other members appointed by the Home Secretary. A yet different model is provided by the *Intelligence Services Act* 1994 (UK) which provides for an Intelligence and Security Committee to be appointed by the Prime Minister after consultation with the Leader of the Opposition. These different provisions suggest a number of ways by which the independence of any Electoral Commission could be enhanced. At the very least, if it is the Prime Minister who is to make the appointment (as seems inevitable), it could be required that the Chairman of the Commission be a High Court judge, that the appointment of all members of the Commission take place only after consultation with the Leader of the Opposition, and that the appointment be approved by the House of Commons to whom the Commission would be accountable.[84]

82 F Sorauf (1992) *Inside Campaign Finance. Myths and Realities*, Yale University Press, p 6.

83 H Alexander (1972) *Money in Politics*, Public Affairs Press, p 165.

84 As in the case of the Parliamentary Commissioner for Administration, there

These precedents suggest that some steps could be taken to ensure that appointment to an Electoral Commission is not the prerogative of the Prime Minister alone. But apart from political independence, it is important also for the integrity of any such regulatory body that it should have effective supervisory and enforcement powers, combining in the process a balance of legislative, executive, and possibly judicial functions. An example of the legislative powers of such a body are the rule-making functions of Elections Canada which issues guidelines to the political parties on the application of key provisions of the legislation, for example the meaning of election expenses for the purpose of the statutory limit.[85] This is a valuable function which it is hoped would be adapted for application in the UK. So far as enforcement powers are concerned, it is important that any Commission of this kind has the power to investigate alleged violations of the legislation, which would include a right to inspect all the financial records of the political parties, and to report to the appropriate authorities responsible for criminal prosecution any alleged violations of the law.[86]

## The Role of the Courts

The second obstacle on the road to effective reform relates to the danger presented by constitutional law and in particular the ECHR. In many countries throughout the world, attempts to reform the law relating to the funding of political parties or campaign finance have been dogged by the courts. This is true of Canada, Germany, the United States, Italy and Australia, and arises because the goals of party funding reform often conflict with the principles of constitutional law. In particular, steps taken to promote equality of political opportunity may clash with guarantees of free speech. But although this has been the most significant and persistent issue, German experience reminds us that it is not the only one, with the Constitutional Court playing a key role in determining the form which public subsidies might take, and the amount which may be distributed to the political parties.[87]

But unquestionably the landmark decision in recent times has been *Buckley v Valeo* in the US Supreme Court in which the comprehensive reforms introduced after the Watergate scandal were comprehensively undermined.[88] The legislation then in force required the disclosure of donations, a limit on the size of contributions by individuals and political action committees, and a limit on expenditures by candidates and others (so-called 'third parties'). It also made provision for the establishment of the

would be a case for the creation of a new Commons Committee to monitor the work of an Electoral Commission.

85 Elections Canada (1997) *Guidelines Respecting Election Expenses of Registered Political Parties*, Elections Canada.

86 See also Labour Party (1993) *Report of the Working Party on Electoral Systems*, Labour Party.

87 H Feldman (1998) *Public Funding of Political Parties in Germany*, Friedrich Ebert Foundation.

88 424 US 1 (1976).

Federal Election Commission with supervisory and enforcement powers. The difficulty arose in particular in relation to the spending limits which were held to violate the free speech guarantees in the First Amendment of the US Constitution. According to the Court,

> the concept that government may restrict the speech of some elements of our society in order to enhance the relative voice of others is wholly foreign to the First Amendment, which was designed to secure the widest possible dissemination of information from diverse and antagonistic sources.[89]

The Court also held that '[t]he First Amendment's protection against governmental abridgement cannot properly be made to depend on a person's financial ability to engage in public discussion'.[90]

This decision has been extremely influential in a number of other jurisdictions, most notably Canada and to a lesser extent Australia. In Canada restrictions on third party spending were ruled unconstitutional on free speech grounds in 1984, and again in 1993 following their revision by Parliament.[91] In both cases *Buckley v Valeo*[92] featured prominently in the decision of the Court, and its presence was visible in the *Australian Capital Television Pty Ltd* case[93] in which the High Court of Australia held unconstitutional political broadcasting restrictions in the *Political Broadcasts and Political Disclosures Act* 1991 (Cth).[94] In Canada, however, the tide may at last be turning following the observations of the Supreme Court in *Libman*.[95] That case was concerned with Quebec's *Referendum Act* (RSQ), parts of which were ruled unconstitutional. In the course of its decision, however, the Court took the opportunity to defend strongly electoral spending limits and with them the limits on third parties, though again not revealing what would be an acceptable limit on third party expenditure.

The issues raised by these cases are all the more significant for the incorporation of the ECHR into British law. The Convention contains a number of provisions which could present difficulties for the operation of political funding legislation, though it has to be acknowledged that it appears more able to accommodate the goals of party funding legislation than the US, Australian or German constitutions. This is partly because article 3 of the First Protocol provides for 'free elections' under conditions which will

89 Ibid at 48–49.

90 Ibid at 49.

91 See *National Citizens' Coalition Inc v Attorney General for Canada* (1984) 11 DLR (4th) 481; *Attorney-General of Canada v Sommerville* (1996) 136 DLR (4th) 205.

92 424 US 1 (1976).

93 *Australian Capital Television Pty v Commonwealth of Australia* (1992) 177 CLR 106.

94 For comment, see KD Ewing, 'New Constitutional Constraints in Australia' [1993] *Pub L* 256.

95 *Libman v Quebec (Attorney-General)* (1997) 151 DLR (4th) 385.

ensure 'the free expression of the opinion of the people'.[96] In what appears to be the first case in this area, it was held by the European Commission of Human Rights that the protection of the right to freedom of conscience in article 9 of the ECHR 'does not protect the taxpayer from the use of public funds for the subvention of parties which he does not support'.[97] It was also strongly suggested by the Divisional Court in England that the ban on political advertising to be found in the *Broadcasting Act* 1990 (UK) does not violate the Convention's freedom of expression guarantee,[98] though this is unlikely to be the last word on the question.

The most significant decision to date, however, is in the *Bowman* case which called into question limits on third party election expenditures.[99] But it is important to note that in doing so, the European Court of Human Rights was careful not to elevate questions of liberty above all other considerations, in the manner of the US Supreme Court and other courts. Thus the Court did not doubt that the pursuit of electoral equality was a legitimate aim of the *Representation of the People Act* 1983 (UK). The problem in this case was not that a limit was imposed on third party expenditure, but that at £5 it was too low. This leaves it open to the British government to bring forward amending legislation which would simply raise the level of permitted expenditure of third parties, though one of the problems presented by the decision is that it neglects to indicate how low a limit could be in order to pass the indeterminate threshold which the Court has in mind. It would appear, however, to be such an amount as would give people such as Mrs Bowman a reasonable opportunity to convey information to the electorate.

## Conclusion

What then is the way forward? We have examined a number of principles which might underpin the process of reform and considered four different ways by which these principles might best be implemented. But as we also suggested these principles are by no means absolute and cannot be implemented without regard to the historical, political and legal context of the jurisdiction in which they are to be adapted for application. In the British context, the main constraints are the nature of the party system and the incorporation of the ECHR. A synthesis of principle and practice suggests that the solution to the problem of party funding lies principally with a combination of transparency, limited public funding, and spending limits, all within a regulatory framework administered by an independent Electoral Commission (which would have responsibilities other than those relating to the funding of political parties). This is in addition to the need to address

96 On the significance of this, see *Bowman v United Kingdom* (1998) 26 EHRR 1 at 18, where it is recognised that the right to freedom of expression and the right to free elections may come into conflict.

97 *X, Y, & Z v Federal Republic of Germany* (1976) 5 D&R 90.

98 *R v Radio Authority, ex parte Bull* [1995] 4 All ER 481; see also [1997] 2 All ER 561 (CA).

99 *Bowman v United Kingdom* (1998) 26 EHRR 1.

specific abuses such as foreign donations which have no legitimate role in a representative democracy.

A framework to implement much of the foregoing has in fact been developed by the Neill Committee, in a report containing a number of far-reaching proposals for reform which have been widely endorsed.[100] Although the theoretical basis for the Committee's blueprint is unconvincing and at times incoherent, and although doubts may be expressed about some of the details, it is nevertheless the case that the report goes a long way to meet the objectives of the Labour Party in its written and oral evidence.[101] This is particularly true to the extent that the Committee proposes the quarterly disclosure of donations of £5,000 or more, a ban on foreign donations (with a tight definition of who is foreign for this purpose), the need for companies to secure shareholder approval for political donations, the introduction of a national spending limit of £20 million for political party general election expenditure, and the establishment of an independent Election Commission. It is not proposed at this stage that there should be large-scale public funding for the parties, though it is proposed that public funds should be available to help the parties with policy development, and that additional funding should be made available for the Opposition parties in Parliament.

The report has been welcomed by the government, which will be under considerable pressure to implement it as a whole (and there are 100 recommendations), and not to 'cherry-pick'.[102] But whatever the immediate outcome, recent evidence from Canada reminds us that flaws will emerge in the legislation, new fund-raising practices will develop, and loopholes will be spotted and exploited.[103] The Neill report will by no means be the last word on the matter, and indeed one question which will inevitably arise is whether full transparency (names, addresses and amounts) will lead to a reduction in the size of donations and a fall in party income. The Committee does not appear to share the pessimism of those who believe that this is inevitable, and indeed has proposed measures which will encourage the parties to seek small donations from large numbers of people with a recommendation that income tax relief at the basic rate should be introduced for donations under £500. But the Committee accepts that if its optimism proves to be misplaced, and the parties 'become too poor to carry out their essential roles', 'careful consideration would have to be given to a measure of public funding'.[104]

100 Committee on Standards in Public Life (1998a).

101 Committee on Standards in Public Life (1998b) *The Funding of Political Parties in the United Kingdom, Evidence*, Cm 4057-II, HMSO, pp 74, 488.

102 See House of Commons Debates, 9 November 1998, col 59.

103 *Edmonton Journal*, 12 October 1997.

104 Committee on Standards in Public Life (1998a) para 4.39.

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