

# Financing UK democracy: a stocktake of 20 years of political donations disclosure

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## Abstract

Political donations in the UK have been subject to comprehensive disclosure since 2001. We study the data produced as part of this disclosure policy to evaluate the role of private and public political finance over time. Total political donations have grown by nearly 250 per cent since 2001, reaching over £100 million in real terms for the first time in 2019. This increase has been driven by donations from private individuals, who now account for approximately 60% of donations in election years compared to 40–50 per cent up to the late 2010s. Furthermore, ‘super-donors’ (those contributing more than £100,000) have been a prominent driver of the rise, increasing their own share from approximately 31 per cent in 2017 to 45 per cent in 2019. We also show that private donations to the Labour Party fell sharply in the final stages of Jeremy Corbyn’s leadership. These trends have benefited the Conservative Party, leading to a historic donation gap between the two main parties emerging circa 2019. We calculate that this gap between parties now stands at approximately £27 million compared to a historic average of £8–£10 million. This gap remains even after considering publicly funded ‘Short’ money provided to the opposition, which aims to increase competitive balance in the UK’s democratic system.

## KEYWORDS

political connections, political donations

## JEL CLASSIFICATION

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# 1 | INTRODUCTION

The year 2021 marked two decades of the Political Parties, Elections and Referendums Act (PPERA), which made it mandatory for UK political parties to disclose received donations publicly. While there is a wealth of research from the US on this subject, relatively little is known about the magnitude of political donations in the UK, who donates to political parties, and how this interacts with other connections between politicians and non-elected groups such as publicly listed firms, non-profit organisations and wealthy private individuals. The availability of just over 20 years of data due to mandatory disclosure provides an opportunity to reflect on this. This is especially timely given the recent controversies in UK politics.

The view has been, at least historically, that donations represent a relatively peripheral feature of the UK political landscape, especially when compared with the US.<sup>1</sup> As we demonstrate, this accurately depicted the donation landscape in 2001. For instance, there were a total of 1,984 registered donations worth just over £43.1 million in total made to UK political parties in 2001. Any equivalent figure in the US dwarfs this. For example, the Federal Election Commission reports that the Democratic Party and the Republican Party collectively raised \$900 million in 2002 alone. Despite the difference in magnitude relative to the US, there have been increasing concerns about the changes in the donation landscape of UK politics. Again, we demonstrate reasons for this concern. By the year 2019, registered donations had grown to an overall £101 million. It is a remarkable growth rate of 234 per cent in real terms, far exceeding the growth rate of US political funding. Donations made to the two main US parties in this period have grown by 171 per cent in real terms.<sup>2</sup>

Naturally, this increase gives rise to a range of questions, principally the extent to which this growth has favoured particular political parties. Expanding on this point, who these donors are and their likely motives for donating are also salient matters of public interest. More generally, these questions relate to the effects of increased donations on electoral competition and the democratic process.

This paper provides an overview of the level and nature of political donations in the UK and how this has changed over the past 20 years. In doing so, it aims to provide a range of information missing from the literature and public debate. Our first step is to provide a descriptive analysis of the political donations in the UK. We show that there has been a marked increase in donations to UK political parties over the past two decades. These increases have been driven to a large extent by donations by individual donors, with the majority going to the Conservative Party. This is especially true for the last two election cycles (that is, since 2017).

Furthermore, we focus on the relative decline in Labour Party donations. Specifically, we find a general decline in donations since 2010 but also evidence of an accelerating decline during the leadership of Jeremy Corbyn. While we cannot interpret this as a causal effect of the Corbyn leadership (because a trend shift in donations is apparent from 2010), it highlights that the UK political system has entered a unique period of financial imbalance between the two main political parties. There was also a marked growth in donations to UKIP and the Brexit party between 2010 and 2019. This underscores the growing influence of right-wing parties in UK politics.

The overall increase in donations is driven by large donations from individuals and companies and a decline in donations from trade unions. These patterns raise a number of questions about the motives for donations, what political parties gain from these donations, and the potential effects on the competitiveness of the UK's political environment.<sup>3</sup> Critically, the growth rate in these donations greatly exceeds the growth in so-called 'short money' intended to reduce the resource imbalance between incumbent and other political parties. Across the same period, short money grew by only 36% in real terms.

<sup>1</sup> Acker, Orujov and Simpson, 2018.

<sup>2</sup> See Campaign Finance Statistics, Federal Election Commission, at <https://www.fec.gov/data/browse-data/?tab=statistics>.

<sup>3</sup> For instance, in 2021 there were reports that the UK Labour Party faced a financial crisis and made a large number of staff redundant (BBC News, 2021).

Our paper highlights rapid and dramatic changes to one aspect of the UK political landscape. Much of the earlier literature has been concerned with the outside interests of MPs and the potential for this to influence the political process,<sup>4</sup> a concern that continues to be in the public arena.<sup>5</sup> Here, we focus instead on interactions between outside interests and political parties through donations. These may or may not affect individual MPs but fit with concerns regarding lobbying behaviour.<sup>6</sup> Along these lines, the increases in donations we document suggest an increased role of outside parties and wealthy individuals in influencing the UK democratic process. Insofar as this operates through lobbying, this is not inherently contrary to the national interest but does raise concerns about undue external influence. A more general issue raised by our results relates to questions of competitive balance. The extent to which the change in donations has favoured one party and the growing irrelevance of the balancing mechanism of short money leads to questions about the electoral competitiveness of the UK democratic system in the future.

## 2 | INSTITUTIONAL BACKGROUND

In the mid-1990s, there was widespread concern about the secrecy of the funding received by political parties in the UK. Specifically, there were numerous concerns regarding donations from foreign sources, secretive donations where parties did not have to declare who gave them what money and when, and no cap on national campaign spending at major elections. In addition, there existed no independent oversight over the conduct of political parties. These concerns were fuelled by reports of corporate funders influencing parliamentary debates, such as the ‘cash for questions’ affair in 1994 and the tobacco-advertising exemption scandal for Bernie Ecclestone’s Formula 1 event after he had donated £1 million to the Labour Party.<sup>7</sup>

The PPERA of 2000 was a direct response to these concerns.<sup>8</sup> Among many contributions, it introduced transparency in political donations, capped how much political parties and others could spend at national elections, banned foreign donations, and established the Electoral Commission to ensure compliance with these rules. Post-PPERA, all cash, goods or services given to a political party without charge or on non-commercial terms with a value of over £500 are considered donations and must be recorded and reported by the political parties. These donations could take various forms, including gifts of money or other property, sponsorship of political events or publications, subscription or affiliation payments, and free or heavily discounted uses of office space.

Moreover, these donations could now only be accepted from permissible donors. This includes UK-registered companies and Limited Liability Partnerships, UK-registered trade unions, UK-registered building societies, UK-registered friendly societies and unincorporated associations that carry on business or other activities in the UK.<sup>9</sup> However, it is worth noting that donations are not required to be made from profits generated from the UK operations.<sup>10</sup>

<sup>4</sup> See Eggers and Hainmueller (2009), Geys (2013), Geys and Mause (2013) and Green and Homroy (2022).

<sup>5</sup> Data published in the Register of Members’ Financial Interests, UK Parliament, show that outside earnings of MPs have dramatically increased in recent years. The total earnings of MPs from outside jobs increased from approximately £1.8 million in 2005 to £4 million per year in the 2019–22 period. This increase has largely benefited Conservative MPs. The ratio of Conservative to Labour MPs’ outside earnings was approximately 3.7 in 2005, and over the last few years it has been closer to 12. See also Carlin (2007), Savage (2009) and Lefort (2010).

<sup>6</sup> Hollingsworth, 1991.

<sup>7</sup> Walker, 2021.

<sup>8</sup> It was introduced against the background of a focus on reducing corruption and adverse effects of outside interests (Norris, 1996; Oliver, 1997; Rush, 1997; Allen, 2008).

<sup>9</sup> Where foreign entities pay for the reasonable costs of an overseas visit of a British MP, they are deemed to be a ‘permissible donor’.

<sup>10</sup> For example, see the Election Commission report on donations to the Conservative Party from Bearwood Corporate Services (Election Commission, 2010).

Note that there are no limits on how much political parties can *accept* as donations as long as parties report donations over £7,500 and donations and loans that add up to over £7,500 from the same source in the same calendar year. Additionally, all donations and loans that are (or add up to) over £1,500 and come from a single source must be disclosed. The Electoral Commission requires that political parties file quarterly reports with this information.

The UK is one of only six countries to have limits on spending for political parties but not on donations.<sup>11</sup> A national party is allowed to spend £30,000 per constituency contested.<sup>12</sup> In addition, an individual candidate may spend approximately £10,000–£16,000 in the 25 days before an election, depending on the size of the constituency.<sup>13</sup> Consequently, some parties rely heavily on a small number of large financial backers.

At the same time, individuals or groups that aim to promote or oppose electoral candidates are also subject to controls and restrictions on the campaigning that they can do. They may incur expenditures (referred to as ‘controlled expenditure’) to organise public meetings or by issuing advertisements, circulars or publications. They can spend up to £500 per constituency at a general election.

National election expenditure by third parties varies considerably. Third parties may apply to be recognised by the Electoral Commission. Upon becoming a recognised third party, the level of controlled expenditure promoting one party, or disparaging another, increases to a maximum of £793,100 in England, £108,000 in Scotland, £60,000 in Wales and £27,000 in Northern Ireland in the year leading up to an election. If no notice has been given, the limit of expenditure permitted is reduced to £10,000 in England and £5,000 in Scotland, Wales and Northern Ireland. Recognised third parties must complete a return that specifies the election and all controlled expenditures incurred during this period.

The treasurer of the political parties is responsible for filing quarterly donation reports to the Election Commission. Delayed filing incurs a penalty: up to three months late, £500; three to six months late, £1,000; 6–12 months late, £2,000; over 12 months late, £5,000.

It must be noted, however, that despite this range of strict rules, several loopholes allow non-compliance to be commonplace, and heavy penalties are rarely enforced.<sup>14</sup> For example, the ‘cash for honours’ scandal following the 2005 general election was investigated by the Metropolitan Police, but the Crown Prosecution Service did not bring any formal charges against any of the individuals involved due to a lack of conclusive evidence.<sup>15</sup>

### 3 | DATA AND PRELIMINARY PATTERNS

Our data on political donations come from the Electoral Commission database, which records donations made to political parties by individuals, trade unions, firms and other donors. These data exist from 2001 onwards. Over 2001–22, there were 62,911 donations to major parties in total, summing up to £1.06 billion in real terms (2019 base).<sup>16</sup>

Our starting point is to use these data to provide evidence on the level of donations and its evolution over the past 20 years. Figure 1 displays total donations per annum in millions of 2019 British pounds

<sup>11</sup> See Whiffen (2020). The other five countries are Austria, Hungary, Italy, Slovakia and New Zealand.

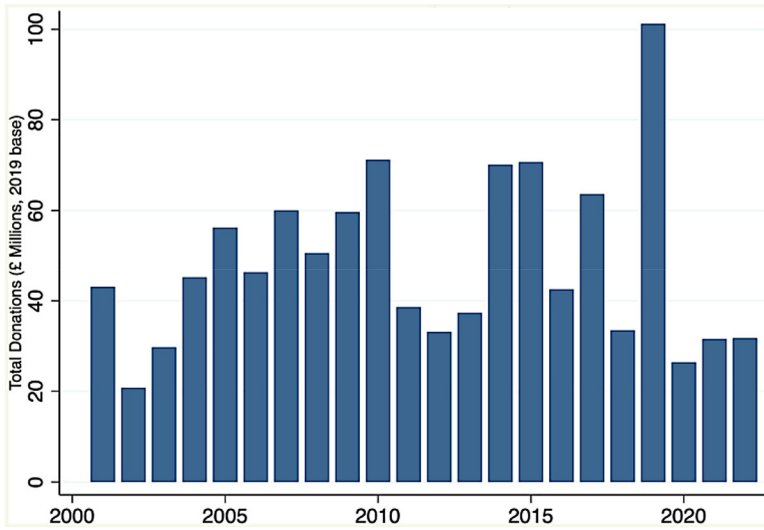
<sup>12</sup> A party contesting all UK seats could spend a maximum of £19.5 million in the campaign period.

<sup>13</sup> Johnston et al., 2021.

<sup>14</sup> For example, the data provided by the Electoral Commission archive of electoral offences show that most investigations result in no sanctions or small monetary penalty; see the list of enforcements and investigations on the Electoral Commission’s website at <https://www.electoralcommission.org.uk/who-we-are-and-what-we-do/our-enforcement-work/investigations>.

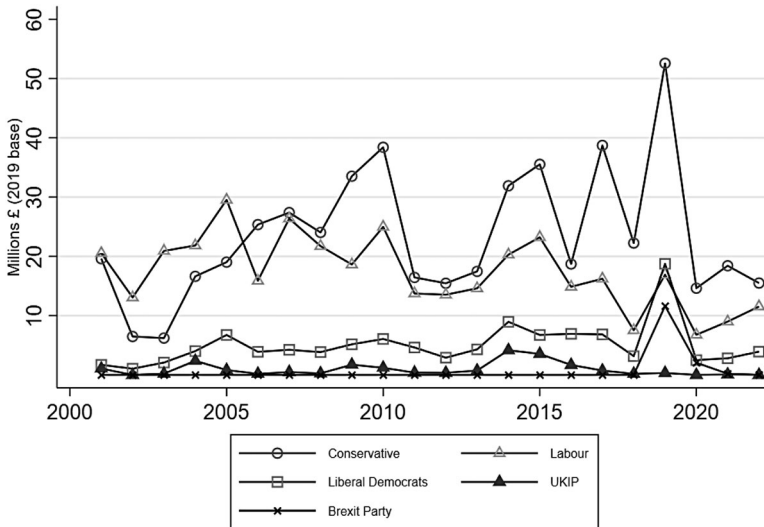
<sup>15</sup> Public Administration Select Committee, 2007.

<sup>16</sup> The major parties that we include in our data throughout the paper are the Labour Party, the Conservative Party, the Liberal Democrats, UKIP, the Brexit Party (now known as Reform UK), the Green Party and the Scottish National Party (SNP).



**FIGURE 1** Total political donations by year, in 2019 GBP

*Note:* This figure shows total political donations per year across all donor sources and all parties. Amounts have been adjusted to 2019 GBP using the Consumer Prices Index (CPI). As an indication, the CPI increased from an index value of 0.794 in 2005 to a base of 1.00 in 2019.

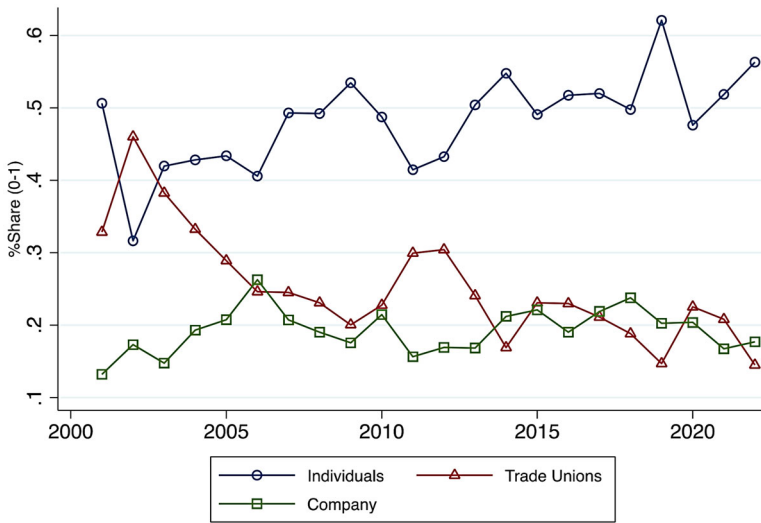


**FIGURE 2** Total political donations for the main political parties, 2019 GBP

*Note:* This figure shows total political donations per year across all donor sources for five major national parties. Amounts have been adjusted to 2019 GBP using the CPI.

(GBP). At the start of the period, donations were around £40–70 million for election years (2001, 2005) and around £20–40 million for off-election years. It increased steadily over the 2000s, with a relative slump in the early 2010s before a surge around the 2015 election. However, the most marked feature is the large spike for 2019. This year, donations reached over £100 million for the first time since public disclosure began in 2001.

Figure 2 presents the same information split according to the party of receipt, where we focus on the three largest parties, UKIP and the Brexit party. This figure reveals several interesting patterns.



**FIGURE 3** Donations by donor type: shares

*Note:* This figure shows the share of total donations across the three largest types of donors. The y-axis is a 0–1 scale representing the fraction of all spending. For example, individual donations accounted for 50% of total donations in 2018. On average, these three sources – individuals, company and trade unions – together accounted for 93% of donations over 2001–21.

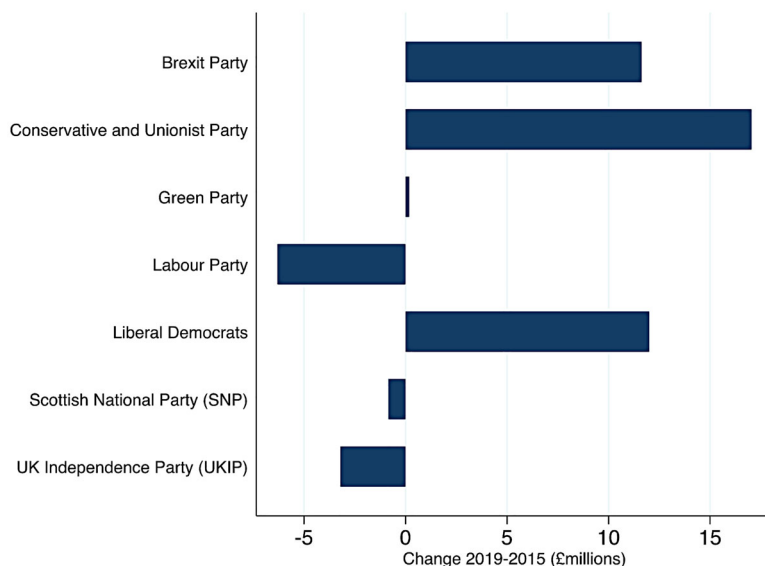
First, the growth in donations observed in Figure 1 disproportionately reflects increases in donations to the Conservative Party. For example, while Labour Party donations are essentially at the same level in real terms in 2019 as in 2001, donations to the Conservative Party grew by multiples of three to four times over this period. The dramatic increase in donations to the Liberal Democrats in 2019, following 20 years of little variation, reflects the one-off donation by Lord Sainsbury following his public realignment from mainly supporting the Labour Party.<sup>17</sup> While obscured somewhat by the y-axis scale, UKIP donations rose steadily in the 2010s, then dropped following the Brexit referendum. However, the Brexit Party emerged in 2018. By 2019, it collected donations nearly 11 times higher than the UKIP average of £1.1 million since 2003 and 2.5 times higher than the previous UKIP peak of £4.1 million in 2014.<sup>18</sup>

Where did these increased donations originate from? Figure 3 demonstrates that while there is general evidence of an increase in donations from multiple sources, donations from private individuals have increased the most dramatically and essentially drive the patterns seen in Figures 1 and 2. In particular, the share of individual donations rose from 50% to 60% between 2018 and 2019. Figure 4 then compares 2019 to a previous election year (i.e. 2015) as an attempt to examine like-for-like in terms of election years. It is very striking, showing an approximate £17 million increase in real terms for the Conservative Party and over £11–£12 million each for the Liberal Democrats and the Brexit party. In contrast, Labour Party contributions fell by over £6.3 million in real terms.

These patterns naturally lead to questions regarding the identity of the individuals making these donations, which we seek to address further below.

<sup>17</sup> Lord Sainsbury, a minister in the Blair government, donated over £2 million to the Liberal Democrats leading up to the Brexit referendum (Mance, 2016).

<sup>18</sup> Note that we exclude the Green Party and the SNP from Figure 2 to aid the visual exposition. These parties have average donations of less than £1 million per year over the period.



**FIGURE 4** Change in donations by party, between 2019 and 2015

*Note:* This figure shows the change in total donations across the two election years of 2019 and 2015 for each named party. Amounts have been adjusted to 2019-indexed values using the CPI. The Brexit Party did not exist in 2015, so the amount shown reflects the level of donations received in 2019 (note that this assumes a base of zero for the Brexit Party in 2015).

## 4 | RESULTS

With this evidence as background, we now seek to explore several features of this substantial increase in donation behaviour over time.

### 4.1 | Has the Conservative Party's donations advantage been growing?

Our first step is to estimate a series of regression models at a political party–year level. This allows us to separate the political party effects from common year effects (e.g., higher donations in election years), and from the boost that comes from incumbency and any systematic changes that might arise due to changing patterns in the source of donations.

We aggregate the individual-level data to the political party-quarter level and estimate models of the general form:

$$D_{it} = Party_{it}\beta + X'_{it}\gamma + q_t + y_t + \varepsilon_{it}. \quad (1)$$

Here,  $D$  is the donation amount to political party  $i$  at time  $t$ ,  $Party$  is a series of mutually exclusive political party indicators,  $X$  is a vector of controls,  $q$  is a series of quarter fixed effects,  $y_t$  are year fixed effects and  $\varepsilon_{it}$  is an error term. The aim of estimating versions of equation (1) is to provide descriptive evidence on patterns of donation receipt across our period of analysis. In particular, we are interested in whether differences in average party donation receipt over this period still hold after controlling for the election cycle (time effects), funding sources and incumbency effect.

Table 1 provides corresponding estimates where we use the Liberal Democrats as the omitted comparison case such that all party estimates are relative to Liberal Democrat donation levels. The first



**TABLE 1** Estimates of quarterly donation receipt, 2001–22 (£ millions, 2019 values)

	'Raw' (I)	+Year (II)	+Source (III)	+ Elections (IV)	+ Incumbency (V)
Conservative Party	4.005*** (0.359)	4.063*** (0.347)	3.938*** (0.405)	3.725*** (0.416)	3.798*** (0.393)
Labour Party	2.505*** (0.359)	2.545*** (0.347)	1.193 (1.346)	2.038 (1.402)	2.246* (1.323)
SNP	-0.960*** (0.365)	-0.988*** (0.351)	-1.418*** (0.451)	-1.220*** (0.459)	-1.093** (0.434)
Brexit Party	0.133 (0.753)	-0.237 (0.769)	-0.286 (0.769)	-0.139 (0.769)	-0.070 (0.726)
Green Party	-1.072*** (0.361)	-1.081*** (0.349)	-1.413** (0.425)	-1.235*** (0.432)	-1.104*** (0.409)
UKIP	-0.893** (0.373)	-1.023** (0.362)	-1.350*** (0.470)	-1.127** (0.480)	-0.965** (0.454)
Company			1.466 (1.300)	1.221 (1.301)	0.699 (1.230)
Individual			1.802 (1.150)	1.682 (1.148)	1.201 (1.085)
Trade union			4.887** (2.379)	2.657 (2.602)	1.654 (2.460)
Incumbent				0.719** (0.345)	0.776** (0.326)
Election period					2.690*** (0.352)
Constant	1.132*** (0.255)	0.604 (0.540)	-0.822 (0.984)	-0.793 (0.981)	-1.304 (0.928)
Year dummies		×	×	×	×
Observations	507	504	504	504	504
R <sup>2</sup>	0.413	0.481	0.494	0.499	0.554

Note: This table shows estimates of the party effects controlling for different factors. The data are at the party-quarter level, with seven political parties included. The omitted case for party dummies is the Liberal Democrats and, for sources, 'all other sources' (i.e. all sources that are not company, individuals or trade unions). Robust standard errors are given in parentheses. \*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$ .

column of results omits year fixed effects, but all subsequent estimates include them. Including year fixed effects changes the interpretation of the estimates to party-level variations in donation receipt holding constant underlying yearly changes in donations common to all political parties (such as implied by Figure 1). In practice, the move from columns I to II does not materially influence the party receipt estimates except for the Brexit Party, which, as shown in Figure 2, only received substantial donations in the latter years of the coverage period.

The Conservative Party receives, on average, the most in donations. This is of the order of £4 million (2019 GBP) more than the Liberal Democrats per quarter, between £1.5 and £2.5 million more than the Labour Party, and approaching £5 million more per quarter than the SNP, Green Party or UKIP.

Column III introduces controls for the source of the donations. These are the shares of the donations in each quarter to the party from each source type. These sum to one, so all coefficients are relative



to a baseline ‘all other’ category that takes in donations from unincorporated associations, friendly societies, limited liability partnerships, trusts and other sources.

The magnitude of these estimates can be interpreted as how much donations in each quarter would increase if they moved from a zero per cent share of donations from a particular source to a hundred per cent share of donations from that source. Introducing these controls leaves the Conservative Party coefficient unaffected and has little effect on party coefficients except for the Labour Party. This reflects the fact that the Labour Party is perhaps naturally more dependent on donations from trade unions, and these typically take the form of large, single donations (more below), while other parties have much more diverse sources of donations.

Columns IV and V introduce control for political cycle effects likely to influence donation behaviour. First, we include a control for the party being a part of the incumbent government (column IV). This reflects a concern that the Conservative Party forms the incumbent government in the second half of the coverage period when donations are at their highest. Our results do, indeed, show that incumbent parties receive more in donations, of the order of £0.7 million more per quarter. We also introduce controls for periods leading up to general elections, and also including the Brexit referendum and the Scottish Independence referendum. In short, this is a common time dummy set at a value of 1 for the quarter containing an election or referendum event.<sup>19</sup> Perhaps not surprisingly, as reported in Table 1, these election periods are associated with substantially higher donations than baseline periods, on average just under £2.7 million more per quarter.

Notably, including these controls does not materially affect the donation patterns of the Conservative Party. Yet, they do influence the pattern of Labour Party receipts. Introducing controls for incumbency and election periods shifts the pattern of Labour Party receipts such that by column V, they are approximately double the size reported in column III. These results show that a part of the Conservative Party donations premium reflects advantages to incumbency and a greater ability to attract funding during election periods. With this said, there still remains a sizeable underlying structural difference in the pattern of donation receipt across the major parties.

## 4.2 | Impact of the Corbyn leadership

The reduction in Labour Party donations, relative to the Conservative Party, fits with a view that recent leadership positions, for instance, under Jeremy Corbyn, were viewed as potentially hostile to donors from the private sector. We explore this by estimating a series of difference-in-difference style models based on when Corbyn became leader of the Labour Party in September 2015.

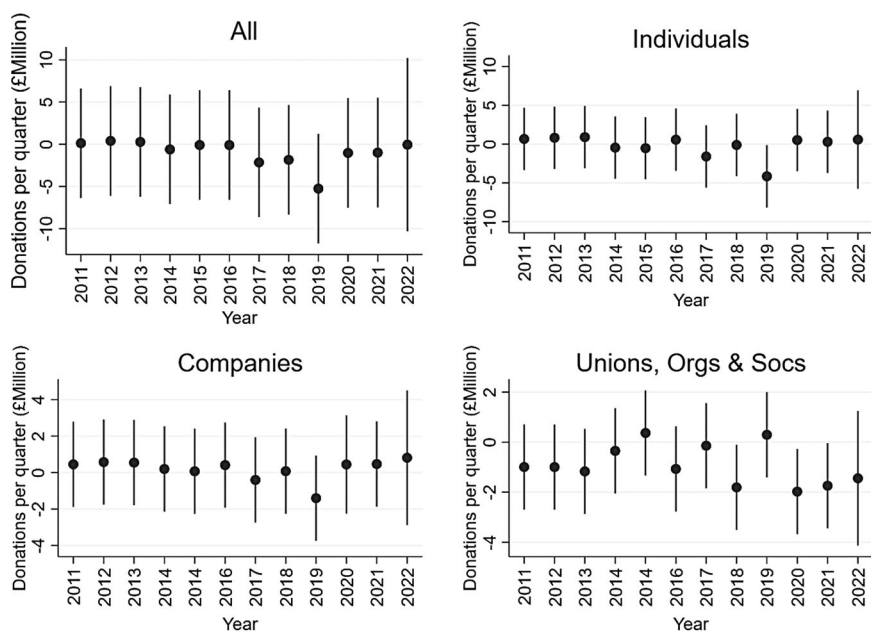
We only include the three main political parties in this analysis due to the more irregular pattern of donations to the smaller parties (see again Figure 2) and estimate quarterly models where we include a full set of quarterly dummies, dummy variables for each party (again omitting the Liberal Democrats), and a dummy variable that takes the value of 1 for the Labour Party once Corbyn became leader, and zero again following the end of his leadership period. Table 2 reports the resulting estimates. These demonstrate that overall donations to the Labour Party fell by approximately £2 million per quarter during the Corbyn leadership relative to the trend that would have been expected if Labour Party donations followed the same average trends as the Conservative Party and the Liberal Democrats in this period. The second and third columns report similar exercises where we report only individual and company donations, respectively. This suggests that the fall can be decomposed into a part reflecting a £1.4 million per quarter reduction in individual-sourced donations and a £0.6 million per quarter reduction in company donations. In the final column, we estimate the equivalent model for donations from trade unions, associations and friendly societies. The estimates demonstrate essentially no shift in donation level from these sources over the period of the leadership change.

<sup>19</sup> In other approaches, not reported but yielding equivalent results, we included dummies for both the quarter when the election/referendum occurred as well as the quarter before.

**TABLE 2** Estimates of quarterly donations (in thousands) to the Labour Party and the Corbyn leadership, 2010–22

	All	Individual	Company	Unions, orgs and socs
Corbyn*Labour	-1.99** (0.94)	-1.41** (0.67)	-0.61 (0.47)	0.04 (0.36)
Conservative Party	4.79*** (0.52)	3.08*** (0.37)	1.47*** (0.26)	0.23 (0.20)
Labour Party	2.80*** (0.62)	0.05 (0.45)	0.13 (0.32)	2.60*** (0.24)
Quarterly dummies	×	×	×	×
Observations	147	147	147	147
Adjusted $R^2$	0.77	0.73	0.53	0.73

Note: This table reports estimates from a difference-in-difference model that tests whether there was a statistically significant decline in donations after Jeremy Corbyn took over as Labour Party leader in September 2015. Robust standard errors are given in parentheses. \*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$ .

**FIGURE 5** Event studies, Labour Party donations by source, 2010–22, average quarterly donations

Note: This figure reports the estimates of event-study models estimated on quarterly party-level data for the Conservative Party, Labour Party and Liberal Democrats ( $N = 147$ ). Specifically, we report the year Labour coefficient estimates, where the baseline group in the regression is the Liberal Democrats. 95 per cent confidence intervals are presented (robust standard errors).

This interpretation of these estimates assumes that Labour Party donations, in the absence of the Corbyn leadership, would have followed the same trends as those experienced by the two other major parties. To explore this assumption, we estimate event-study models for the three main sources of donations. These are presented in Figure 5; note that, for clarity, we report the year dummies estimated across quarters.<sup>20</sup> Furthermore, the 2015 calendar year is only partially covered by the

<sup>20</sup> While the estimates we retrieve from the quarterly dummies are jointly statistically significant, they are individually noisy and imprecise.

Corbyn leadership. These plots reveal that donation amounts appear broadly on trend across all subcategories before (and including) 2016. It provides some suggestion of the pre-leadership donation levels trends being similar between the Labour Party, Conservative Party and Liberal Democrats, and this is important for the interpretation of the results in Table 2 (although we stress caution due to the size of confidence intervals). From 2017 onwards, there is evidence of a decline in donations to the Labour Party for the first two sources, relative to what would have been expected if donations had continued to follow the trends of the other two parties.<sup>21</sup> The results for trade unions, associations and societies are less clear, but combined with the estimates in Table 2, they suggest no countervailing increase in donations to the Labour Party from other sources. While the confidence intervals for these estimates overlap zero for individual years in most cases, the estimates for individual and company donations indicate a statistically significant fall in relative donation performance in 2019. It is notable that in the period following the Corbyn leadership, Labour Party donations appear to revert to the trend.

### 4.3 | Concentration, partisanship and ‘super-donors’

Much of the concern regarding political donation behaviour centres around the extent to which donations generate ongoing links between individuals or companies and politicians, and influence political decision-making through this. We investigate two related issues to shed light on the potential for increased influence: the concentration of donations by source; and the partisanship of political donations. Specifically, our focus is the rise of what we call super-donors, defined as individuals who make donations to political parties of over £100,000 in value in a given year.

As an initial illustration of the concentration and nature of donor sources, Figure 6 provides lists of the top donors for 2001, 2011 and 2019. This shows that the size of these donations (in real terms) has increased markedly over time. While the top donor gave just over £7 million in 2001, the corresponding figure was nearly £10 million in 2019. The composition of donors also changed. Trade unions dominated the list of top super-donors circa 2001, but individual and company donors have displaced them since. The role of private super-donors is then explicitly tracked in Figure 7, which shows the GBP-weighted share of these donors in total donations. We display two sets of information here. First, we plot the number of individual super-donors donating each year (right-hand axis) and the share of total donations from these super-donors (left-hand axis). It reveals a marked but non-linear increase in super-donor activity over time. Only a handful of individuals donated more than £100,000 (recall 2019 GBP) in the early 2000s. It grew steadily throughout the late 2000s before dropping significantly following the global financial crisis.

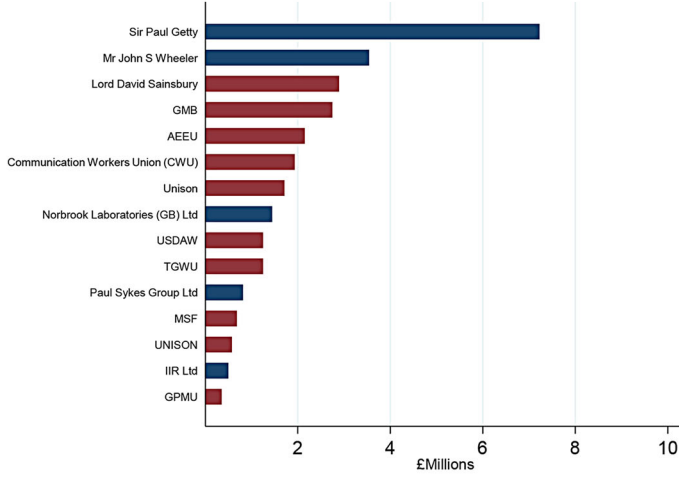
These numbers grew rapidly throughout the 2010s, peaking in 2019 with 116 super-donors giving money. The share of total donations sourced from these super-donors is more uniform across the period but spikes markedly again in 2019, where they comprised 45 per cent of total donations to the major UK political parties. One must also remember the general increase in donation amounts across the period, such that even with constant shares, total amounts of donations would have been increasing.

These trends for super-donors are mirrored in general large donation activity from private individuals. In Figure 8, we create bands of donations for £25,000–£49,999, £50,000–£99,999 and £100,000 plus. The number of distinct donors per year in each band is then plotted for the Conservative Party and Labour Party. This shows a clear pattern of exit from the Labour Party by large private donors. In fact, we cannot pick up any donors for these bands in the off-election year 2018. However, as Figure 8(b) shows, there has been a consistent increase in the number of large Conservative Party donors in all the bands we define.

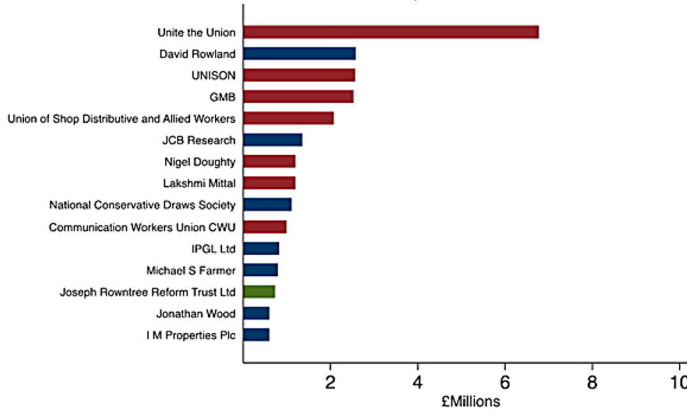
Analysing the microdata (i.e. the patterns in terms of individual donor behaviour), we can see that the Labour Party experienced a higher attrition rate than the Conservative Party amongst potential

<sup>21</sup> Note the tenor of these results is not changed if instead we focus only on the Conservative Party and the Labour Party.

(a) Super-donors in 2001



(b) Super-donors in 2010



(c) Super-donors in 2019

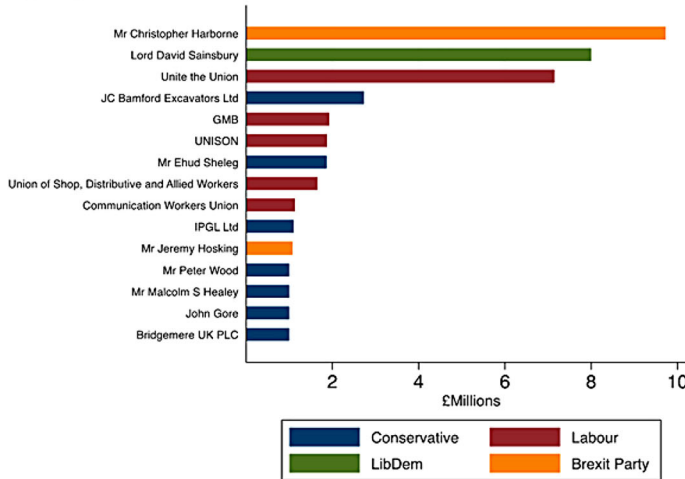
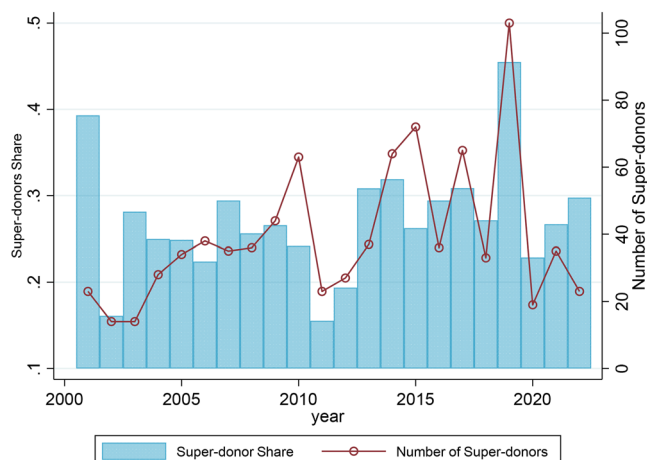


FIGURE 6 Top super-donors across time

Note: Super-donors are defined as total donations exceeding £100,000 in a single calendar year. The Brexit Party in 2001 is UKIP.



**FIGURE 7** Trends in super-donor activity (individuals)

*Note:* This figure shows, first, the total share of ‘individual’ source super-donors in all donations, as illustrated by the bar chart, which uses the left-hand y-axis with a 0–1 scale. Then, we show the underlying number of distinct donors as a solid line using the right-hand y-axis. Super-donors are those donating £100,000 or more to a party in a year.

repeat donors over the 2015–19 period. For example, in the £50,000–£99,999 band, only two donors out of the 13 active in 2015 gave again to Labour in 2019 – an 84.6 per cent attrition rate. In contrast, 32 out of the Conservative Party’s 72 donors in the £50,000–£99,999 band were still active in 2019 (a 55.5 per cent attrition rate).

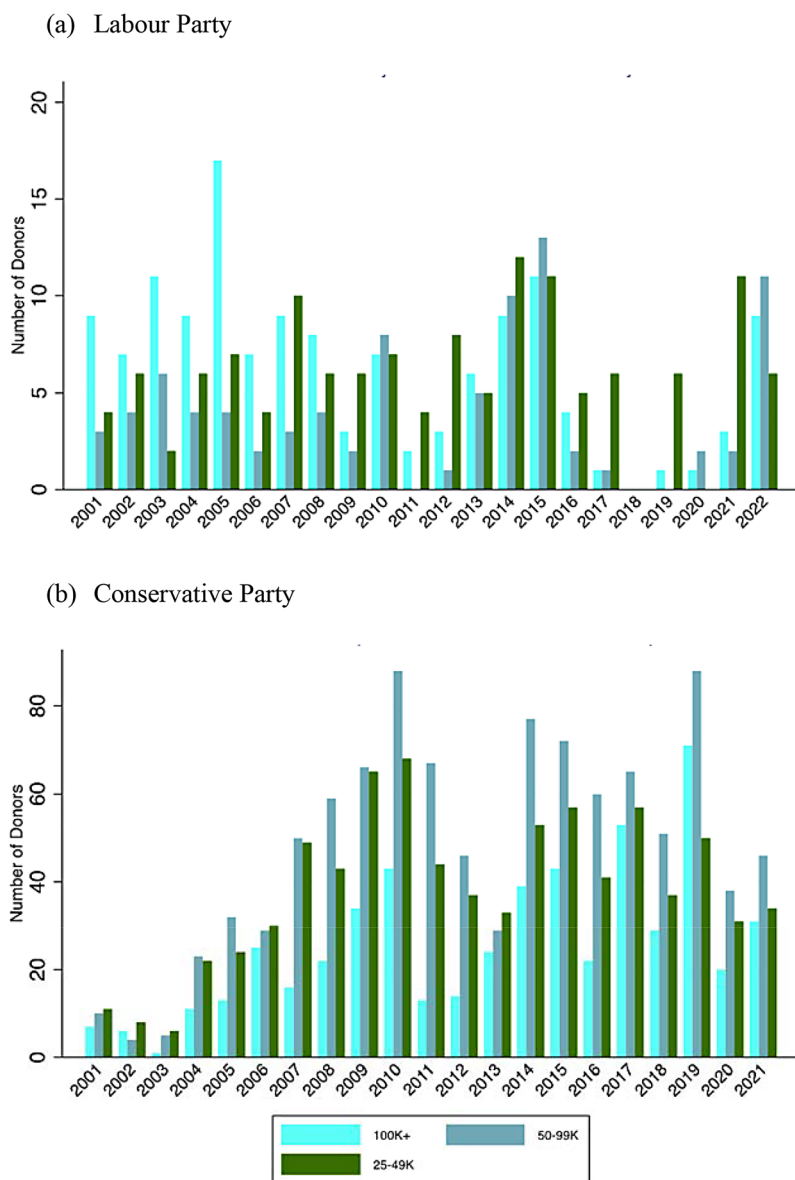
It should be noted here that the market for individual political donations is dualistic. Approximately 71 per cent of unique private individual donors only ever donate in a single year, followed by another 14.4 per cent who still only donate in two different years across the entire post-2001 period. However, the other side of this is that the value of donations is heavily concentrated with highly active donors. We define ‘prolific’ donors as those giving in five or more years. While representing only 5.3 per cent of unique donors by headcount, this group accounts for 37.4 per cent of donations in terms of actual GBP. The concentration is even more pronounced if we condition by overall total amounts donated. The top 10 private donors account for 14 per cent of all donations, which only expands to 30.6 per cent when the next 40 largest donors are considered. The concentration of UK political donations amongst a limited number of hands is an important issue for financing UK democracy.

#### 4.4 | Out of balance? Public funding and party resources

The trends we have observed above raise questions about the relative resources available across parties. Public funding of political parties was introduced under the direction of House of Commons Leader, Edward Short, in 1975. The short money system involves financial assistance to opposition parties based on the number of votes and seats won. As of April 2021, the amounts are £18,407 for every seat won, with a further £36.76 for every 200 votes gained.<sup>22</sup> There are further amounts granted for opposition travel expenses and the running of the Opposition Leader’s office.

We report the breakdown of donations versus short money for the Labour Party and the Conservative Party in Figure 9. Note that this shows the *share* of a particular funding source in total financial resources across the two parties. The ‘balancing’ role of short money is demonstrated in cases such

<sup>22</sup> This applies conditional on a party status threshold of a minimum of two seats won or one seat plus at least 150,000 votes won across all constituencies (Kelly, 2021).

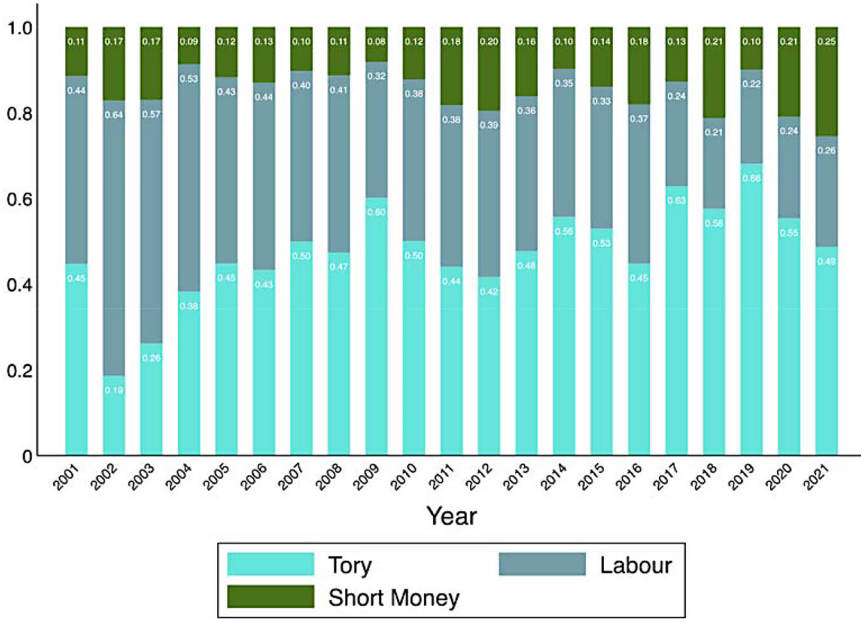


**FIGURE 8** Large donor activity (private individuals): number of donors by banded amounts

*Note:* This figure shows the number of distinct private individual donors by banded amounts for (a) the Labour Party and (b) the Conservative Party. There are three bands: £25,000–49,999, £50,000–99,999 and £100,000 plus.

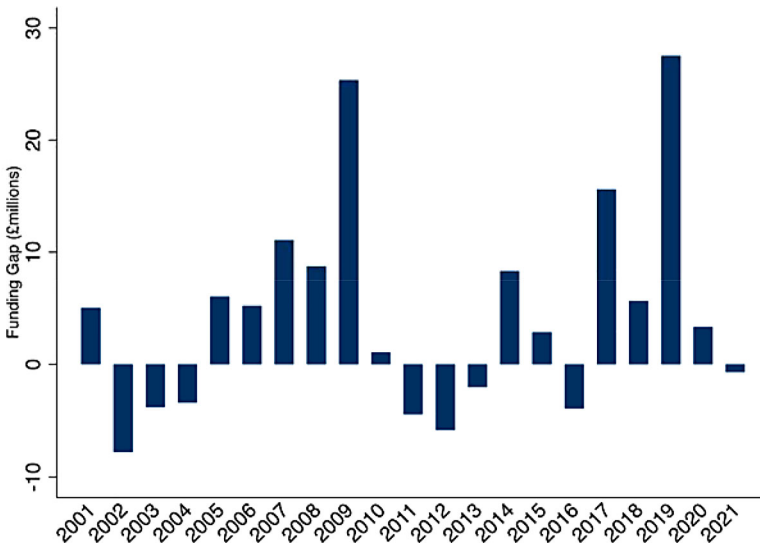
as 2003, when the total Conservative share of 43 per cent was derived from a donations component of 26 per cent and a short money component of 17 per cent. Nearly four-tenths of Conservative Party resources were due to public funding.

In the post-2010 period, the relationship is switched such that the short money component should be added to the Labour Party donations share. This indicates that the Conservative Party share of resources has been running at 55–60 per cent since 2016, as private donations to the Labour Party have fallen and short money amounts have been reduced (due to the Labour Party's lost votes in the 2019 election). The short money system has historically effectively balanced available resources across the two major parties. The recent 55–60 per cent share for the Conservative Party is rare in the history of funding since 2001 – the Labour Party only held a similar advantage in the early to mid-2000s.



**FIGURE 9** The role of ‘short’ money in overall party funding

*Note:* This figure shows the funding composition for the Labour Party and Conservative Party over time. The short money component represents public funding, while the other components (Labour and Conservative) represent funding from private sources. Years are defined as financial years. Each year, the bars add up to 1 (i.e. representing 100 per cent).



**FIGURE 10** Total funding gap and short money: Conservative Party versus Labour Party

*Note:* The funding gap is calculated as total Conservative Party funding minus total Labour Party funding. Practically, total Conservative funding comprises donations plus short money until 2010, with the parties swapping positions post-2010. Years are defined as financial years. Values are deflated by the CPI (2019 base year).



However, once these shares are combined with the big increase in the amount of donations that has occurred over recent years, the current situation emerges as exceptional. Figure 10 displays the differences in available resources in terms of actual amounts in GBP. This shows that the ‘actual’ resource gap has increased dramatically to £15.6 million in 2017 and then £27.5 million in 2019. By comparison, during the Labour Party’s relative peak in the early 2000s, the gap was in the £5 to £7 million range (read in terms of negative values in Figure 10).<sup>23</sup>

This gap is likely to persist for the remainder of the current parliament. This is because the drivers of the overall trend – namely, the increase in donations to the Conservative Party and the reduction in short money funding to the Labour Party – either have clear momentum (donations) or are set in place until the next election (short money). At the time of writing (August 2023), the Labour Party has a sizeable lead in opinion polls that has been stable since the short-lived Truss government in 2022. This could change the pattern of donations across the parties leading up to the 2024 election, but the Conservative Party will start from a £20 million plus advantage established in the 2017 and 2019 elections. The UK is, therefore, set for a prolonged period of imbalance in financial resources across the major parties.

## 5 | CONCLUSIONS

Twenty years of political donation disclosure in the UK provides an opportunity to reflect upon the growth in connections between politics and outside interests. In this paper, we have identified how donations to political parties have developed over the last two decades and we have provided an overview of the broad patterns of donation receipt and behaviour. This is timely in the face of a range of recent events that highlight increases in interactions between politicians, ex-politicians, lobbyists and businesses, many of which appear not to be in the broader public interest.

While donations to political parties remain relatively (compared to, for instance, the US) of low value, we document a substantial increase that does not appear to be receding. While the sources of these increases are broad-based, increases in donations from individuals have increased the most sharply over the past decade. The changing donation pattern has primarily benefited the Conservative Party. Related to this, we demonstrate how changes in Labour Party leadership appear to have led to substantial reductions in donations from individual and company sources.

It is difficult to characterise the donors along a particular dimension. However, one pattern is strongly evident. Along with this increase in donation amounts, a group of high-value donors has emerged, which we term ‘super-donors’. These donors are characterised by making large, sometimes one-off, donations. They are also, with few exceptions, highly partisan. An open question for future research is the motivation of these super-donors. What leads private individuals to make large, sometimes one-off, donations to a political party? A further natural question is related to this: what are the motives of UK political parties in seeking these donations? We document quite stringent rules (or at least more stringent than the rules on donations) on what these parties can spend this money on. This leads to questions about the value these increased donation amounts have to political parties and the extent to which they actively seek them.

With this paper, our aim is to motivate increased research in this area. The political landscape in the UK has, and is, changing very rapidly. We view changes in donation behaviour as one readily visible part of this. Yet, less visible changes are likely to reflect similar patterns of behaviour. Most notably, changes in technology, especially that related to political advertising (e.g. through social media), have clearly changed, as have more direct interactions between the corporate sector and the political sphere.<sup>24</sup> In this sense, our focus on declared donations may understate changes in financial support to the major UK political parties.

<sup>23</sup> Note that complete data on short money for the 2022–23 financial year were not available at the time of writing such that Figures 9 and 10 end in 2021.

<sup>24</sup> Green and Homroy, 2022.

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