

# Political Donations to the Conservative Party

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## Introduction

There has been much debate in recent months surrounding the ways in which political parties are financed. Most attention has centred upon the Conservative Party. This debate is not new and has been simmering for much of the last decade. However, with the appointment of the Select Committee on Home Affairs to examine party political finance in Britain, the spotlight again fell on the ways in which the major political parties raise income. The subject matter is one that raises heated emotions and frequently wild accusations. It is worth then examining what claims have actually been made<sup>i</sup> and assessing their implications. First, however, we must place the debate in some context.

At the heart of any debate regarding the financing of political parties there is one underlying fact which must be borne in mind. *For political parties to exist and perform satisfactorily, they must have income and resources. Therefore, unless the party can generate sufficient income from membership dues and trading or investments there must be alternative sources of that income.* This may seem a somewhat obvious point but in contemporary debates surrounding the issue of political finance it has seemingly been overlooked. Neither the Conservative Party nor the Labour Party have sufficiently large membership to be self-financing. Current estimates put Conservative Party membership at 750,000 and Labour Party at 260,000. Moreover, whilst the two main political parties are becoming more skilled at exploiting the commercial potential of

events such as party conferences, they do not generate enough income from these activities to be economically self-sufficient. The Liberal Democrats do manage to finance themselves almost self-sufficiently, but exercise greater restraint in spending. Ironically, they have the smallest accumulated deficit of the main political parties and are presently running an annual surplus.

The three main pillars of Conservative Party income are constituency associations, corporate donations and individual donations. Whilst we can ascertain the proportion of income that comes from the constituency organisations, one has only been able previously to speculate upon what proportion of donations were from corporate sources and what were from individuals. The reason for this is that published Conservative Party accounts give scant detail, and do not distinguish between corporate and individual income. In the 1993 Select Committee proceedings, however, the Party Chairman, Sir Norman Fowler, chose to reveal greater detail for the financial year 1992/1993.

**Table 1**

**Donations to Conservative Party Central Income 1992/93**

*(Millions)(% of Total)*

Corporate Donations	4.359
Individual donations	3.041
<b>Total</b>	<b>7.3100.0</b>

Source: Oral Evidence to the Select Committee on Home Affairs, 16/6/93

It is these donations that have generated so much debate in the past, with accusations of the effective purchase of political influence and abuses of the honours system. There is both historical and contemporary precedent for such claims. The sale of honours in return for political funds by Lloyd George prompted *The Honours (Prevention of Abuses) Act 1925*, though debate does exist as to when dealing in honours actually ceased.<sup>ii</sup> Moreover, studies of political finance practice in other countries have thrown up many examples both of corruption and importantly, assumptions of *quid pro quo* in legislation.<sup>iii</sup> Yet, since the time of Lloyd George there have been no substantiated scandals in the sphere of British party political finance. Moreover, academic opinion has generally taken the view that financial arrangements for the Conservative Party, at least, have been characterised by rectitude.<sup>iv</sup>

**The Law and Current Practice of Political Finance**

Existing law on British political finance is limited and largely applies at local level. Under the *Representation of the Peoples Act* there are spending limits imposed on constituency election spending but not at national level. As Johnston and Pattie argue, the spirit of this law developed in the nineteenth century when election campaigns were conducted on a more local basis than is

the case today.<sup>v</sup> Nor are there any limits on income. Any political party may raise as much money as it chooses from as many sources as it can solicit funds. In the case of corporate donations, the only legislation that governs political finance is the *Companies Act (1985, Amended)*, which states that any donations that exceed £200 defined as being for *political purposes* shall be declared in the directors' report for that year. Foreign companies are not however bound by this legislation.

No such declaration is required for individual donations, regardless of their size, and the Conservative Party declares neither their corporate nor their individual benefactors. They are able to avoid giving such details in their accounts because they are an unincorporated association with no legal status, and as such are subject only to internal rules. The only way in which interested parties can ascertain information regarding corporate donations is by examining their individual accounts. Given that there are around one million companies in Britain this is an impractical task, though the trade union funded Labour Research Department do survey around 4000-5000 companies annually. As we will see, it is this lack of information that fuels many of the claims about Conservative Party finances. Yet it is worth making the point that making a donation to the political party of one's choice is not a crime. In principle, there is no reason why an individual or a company should not support a party financially should he or it so desire.

Nonetheless, whilst individual donations are shrouded in secrecy, we do know something about corporate donations. The first point is that corporate political donations are the exception rather than the rule. In an analysis of the top 4000 companies ranked by turnover, there were 242 companies who had recorded making a political donation as defined by the *Companies Act* between May 1991 and May 1992; a contribution rate of 6.1%.<sup>vi</sup> Approximately 95% of these donations were made to the Conservative Party. Secondly, corporate political donations are not necessarily that large. In this study, the largest donation was £130,000 and the largest recorded corporate donation in any one year is £167,000. Moreover, donations of this magnitude are the

exception; the mean donation for 1991/92 was £16,085. In fact, even the mean measure exaggerates the most common contributions as both the median and modal donations were £5,000. However, many of these donations are made over a period of some years, so the total amounts contributed to a political party do accumulate.

### **The Context of the Current Debate**

The debate surrounding the finances of the Conservative Party is not a new one, though it has grown in prominence in the last ten years. What re-generated the argument was the passing of the *Trade Union Act 1984*, Part III of which specified that trade unions holding political funds should ballot members on the question of their continuation, and repeat the exercise every ten years. The act was seen in many quarters as an attempt by the Conservative government to deny the Labour Party its main source of income. The Conservative Party have always denied this, claiming that they were simply trying to democratise trade unions. Subsequent analysis has however tended to favour the former view.<sup>vii</sup> Nevertheless, whatever the reasoning behind the legislation, it did draw the subject of political finance into the spotlight, and the perceived iniquities of the legislation prompted critics of Conservative Party finances to speak out. Beyond accusations by the Labour Party and Labour Research Department however, public attention to the issue subsided until the late 1980s. Since then a number of matters concerning Conservative Party finances have been exposed to the public through newspapers and television, and form the backdrop to the current debate. Let us examine these in turn.

The first major controversy appeared in January 1989 in *The Independent* newspaper. It concerned the role of British United Industrialists (BUI) and their part in channelling corporate donations to central Conservative Party funds. BUI was set up in 1960 as a private limited company to collect funds to support campaigns for free enterprise. In effect though, around 80% of its income was then passed onto the Conservative Party. It provided an effective 'front' for those companies who wished to make donations to the Conservative Party secretly. Companies

were often wary of making donations to the Conservative Party because they were unsure of their legal position and also feared repercussions from their workforce and Labour-controlled authorities. If challenged, a donation to BUI could be justified as a legitimate free enterprise agency. Following the passage of the *Companies Act*, which required the disclosure of political donations exceeding £50, BUI became an unincorporated association, thus removing any obligation to state the sources of its income. The role of BUI became apparent in the 1970s, but little was known of how money was channelled to the Conservative Party. *The Independent's* investigation revealed the existence of a series of 'river companies,' so-called because they were all named after British rivers and the fact that their sole purpose was to channel money with the full knowledge of donors, from BUI to the Conservative Party.

The investigation itself revealed details of past practices in Conservative Party financing, but by 1989 BUI was no longer an important component in fund-raising, principally because its main activities were so widely known that there was little point in trying to conceal donations, so companies increasingly opted to donate directly to the Conservative Party. Indeed, BUI recently ceased to exist. The importance of the revelations was that they rejuvenated the issue of Conservative Party finances and, despite the largely historical nature of the findings, did place the party's affairs in the spotlight. That spotlight was again shone on Conservative Party finances in the autumn of 1990. BBC TV's *Panorama* screened a programme entitled *Who Pays for the Party?* and scheduled its transmission during the Conservative Party Conference. The programme suggested that policy favours and knighthoods could be forthcoming to companies and individual that made donations to the party. The original script contained further claims, but cuts were ordered by the then deputy director-general, John Birt. Nonetheless, the programme did provoke strong reaction from the Conference, particularly from Kenneth Baker, then Party Chairman.

It was, however, in 1991 that the first signs of the current debate were to surface. Three

revelations appeared which hinted at apparently new developments in Conservative Party fundraising. First of all, there was the case of Michael Ashcroft and his company ADT. Amidst accusations of financial misdemeanours (which were subsequently withdrawn), it emerged that ADT had secretly arranged a back-to-back loan of up to £3 million to the Conservative Party to guarantee its overdraft. It seems that Ashcroft had political ambitions to become Conservative Party treasurer, though his advances were blocked by the incumbent Lord McAlpine. What was significant about this episode was that ADT was based in Bermuda and it indicated a willingness on the part of the Conservative Party to use substantial sums of money from outside Britain to fund its operations. This was made particularly poignant by the fact that the party was running a deficit exceeding £10 million.

This trend was confirmed by the news later that year that John Latsis, a Greek shipping billionaire had contributed at least £2 million to Conservative Party funds. This revelation was to court controversy for a number of reasons. First of all, the size of the Latsis donation dwarfed most corporate donations and individual donations that had hitherto been discovered. Secondly, Latsis himself was a controversial figure who courted many of the World's leaders. The principle controversy however, was that Latsis had been a prominent supporter of the Colonels' Junta that ruled Greece between 1967 and 1974. Soon after the Latsis revelation, came the discovery that donations had also been received from Hong Kong. It was claimed that a growing number of Hong Kong businessmen were making contributions to the Conservative Party, among whom were Sir Yue-Kong Pao, a friend of Denis Thatcher's, who had given £1 million and Li Ka-Shing, who contributed £100,000.

There were further revelations in 1992 that on the first anniversary of John Major's ascendancy to the premiership, a dinner was held at 10 Downing Street for prominent Asian businessmen, some of whom were already Conservative Party donors. Mr. Major reportedly assured diners that the Government had no plans to change the tax rules for those people that operate businesses

in Britain but are technically domiciled abroad. The rules permit taxation only on 'UK income' which may be very modest compared with their actual incomes. This compares with the situation in countries like the United States where entrepreneurs are taxed on income earned abroad. The allegations were that the Conservative Party was maintaining these tax rules in order to sustain the possibilities of donations from wealthy individuals.

### **The Most Recent Revelations**

Potentially the most damaging revelation was that Asil Nadir, head of Polly Peck, had also made donations to the Conservative Party. First of all, Nadir was facing charges of theft and false-accounting following the collapse of Polly Peck. Declaration under the *Companies Act* had not been complied with, and the donation only came to light after investigations into his companies' accounts by administrators Touche Ross. Moreover, it appeared donations had also been made by Nadir through overseas firms. Further investigations by the *This Week* programme on ITV revealed that nine cheques totalling £440,000 had been received by the Conservative Party between 1985 and 1990, all before Polly Peck had gone bust; the party claimed that it had no knowledge that the donations had not been declared. Despite this breach of the law the Conservative Party insisted that it was the auditors' responsibility to police the *Companies Act* rather than themselves.

The issue of Asil Nadir's donations provoked fresh controversy just prior to the Select Committee investigations. On May 4th 1993, Asil Nadir fled the UK for Northern Cyprus, thus breaking the conditions of his £3.5 million bail. It was then claimed by former Treasurer Lord McAlpine that Nadir had met him in 1991 and had tried to persuade him to ensure that criminal charges be dropped. The suggestion was that this would be in return for the donations he had made to the Conservative Party.<sup>viii</sup> Subsequent newspaper allegations included the claim that Nadir had made donations in the hope of securing a knighthood. The issue was pushed further into the spotlight by revelations of links between Nadir and Michael Mates, Minister of State for



Northern Ireland, who subsequently resigned. Following lengthy questioning at the Select Committee on Home Affairs, Sir Norman Fowler declared that the money would be returned should it emerge that that money had been stolen from shareholders.<sup>ix</sup> There then followed comments in the press by Lord McAlpine who suggested that accepting Nadir's money had been a mistake and that many donations had been received from abroad and channelled through off-shore accounts.<sup>x</sup> Moreover, former director of the Conservative Central Board of Finance, Major-General Sir Brian Wyldbore-Smith, claimed that he had not always known the source of money collected for Conservative Central Office and that no cheque had ever been refused.<sup>xi</sup>

The Nadir episode was significant for what it revealed about Conservative Party funding rather than the case of Nadir himself. Sir Norman Fowler was quite correct in his defence of the acceptance of donations from Asil Nadir. During the period that Nadir made his donations he was considered to be a successful and legitimate businessman. He had after all received a *Queen's Award for Industry*. Moreover, Sir Norman agreed to repay money should it emerge that it had been obtained illegally. The significant points to emerge were the further evidence that the Conservative Party's methods of fundraising had been operating on a significant scale abroad, and that overseas accounts had been used to channel the money to the party. Similar accusations had been made in the magazine *Business Age* over three months before the Nadir scandal re-emerged. The magazine claimed that the Conservative Party held three tax haven 'slush' funds. These funds were of up to £200 million, but there were difficulties in repatriating the money because of its 'dubious nature.' Nonetheless, some money had found its way back to Britain. Moreover, there was also the question of why the acknowledged deficit of £19 million by 1993<sup>xii</sup> did not appear to be causing financial strain to the Party. The suggestion was made that such funds could be being used as back-to back loans.<sup>xiii</sup> Sir Norman Fowler did deny these allegations, but there were reports that a senior Conservative Party figure had offered a finder's fee of 10% to anyone who could locate these funds.<sup>xiv</sup> Subsequent allegations in later editions of the magazine suggested that there were £71 million of unexplained donations to the Conservative

Party between 1984 and 1992, and that a significant proportion had emanated from abroad.

The Select Committee on Home Affairs was called in November 1992, and its investigation began in June 1993. The terms of reference, were not however to examine scandals, but to examine the case for and against the state funding of political parties, the methods by which parties are financed and the desirability of controls both on income and expenditure. It provided a strong focus for the issue of political finance, and therefore the impetus for further revelations and claims about Conservative Party income, as well as for further investigations. Moreover, so much coverage was given to the revelations that proceedings in the Select Committee were frequently dominated by accusations rather than the central theme of the remit, with parties attempting to score political points against each other.

What was also striking was that revelations about party finances all appeared at once. In addition to the Nadir case, it was revealed that an associate of Li Ka-shing, Tsui Tsin-tong, (another Hong Kong millionaire) had donated a 'six-figure sum', whilst Octav Botnar, former chairman of Nissan UK, who resided Switzerland and was sought for questioning by the Inland Revenue over a £97 million tax fraud, had made donations totalling £90,000. Finally, *The Guardian* claimed that senior figures in Saudi Arabia had made payments of up to £7 million in the period just preceding the 1992 General Election. This accusation was strongly denied by both the Conservative Party and the Saudi government, but nonetheless heightened disquiet about sources of Conservative Party income. Controversy was also sparked by revelations that the Labour Party had received money both from the late Robert Maxwell and Chariloas Costa who was under investigation by the Serious Fraud Office. Labour's National Executive Committee subsequently agreed to return the £11,000 donated by Costa and also the contributions of nearly £40,000 from Maxwell should it emerge that that money had been stolen.

A topic that also re-emerged was the controversy over the sale of honours in return for political

donations. Accusations about this practice have surfaced repeatedly over the years since the days of Lloyd George. A substantial section of a recent book on the British honours system was devoted to such allegations,<sup>xv</sup> and suggested that not only had the sale of honours continued, but that the rate had increased under Mrs Thatcher, who was rewarding the Chairmen of the Conservative Party's principle corporate donors with knighthoods and peerages. Allegations in a similar vein have periodically appeared in the press and on television, and the issue again arose during the Select Committee's hearings, not only in the case of Asil Nadir, but also from a study published by *The Guardian*. This claimed that industrialists were ten times more likely to be awarded peerages or knighthoods if their firm gave money to the Conservative Party.<sup>xvi</sup>

These 'findings' consistently provoke controversy, and at face-value appear persuasive. Certainly, the notion that donations are made for knighthoods has almost assumed the status of popular folklore and some donors evidently believe that a donation may at least 'oil the wheels.'<sup>xvii</sup> Moreover, the 'coincidences' appear to be too common to dismiss the matter out of hand. Yet, one should treat the claims with at least some caution. One can make the case that businessmen that receive honours have been rewarded for business success. The fact that they also support the Conservative Party is a secondary factor. Perhaps the only phenomenon we may be observing is that successful businesses tend to support the Conservative Party. Certainly, no charges have ever been made under *The Honours (Prevention of Abuses) Act*. What is also slightly curious is the amount of attention given to these allegations. Although the sale of honours would of course be a serious and illegal matter should a direct link between the donor and the state be established, a knighthood, at least has little economic worth to a corporation other than a slight increase in prestige. It is difficult to imagine the Chairman of a company attempting to justify repeated donations to his Board in terms of the hope that he will receive some recognition; concern would be more believable should donations result in the award of a contract. Secondly, many of the accusations tend to come from the left and it is again slightly odd that they should raise such concern about the operation of a system to which many of them are opposed.

## **The Implications of the Events**

There are a number of observations we can draw from these events. In the case of Conservative Party finances, there has clearly been a willingness to accept money from abroad. Whilst some claims about foreign donors have been denied, there have nonetheless been sufficient confirmations to suggest some pattern. Indeed whilst the Conservative Party has stated that refuses to accept money from foreign governments, spokesmen have claimed that foreign citizens have every right to make donations if they have a commercial interest in the country.<sup>xviii</sup> This is a contentious position. Many of those who make donations from abroad do not possess the vote in this country, yet they are permitted to make donations which indirectly may affect the outcome of elections here. By suggesting that such donations are legitimate on the grounds of financial interests, the implication then is, that economic interests bestows similar rights to that of citizenship. Certainly, this problem has been recognized in German inquiries into their own methods of financing, where the recommendation was made that foreign donations to parties, in cash or in kind, should be made illegal, 'to protect German parties against outside influence.'<sup>xix</sup> Similar recommendations for excluding foreign sources of funds have also been recommended in Canada<sup>xx</sup> and Spain.<sup>xxi</sup> Moreover, reform groups within the Conservative Party have opposed foreign donations on the grounds they 'degrade' the party.<sup>xxii</sup>

What is also striking is the sheer number of claims about impropriety in Conservative Party finances. Despite the fact that many of the claims lack substance or have proved to be incorrect, it does raise serious issues concerning public confidence in the political process. As Lösche has observed in Germany, even the *appearance* of corruption leads to negative feelings about parties and the ways those parties finance their organizations.<sup>xxiii</sup> In this country, public opinion on the subject has continually shown some dissatisfaction with current arrangements for and some support for the public funding of election campaigns (see tables 2 and 3).

**Table 2****Public Opinion on Corporate Donations**

		Agree (%)	Disagree (%)	Don't Know (%)
Companies should not be allowed to donate funds to political parties	August 1983	52	33	15
	March 1985	51	35	14
	March 1991	44	45	11

Source: 1983 and 1985 - *British Public Opinion* Vol VII No. 5 p.4, 1991 - *State of the Nation*, MORI, 1991

N.B. 1991 wording "And do you think contributions from companies [to political parties] should be banned or not?"

**Table 3****Public Opinion on Public Money for Election Campaigns**

	Good Idea (%)	Bad Idea (%)	Don't Know (%)
It has been suggested that during election campaigns a fixed amount of public money should be given to political parties to finance election campaigns. Do you think this is a good idea or a bad idea?	39	53	8

Source: *State of the Nation*, MORI, 1991

Secrecy adds to suspicion of donors' motives and politicians' practices. There are frequent blunt statements of the following kind:

"They [the brewing companies] also have political influence - the brewers gave an estimated £250,000 to the Conservative Party in election year..."<sup>xxiv</sup>

The assumption here has been that donations have been made in order to purchase influence, though there is no evidence that this has in fact been the case. Many companies make political donations simply because they perceive them as being in their best interests,<sup>xxv</sup> but their motives are frequently questioned, often because of the secrecy that surrounds most donations and the curious accounting practices which the Conservative Party currently operates. This secrecy fuels suspicion, for it creates the impression that there is something to hide, regardless of whether there is any truth in the suspicion. It creates what opposition spokesmen have described as a 'sleaze factor,' yet Party spokesmen have responded by arguing that the responsibility of declaration is incumbent on the corporate donor rather than the party.<sup>xxvi</sup>

### **Privacy versus Public Interest: Regulation of Political Finance**

The question of secrecy is even more cogent with reference to individual donations, because no declaration whatsoever is required. Defenders of the status quo have argued that individual donations are a private matter for the individual concerned. Indeed, John Major remarked that individuals who give money to political parties have a 'right to anonymity, just as they do when giving money to charities.'<sup>xxvii</sup> Moreover, there are fears that if disclosure of donors was practised, it could discourage contributions, even small ones, although evidence from Canada indicates that donations continued after disclosure legislation was introduced.<sup>xxviii</sup> These arguments have been criticised largely on the premise that whilst there need be no requirement to disclose donations of small sums, any donation over a figure such as £5,000 should become public knowledge. The reasons for this are straightforward. A donation to a charity such as the

World Wildlife Fund of £10,000 could quite legitimately remain anonymous should the benefactor wish to avoid publicity. That is legitimate because the charity has limited aims and is unlikely to affect political life in a broad sense. With a donation to a political party, the stakes are much greater. That political party is in competition for the highest constitutional office in the land (bar that of the Head of State) and if successful controls much of public life. It is surely then in the interests of representative democracy that that party be open to public scrutiny and that its more significant benefactors identified. This is for two reasons. Firstly, the public surely has a right to know who is financing the party that controls the state or that is in competition for control of the state. Secondly transparency in public affairs will arguably lessen the chances for corruption of any kind. Moreover, the fact that the proportion of individual donations to the Conservative Party has been increasing<sup>xxix</sup> indicates that more secrecy is developing. This argument is made even more forceful if we examine legislation abroad. In many Western countries there are requirements that political parties declare the sources of their income over a certain level. This is true of the USA, Canada, Austria, Germany, Spain and Australia.<sup>xxx</sup>

A further issue that these events highlight concerns the question of whether there should be limits on the size of donations. Disclosure alone merely tells us who is making the donation and may assist in removing the temptations for corruption. Limits on donations can have a number of other effects. By limiting the size of any one donation, one limits the opportunity for financial reliance by the political parties on one source of income. Besides then removing some potential for leverage by contributors, it relieves the party partially of the dilemma that may arise should a large contributor withdraw the donation. Moreover, limits on donations are likely to encourage parties to look for more donors in the political market place. Such behaviour can have the effect of parties broadening their appeal to attract not only votes but money as well. Moreover, an increase in the number donors might be taken as an indicator of an increase in political participation. Again, this notion of limiting the size of donations has been adopted abroad, notably in the USA and France.<sup>xxxi</sup> Yet this perhaps reveals one of the major problems in

regulating political finance; enforcement. Any examination of political finance regulation exhibits one common theme; the apparent inability or unwillingness of political parties to obey the spirit of the law. Political parties have frequently sought loopholes in legislation to avoid any restrictions on their activities. Moreover, the evidence from the USA and Canada is that regulation has become so comprehensive that it is genuinely cumbersome. Regulation of political finance is very time-consuming and expensive and frequently unable to cope with the demands of the law. Pinto-Duschinsky is quite correct in his assertion that the experience of much regulation of political finance has failed to eliminate corruption.<sup>xxxii</sup>

The second major problem of enforcement is that campaigning in elections may be carried out by non-Party groups, for whom legislation on donations would be difficult to legislate. We have already seen examples of this in Britain. During the election campaign in 1987, the Campaign for a Free Britain ran a series of newspaper adverts exploiting populist fears about Labour Party policies. Similarly Aims of Industry (AIMS), a free enterprise pressure group, have in the past run campaigns during elections where their message has been consistently anti-Labour. AIMS have argued that their campaigns often 'coincide' with Conservative ones.<sup>xxxiii</sup> In the 1992 election, much controversy was aroused by NALGO, who conducted a high profile poster and newspaper campaign attacking present government policies. The significance of all of these campaigns is that none of them actually urged voters to vote *for* a particular party, and though their intended beneficiaries were apparently quite obvious, it would be a difficult case to prove as the beneficiaries could be *any* party other than that criticised in the campaign. Similar problems were observed in Sweden, when following decisions by the non-socialist parties to decline further corporate donations, a network of independent political campaigns emerged, financed by corporations.<sup>xxxiv</sup> The dilemma here is that were there attempts to introduce legislation in these areas, there might be some infringement of free speech by non-partisan pressure groups.

## **Conclusions**



The recent discussions surrounding Conservative Party finances have certainly been heated and have provided a climax to a long simmering debate. Amid the political rhetoric, certain factors have become clear; firstly that individual donations are apparently becoming as important, if not more important than corporate donations as a source of finance to the Conservative Party. Secondly, it is apparent that some of the Conservative Party's funding is now emanating from abroad. Thirdly, there is evidently some disquiet about the secretive nature of Conservative Party funding, given the heated exchanges in the Select Committee and Parliament as well as in the press. A noticeable feature of the current furore was that the previously loyal 'Tory press' had been willing to discuss the issues alongside their more leftward leaning contemporaries. The argument that secrecy breeds suspicion has apparently been fully proven in this instance. On the other hand, openness would not necessarily eliminate suspicion and innuendo. One only has to look at satirical magazines such as *Private Eye* to make this case. Nonetheless, given the heat that discussions about the finances on all political parties generate, and the sound democratic reasons of transparency and citizenship, the case for regulation is compelling. It is surely strange that the institutions that are competing for the highest political office are not completely open about their affairs. As many have pointed out, certain practices undertaken by political parties in Britain would not be acceptable or legal in a company or trade union. There are undoubtedly problems with regulating political finance, but if an apparently preferable system is rejected for these reasons alone, it is akin to throwing the baby out with the bathwater. Moreover, it suggests an acceptance of the argument that political parties will not obey the law, which itself is a curious stance. Another alternative, of course, is to adopt state funding of political parties which is the position of the Labour and Liberal Democrat parties. Experience from abroad however suggests that such a move would be no less controversial.

5920 words

## Notes

- i. The information regarding claims about the financing of the Conservative Party in this article has been gathered largely from newspaper and magazine articles. The following newspapers and magazines have been used: *The Guardian*, *The Independent*, *The Observer*, *The Sunday Times*, *The Sunday Express*, *The Evening Standard* and *Business Age*
- ii. M. Pinto-Duschinsky, *British Political Finance 1930-1980*, (Washington: American Enterprise Institute, 1981) pp.104-111
- iii. See for example, H. E. Alexander (ed), *Comparative Political Finance in the 1980s* (Cambridge: Cambridge University Press, 1989), A. B. Gunlicks (ed), *Campaign and Party Finance in North America and Western Europe*, (Boulder: Westview Press, 1993), K.D. Ewing, *Money, Politics and Law* (Oxford: Clarendon Press, 1992) and M. Wiberg (ed), *The Public Purse and Political Parties*, (Helsinki: Finnish Political Science Association, 1991)
- iv. See M. Pinto-Duschinsky, *British Political Finance 1930-1980*, (Washington: American Enterprise Institute, 1981), V. Bogdanor, 'Reflections on British Political Finance,' *Parliamentary Affairs*, 35, 1982 pp. 367-380 and Hansard Society, *Paying for Politics*, 1981
- v. R.J. Johnston and C.J. Pattie, 'Great Britain: Twentieth Century Parties Operating Under Nineteenth Century Regulations,' in A. B. Gunlicks (ed), *Campaign and Party Finance in North America and Western Europe*, (Boulder: Westview Press, 1993)
- vi. J. Fisher, 'Why Do Companies Make Donations To Political Parties?' Paper presented to the Annual Conference of the Political Studies Association Specialist Group on Elections, Public Opinion and Parties, University of Lancaster, 1993
- vii. J. Fisher, 'Trade union political funds and the Labour Party,' in P. Norris et al (eds), *British Elections & Parties Yearbook 1992* (Hemel Hempstead: Harvester Wheatsheaf, 1992)

- viii. *Sunday Express* 9/5/93
- ix. *The Guardian* 16/6/93
- x. *The Guardian* 18/6/93
- xi. *The Guardian* 18/6/93. Originally reported in *The Evening Standard* 24/9/91
- xii. Conservative Party, Written evidence submitted to the Select Committee on Home Affairs, May 1993, p.3
- xiii. *Business Age*, 32, May 1993 and additional interview material.
- xiv. *Business Age*, 33, June 1993
- xv. J. Walker, *The Queen Has Been Pleased*, (London: Secker & Warberg, 1986)
- xvi. *The Guardian* 16/6/93
- xvii. J. Fisher, 'Why Do Companies Make Donations To Political Parties?' Paper presented to the Annual Conference of the Political Studies Association Specialist Group on Elections, Public Opinion and Parties, University of Lancaster, 1993
- xviii. Oral Evidence to the Select Committee on Home Affairs 16/6/93. *The Guardian* 24/6/93
- xix. H.P. Schneider, 'The new German system of party funding: the Presidential committee report of 1983 and its realization,' in H.E. Alexander (ed), *Comparative Political Finance in the 1980s*, (Cambridge: Cambridge University Press, 1989) p.223
- xx. K.D. Ewing, Written evidence to the Select Committee on Home Affairs, May 1993, p.5
- xxi. H.E. Alexander (ed), *Comparative Political Finance in the 1980s*, (Cambridge: Cambridge University Press, 1989)
- xxii. *The Guardian* 20/5/93
- xxiii. P. Lösche, 'Problems of Party and Campaign Financing in Germany and the United States-- Some Comparative Reflections,' in A.B. Gunlicks (ed), *Campaign and Party Finance in North America and Western Europe* (Boulder: Westview Press, 1993)
- xxiv. L. Allen and E. Arthur, *Drink*, (London: Channel Four Television, 1990) p.6
- xxv. J. Fisher, 'Why Do Companies Make Donations To Political Parties?' Paper presented to the Annual Conference of the Political Studies Association Specialist Group on Elections, Public Opinion and Parties, University of Lancaster, 1993
- xxvi. Oral evidence to the Select Committee on Home Affairs 16/6/93

xxvii. *The Observer* 27/6/93

xxviii. K.D. Ewing, *Money, Politics and the Law*, (Oxford: Clarendon Press, 1992) pp. 97-98

xxix. M. Pinto-Duschinsky, 'Trends in British Party Funding 1983-1987,' *Parliamentary Affairs*, 42, 1989, p.210

xxx. See H. E. Alexander (ed), *Comparative Political Finance in the 1980s* (Cambridge: Cambridge University Press, 1989), A. B. Gunlicks (ed), *Campaign and Party Finance in North America and Western Europe*, (Boulder: Westview Press, 1993)

xxxi. See A. B. Gunlicks (ed), *Campaign and Party Finance in North America and Western Europe*, (Boulder: Westview Press, 1993)

xxxii. M. Pinto-Duschinsky, Written evidence submitted to the Select Committee on Home Affairs, May 1993 p.2

xxxiii. Interview with AIMS spokesman, September 1991

xxxiv. G. Gidlund, 'Public Investments in Swedish Democracy,' in M. Wiberg (ed), *The Public Purse and Political Parties*, (Helsinki: Finnish Political Science Association, 1991) p.46