

The UK should embrace the public financing of political parties

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Valentino Larcinese argues that the UK should adopt public financing for political parties to help avoid elite capture by wealthy private individuals or corporations, and allow politicians to devote their time to activities other than just fundraising.



The United Kingdom is quite unique among European democracies for its absence of public funding of political parties. So-called “short-money”, which covers basic administrative costs of opposition parties, varies between 5 and 8 million pounds per year, depending on the size and composition of the opposition. In France, political parties receive about 70 million euros per year plus 50 per cent reimbursement of electoral campaign spending (about 80 million per year). In Germany, public funding amounts to about 130 million euros per year, and the *stiftungen* (think-tanks directly linked to parties) receive more than 300 million. In Italy the amount is around 200 million per year, and in Spain, 130.

There is not much difference, though, for what concerns violations of the rules. In the last two weeks, scandal on possibly illicit financing of the 2007 campaign is getting closer to French president Sarkozy. And in Italy, a scandal erupted on the personal use of party (and mostly public) money made by major figures of the Northern League, a party that, incidentally, owed its success, among other things, to its anti-corruption and anti-state platform. There is virtually no democratic country where you will not find important scandals surrounding the way politics is financed.

Not too long ago, 2008 US presidential candidate John McCain warned:

“I promise you, there will be huge scandals, because there’s too much money washing around, too much of it we don’t know who’s behind it and too much corruption associated with that kind of money.”

The problem can only get more acute as electoral campaigns get more sophisticated and the size of war-chests need to increase as a consequence. Politics costs money and, if it is necessary for a well functioning democracy, it is probably money well spent.

Public funding of political parties will therefore not eliminate funding scandals. But it is nevertheless a good idea. A system almost exclusively based on private contributions is inevitably more prone to be “captured” by wealthy individuals and corporations. This creates a gap in representation between those who can afford sponsoring a candidate and those who cannot. Moreover, as the costs of politics goes up, politicians will find themselves devoting increasing portions of their time to fundraising rather than other, socially more valuable, activities. This problem is now well known to US legislators.

It is also useful to distinguish between small contributions made by generally disinterested citizens and the donations of large sums. The risk of capture is mostly linked to the second. Also, as shown in [a recent study](#) on the US, the quality of legislative activity has no correlation with the amount of money raised by legislators, but is strongly positively associated with the number of small donations (and actually negatively associated with the amount raised in large contributions). Better candidates (from the perspective of the public at large rather than a few grand-donors) are probably able to

attract larger numbers of small donations.

Hence, it would be useful:

- 1) to place a ceiling on the amounts that can be donated. In France, for example, the limit is 4,600 euros;
- 2) to create incentives for small donations, making them tax deductible. In Germany, for example, it is possible to claim an annual tax credit of 50 per cent the contributed amount up to a maximum of 825 euros. In France the tax credit is 66 per cent.
- 3) To make private contributions fully transparent. In the US, for example, all donations in excess of 200 dollars are reported online on the website of the Federal Election Commission, including name and address of the donor.

On the plus side, the current system, based on in-kind subsidization of electoral campaigns and a ban on paid TV advertising, is probably cost effective. As a result, campaign expenses are much lower in the UK than in other comparable countries. Finally, a feature which is peculiar to the UK system and is worth retaining is the idea that opposition parties should receive more public money than parties in government (indeed, at the moment there is no money for parties in government). Public financing of political parties in other countries is typically proportional to votes. This means the strongest party (and parties in government) receive more money. But this can be an obstacle to political change and to a physiological replacement of political elites. A new system of public funding for political parties should therefore try to retain this feature of the British system and give more money to opposition parties represented in Westminster than to parties in government.

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Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics.

About the author

Valentino Larcinese joined the LSE Government Department in 2001. Previously he worked as an economist in the research department of the Bank of Italy. He received degrees from Bocconi University (Laurea in Economic and Social Disciplines), from the University of York (MSc in Economics), from the University of Milan (Doctorate in Economics) and from the LSE (PhD in Economics).

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