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Financing UK democracy: A stocktake of 20 years of political donations

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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% 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% up to the late 2010s. Furthermore, ‘superdonors’ (those contributing more than £100,000) have been a prominent driver of the rise, increasing their own share from approximately 31% in 2017 to 45% in 2019. We also show that private donations to Labour fell sharply in the final stages of Jeremy Corbyn’s leadership. Overall, these trends have benefited the Conservative Party, leading to an historic resource gap between the two main parties emerging circa 2019. We calculate that the ‘resource gap’ between parties now stands at approximately £27 million compared to an historic average of £8-10 million (even when taking account of publicly-funded ‘Short’ money provided to the Opposition).

Keywords: Political Connections; Political Donations

JEL Codes : D72

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1. INTRODUCTION

2021 marked twenty years of the Political Parties, Elections and Referendums Act (PPERA), which made it mandatory for British political parties to publicly disclose received donations. 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 recent controversies in UK politics.

The view has been, at least historically, that donations represent a relatively unimportant feature of the UK political landscape, especially when compared to the US (Acker, Orujov and Simpson, 2018). As we demonstrate, this was an accurate depiction of the donation landscape in 2001. For instance, there were a total of 1,984 registered donations worth just over £40.9 million in total made to UK political parties in 2001. This is dwarfed by any equivalent figure in the US. For example, the Federal Election Commission reports that the Democratic Party and the Republican Parties collectively raised \$900 million in 2002 alone. Despite the large gap in funding of the political parties, there have been increasing concerns of changes in the donation landscape of UK politics. Again, we demonstrate reasons for this concern. By the year 2019, registered donations had grown to overall £101 million. This is a remarkable rate of growth in the order of 247% in real terms. In contrast, donations made to the two main American parties in this period have grown by 171% in real terms (Federal Election Commission, 2020).

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 natural matters of public interest. These types

of questions more generally raise issues about the effects of the increases in donations on 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 at providing a range of information missing from the literature and public debate at this time. Our first step is to provide a descriptive analysis of donations. This shows that there has been a dramatic 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 (Tory) party. This is especially true for the last two election cycles (that is, since 2017). Furthermore, we study 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 (since a trend shift in donations is apparent from 2010) it serves to highlight that the UK political system has entered a unique period of financial imbalance.

The overall increase in donations has been driven by large donations from individuals and companies. 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.¹ Critically, the rate of growth in these donations greatly exceeds the growth in so called 'short money' that is 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.

¹ For instance, recently there have been reports that the UK Labour Party faces a financial crisis and has made a large number of staff redundant (BBC News, "Labour Party: Union Confirm around 80 staff to take voluntary redundancy", September 3rd 2021).

2. INSTITUTIONAL BACKGROUND

In the mid-1990s there was widespread concern about the secrecy of the funding received by British political parties. 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 Vote” scandal in 1994 and the tobacco-advertising exemption scandal for the Bernie Ecclestone’s Formula 1 event after he had donated £1 million to the Labour Party (Walker, 2021).

The Political Parties, Elections and Referendums Act (PPERA) of 2000 was a direct response to these concerns. Amongst many contributions it banned foreign donations, introduced transparency in political donations, capped how much political parties and others could spend at national elections, and established the Electoral Commission (EC) for ensuring 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 as donations and must be recorded by the political parties. These donations could take a range of forms including gifts of money or other property; sponsorship of political events or publications; subscription or affiliation payments; and free or specially 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 UK². However, it is worth noting

² Where foreign entities pay for the reasonable costs of an overseas visit of a British MP, they are deemed to be a ‘permissible donor’.

that there is no requirement that the donations are made from profits generated from the UK operations³.

Note that there are no limits on how much political parties can *accept* as donations. However, all parties must report donations over £7,500, along with 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 need to be disclosed. The EC requires that political parties file quarterly reports with this information.

The UK is one of only six countries⁴ to have limits on spending for political parties but not on donations (Transparency International, 2020). A national party is allowed to spend £30,000 per constituency contested⁵. 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 (Johnston, Rhodes, Little, and Robertson, 2021). 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 organize 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 recognized by the Electoral Commission. Upon becoming a recognized 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

³ For example, please see the Election Commission Report (2010) on donations to the Conservative Party from Bearwood Corporate Services (BCS).

⁴ The other five countries are Slovakia, Austria, Italy, Hungary, and New Zealand.

⁵ A party contesting all UK seats could spend a maximum of £19.5 million in the campaign period

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. Recognized third parties must complete a return that specifies the election that occurred and all controlled expenditure that were 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 3 months late: GBP 500, 3-6 months late: GBP 1000, 6-12 months late: GBP 2000, Over 12 months late: GBP 5000.

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 enforced⁶. For example, the cash for honours scandal following the 2006 General Elections 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 lack of conclusive evidence (Public Administration Select Committee, 2007).

3. DATA and PRELIMINARY PATTERNS

Our data on political donations comes from the Electoral Commission database that records donations made to political parties by individuals, trade unions, firms, and other donors. This data exists from 2001 onwards. Over the period 2001-2021 there were 60,473 donations to major parties⁷ in total, summing £1.01 billion GBP in real terms (2019 base).

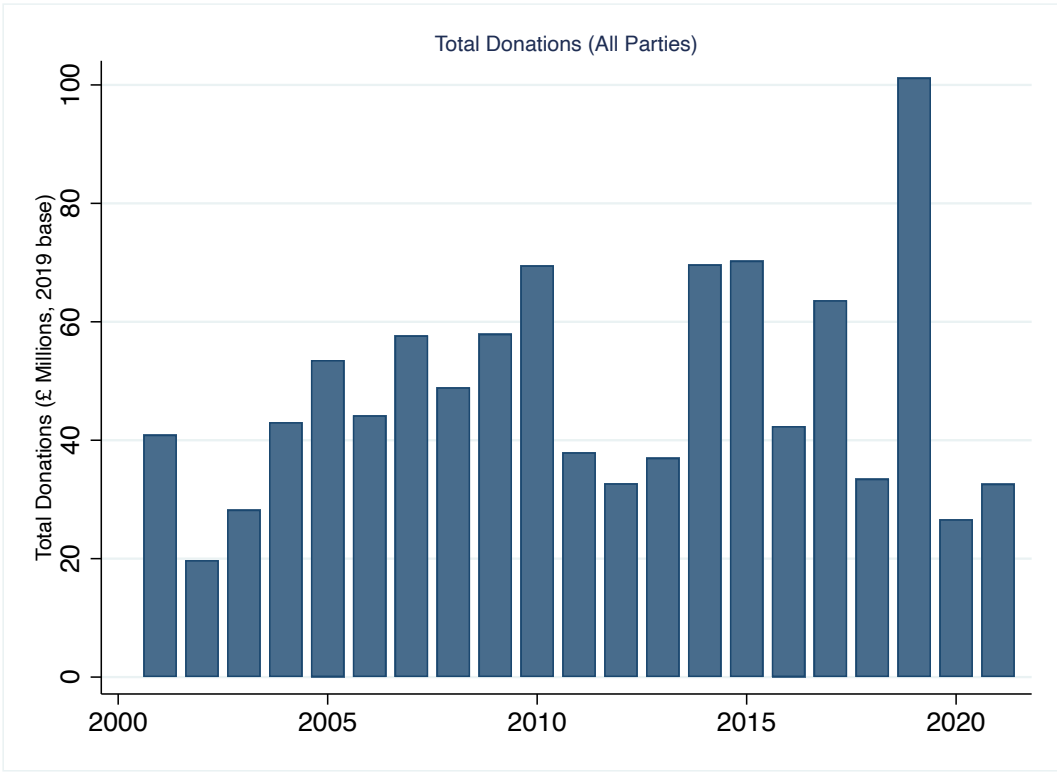
Our starting point is to use this data to provide evidence on the level of donations and its evolution over the past 20 years. Figure 1 displays total donations per annum in millions of 2019 pounds. At the start of the period, donations were at levels of around £40-50 million for

⁶ For example, the data provided by [Election Commission archive](#) of Electoral Offences shows that most investigations result in no sanctions or small monetary penalty (UK Election Commission).

⁷ The major parties that we include in our data throughout the paper are: Labour, Conservatives, Liberal Democrats, UKIP, the Brexit Party (now known as Reform UK), the Green Party, and the Scottish National Party.

election years (2001,2005) and around £20-30 million for off-election years. This increased steadily over the 2000s with a relative slump in the early 2010s before a surge around the time of the 2015 election. However, the most marked feature is the large spike for 2019. In this year, donations reached over £100 million for the first time since disclosure began in 2001.

FIGURE 1 – Total Political Donations by Year, 2019 Pounds

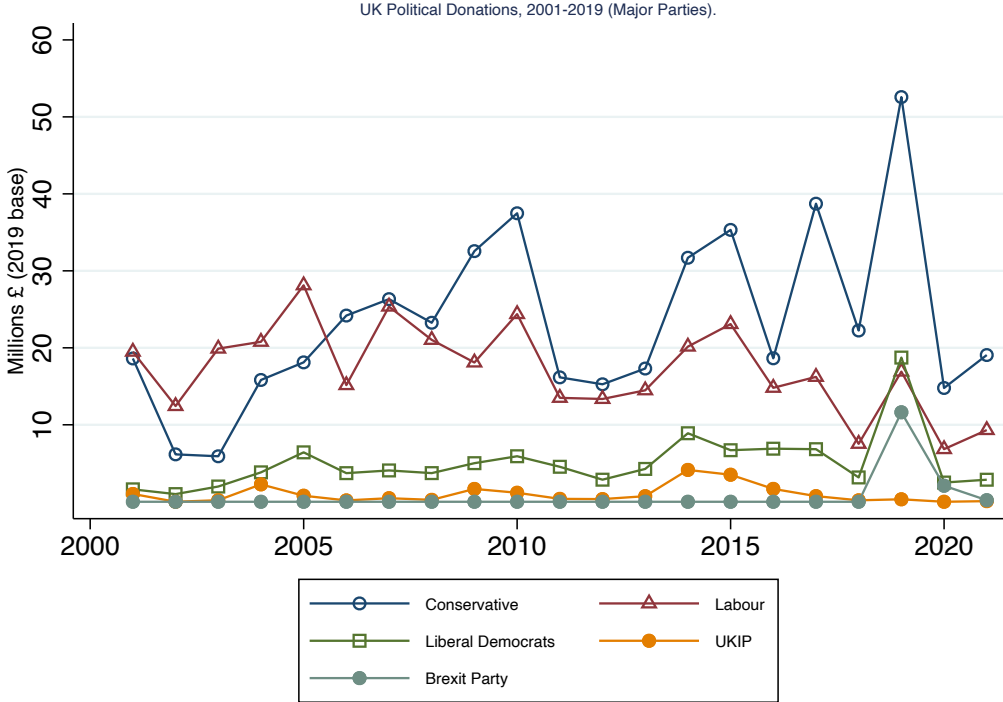


Notes: This figure shows total political donations per year across all donor sources and all parties. Amounts have been adjusted to 2019 Pounds using the CPI. As an indication, the CPI increased from an index value of 0.794 in 2005 to the base of 1.00 in 2019.

Figure 2 presents the same information split according to party of receipt, where we focus on the three largest parties, along with UKIP and the Brexit party. This reveals several points. 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 the same level in real terms in 2019 as in 2001, donations to the Conservative party grew by multiples of 3-4 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 party⁸. While obscured somewhat by the y-axis scale, UKIP donations rise steadily in the 2010s then drop following the Brexit referendum. However, the Brexit Party emerges in 2018 and by 2019 manages to collect donations that are 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 2014.⁹

FIGURE 2 – Total Political Donations for Key Parties, 2005 Pounds.



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

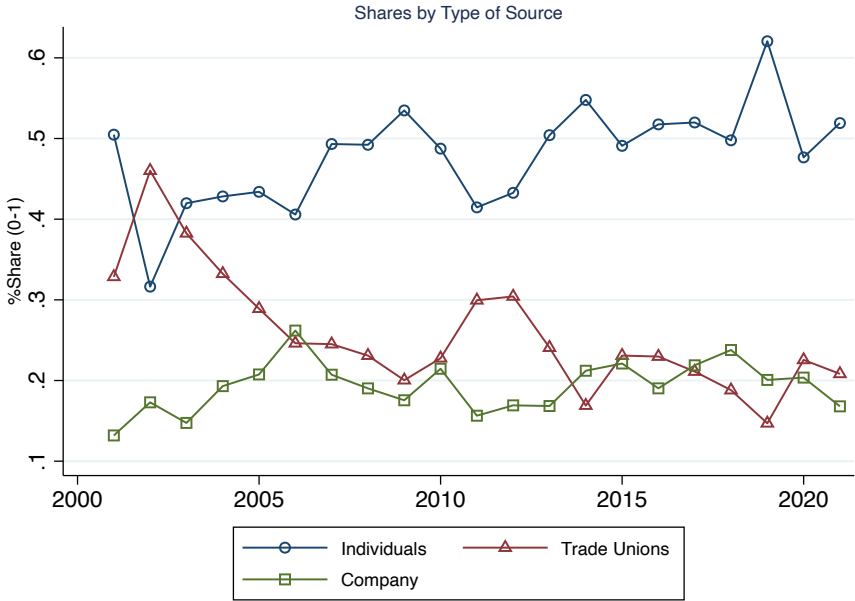
⁸ Lord Sainsbury, a minister in the Blair government donated over £2 million to the Liberal Democrats leading up to the Brexit referendum (Financial Times, 2016).

⁹ 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.

Where did these increased donations originate from? Figure 3 demonstrates that, while there is general evidence of an increase in donations from multiple sources, it is donations from private individuals that have increased the most dramatically and essentially drive the patterns seen in the previous two figures. In particular, the share of individual donations rises from 50% to 60% between 2018 and 2019. Figure 4 then compares 2019 to the previous election year of 2015 as an attempt to examine like-for-like in terms of election years. This is very striking, showing an approximate £17.3 million increase in real terms for the Conservatives and over £11-12 million each for the Liberal Democrats and the Brexit party. In contrast, Labour Party contributions fell by over £6.1 million in real terms.

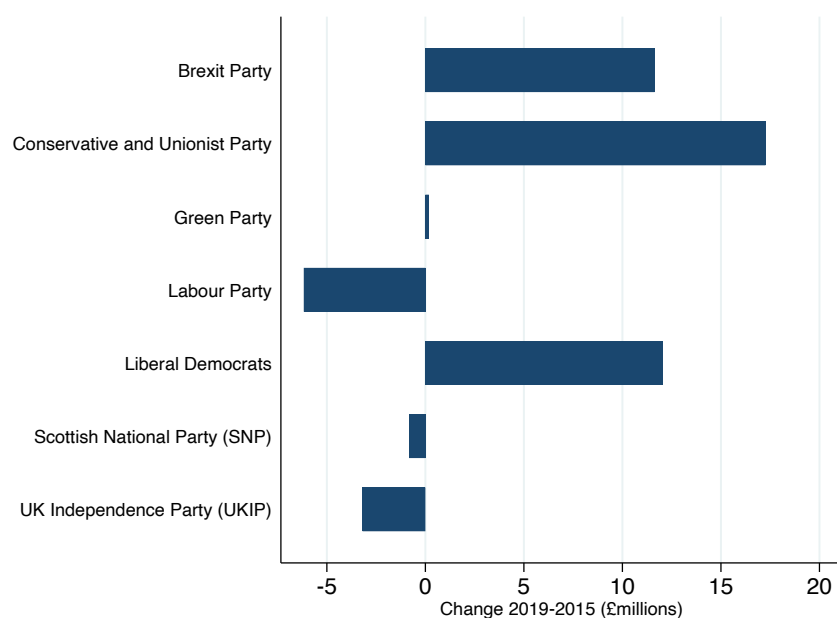
This leads naturally to a range of questions regarding the identity of the individuals making these donations, which we seek to address further below.

FIGURE 3 – Donations by Donor Type – Shares.



Notes: 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 (Individual, Company, Trade Union) together accounted for 93% of donations over the 2001-2021 period.

FIGURE 4 – Change in Donations by Party, 2019-2015.



Notes: 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 (ie: this assumes a base of zero for the Brexit Party in 2015).

4. RESULTS

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

4.1 *Has the Tory donations advantage been growing?*

Our first step is to estimate a series of regression models at a political party-time level. This allows us to separate the party effects from common year effects (e.g.: higher donations in election years), as well as 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 party-quarter level and estimate models of the general form:

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

where D is the donation amount to 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, while y_t are year fixed effects and ε_{it} is an error term. The aim of estimating versions of (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), sources of funding and the effect of incumbency.

Table 1 provides corresponding estimates where we use the Liberal Democrat party as the omitted comparison case such that all party estimates are relative to Liberal Democrat donation levels. The first 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 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 who, as shown in Figure 2, only received substantial donations in the latter years of our period of analysis.

The Conservative party receives, on average, the most in donations. This is in the order of £4 million (2019 pounds) more than the Lib Dems per quarter, and 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 share of the donations in each quarter to the party from each of these source types. 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

TABLE 1 Estimates of Quarterly Donation Receipt, 2001-2022 (£Millions, 2019 values)

	‘Raw’ I	+Year II	+Source III	+ Elections IV	+ Incumbency V
Conservatives	4.005*** (0.359)	4.063*** (0.347)	3.938*** (0.405)	3.725*** (0.416)	3.798*** (0.393)
Labour	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	0.133 (0.753)	-0.237 (0.769)	-0.286 (0.769)	-0.139 (0.769)	-0.070 (0.726)
Green	-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		X	X	X	X
Observations	507	504	504	504	504
R-squared	0.413	0.481	0.494	0.499	0.554

Notes: This table shows estimates of the party effects controlling for different factors. The data is at the party-quarter level with 7 parties included. Omitted case for party dummies is the Liberal Democrats and, for Sources, “All other sources” (ie. all sources that are not Company, Individual or Trade Union). Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

sources. The magnitude of these can be interpreted as how much donations in each quarter would increase if they moved from a zero percent share of donations from a particular source to a hundred percent share of donations from that source. Introducing these leaves the Conservative party coefficient unaffected, and in fact 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) introduces control for political cycle effects that are 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 is the incumbent party in the second half of our analysis period, the same period when donations are at their highest. Our results do, indeed, show that incumbent parties receive more in donations, in the order of £0.7 million more per quarter.

We next introduce controls for periods leading up to general elections where we also include 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.¹⁰ 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, the inclusion of these controls does not materially affect the donations patterns of the Conservative party. Yet, they do influence the pattern of Labour party receipts. The introduction of controls for incumbency and election periods shifts the pattern of Labour party

¹⁰ 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.

receipts such that by column (V) they are approximately double the size reported in column (III). These results can be interpreted as showing some 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 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 of 2015.

We only include the 3 main 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 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 Tory party and the Liberal Democrats in this period. The second and third columns report similar exercises where we report only donations made by individuals and by companies, 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 received from unions, associations, and friendly societies. The estimates demonstrate

essentially no shift in donation level from these sources over the period of the leadership change.

This interpretation of these estimates relies on the assumption 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 for clarity that we report the year dummies estimated across quarters.¹¹ Furthermore, the 2015 calendar year is only partially covered by the Corbyn leadership. What these plots reveal is that donation amounts appear broadly on trend across all sub-categories prior to (and including) 2016. This provides some suggestion of the pre-leadership donation levels trends being similar between the Labour, Conservative and Liberal Democrat parties 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 Labour for the first two sources relative to what would have been expected if they continued to follow the trends of the other two parties.¹² The results for 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 do indicate a statistically significant fall in relative donation performance in 2019. It is further notable that in the period following the Corbyn leadership, Labour party donations appear to revert to back to the trend.

¹¹ While the estimates we retrieve from the quarterly dummies are jointly statistically significant, they are individually noisy and imprecise.

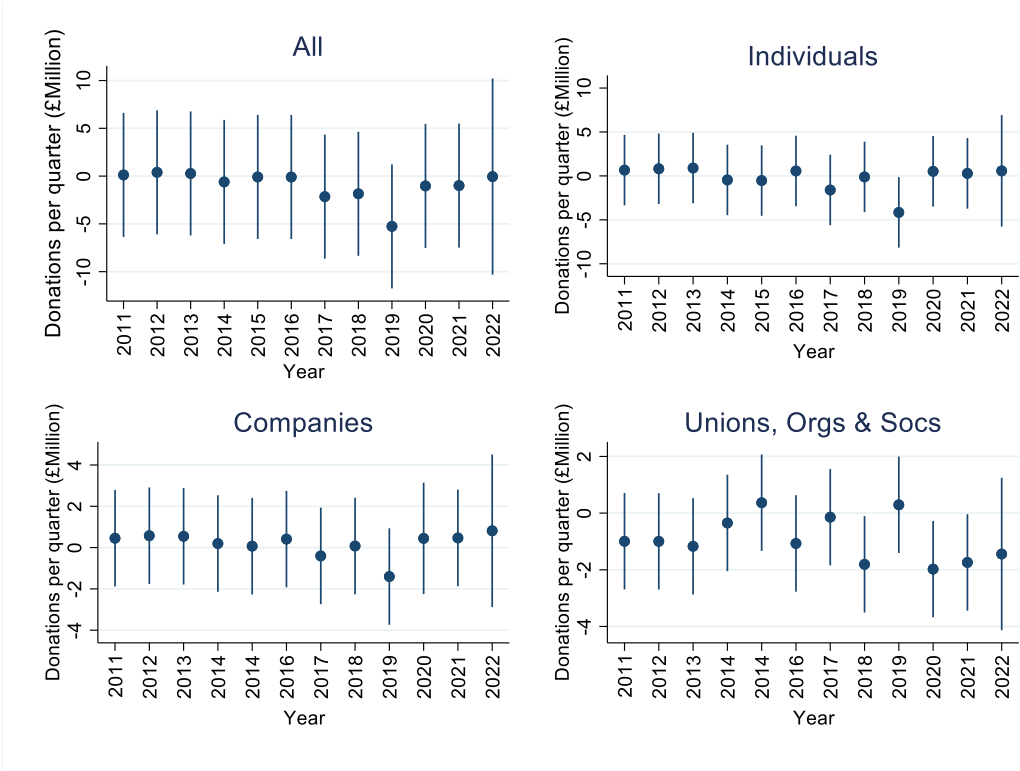
¹² Note the tenor of these results is not changed if instead we focus only on the Conservatives and Labour.

TABLE 2 Estimates of Quarterly Donations ('000s) to the Labour Party and the Corbyn Leadership, 2010-2022

	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	4.79*** (0.52)	3.08*** (0.37)	1.47*** (0.26)	0.23 (0.20)
Labour	2.80*** (0.62)	0.05 (0.45)	0.13 (0.32)	2.60*** (0.24)
Quarterly Dummies	X	X	X	X
Observations	147	147	147	147
Adjusted R-squared	0.77	0.73	0.53	0.73

Notes: This table reports estimates from a difference-in-difference models that tests whether there was a statistically significant decline in donations after Jeremy Corbyn took over as Labour leader in September 2015. Robust standard errors in parentheses
 *** p<0.01, ** p<0.05, * p<0.1

FIGURE 5 – Event Studies, Labour Donations by Source, 2010-2022, Average Quarterly Donations



Notes: This figure reports the estimates of event study models estimated on quarterly party-level data for the Conservatives, Labour and Liberal Democrats (N = 120). Specifically, we report the year*Labour coefficient estimates, where the baseline group in the regression is the Liberal Democrat party. 95% confidence intervals are presented (robust standard errors).

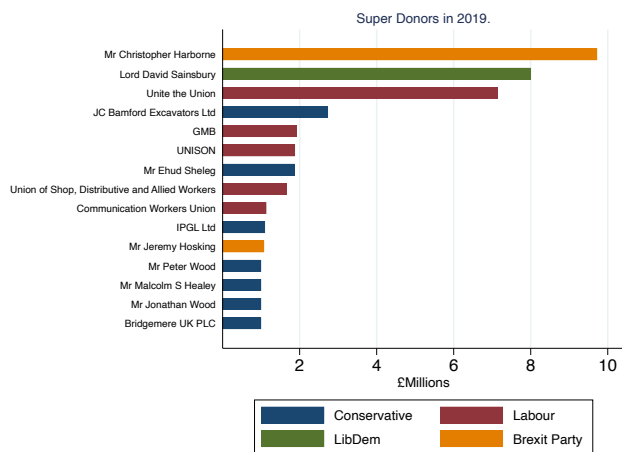
4.3 Concentration, Partisanship and 'Super Donors'

Much of the concern regarding political donation behaviour centers around the extent to which they generate ongoing links between individuals or companies and politicians, and through this, influence on political decision-making. We investigate two related issues in order 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.

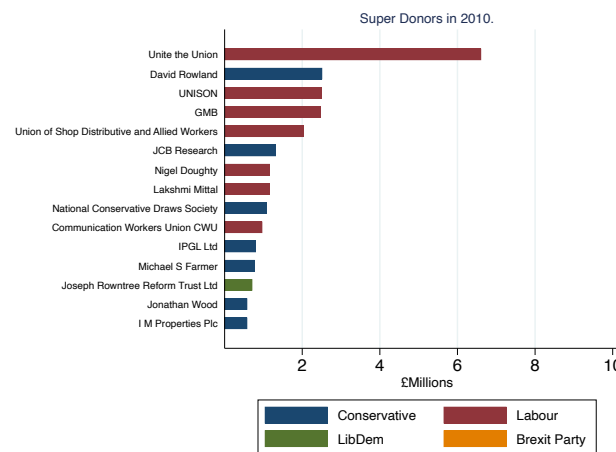
As an initial illustration of concentration and nature of donor sources, Figure 6 provides lists of the top donors for 2001, 2011 and 2019. This firstly shows that the size of these donations (in real terms) has increased markedly over time. While the top donor gave just over £6 million in 2001, the 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 they have been displaced by individual and company donors since then. The role of private super donors is then explicitly tracked in Figure 7, which shows the pound-weighted share of these donors in total donations. We display two sets of information here. First, the number of individual super donors donating each year (RHS axis) and the share of total donations from these super donors (LHS axis). This reveals the marked, but non-linear, increase in super donor activity over time. There were only a handful of individuals donating more than £100,000 (recall 2019 dollars) in the early 2000s. This grew steadily throughout the late 2000s, before dropping significantly following the global financial crisis.

FIGURE 6 – Top “Superdonors” Across Time

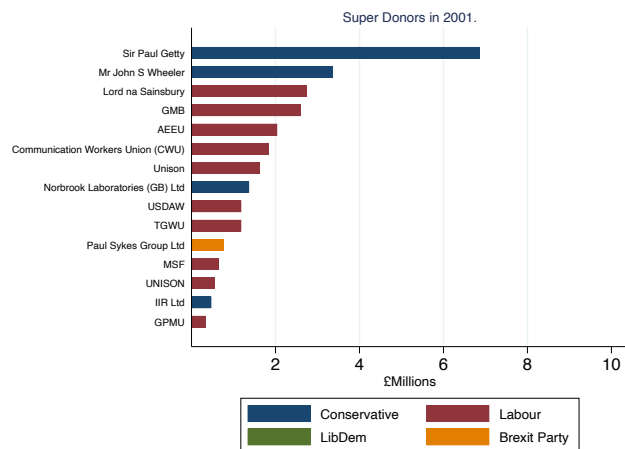
(a) 2019



(b) 2010



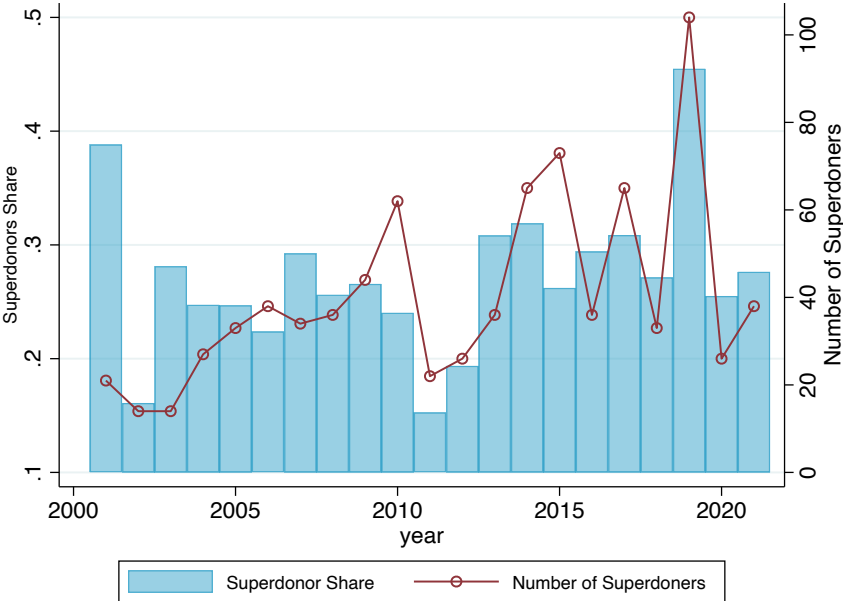
(c) 2001



Notes: Superdonors defined as total donations exceeding £100,000 in a single calendar year. 'Brexit Party' in 2001 is UKIP.

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

Figure 7 – Trends in Superdonor Activity (Individuals).



Notes: This figure shows (1) the total share of “Individual”-source superdonors in all donations. This is the blue bar with y-axis shown on the left using a 0-1 scale. Then (2) we show the underlying number of distinct donors- red line and right-side y-axis. “Superdonors” are defined as those donating £100,000 or more to a party in a single year.

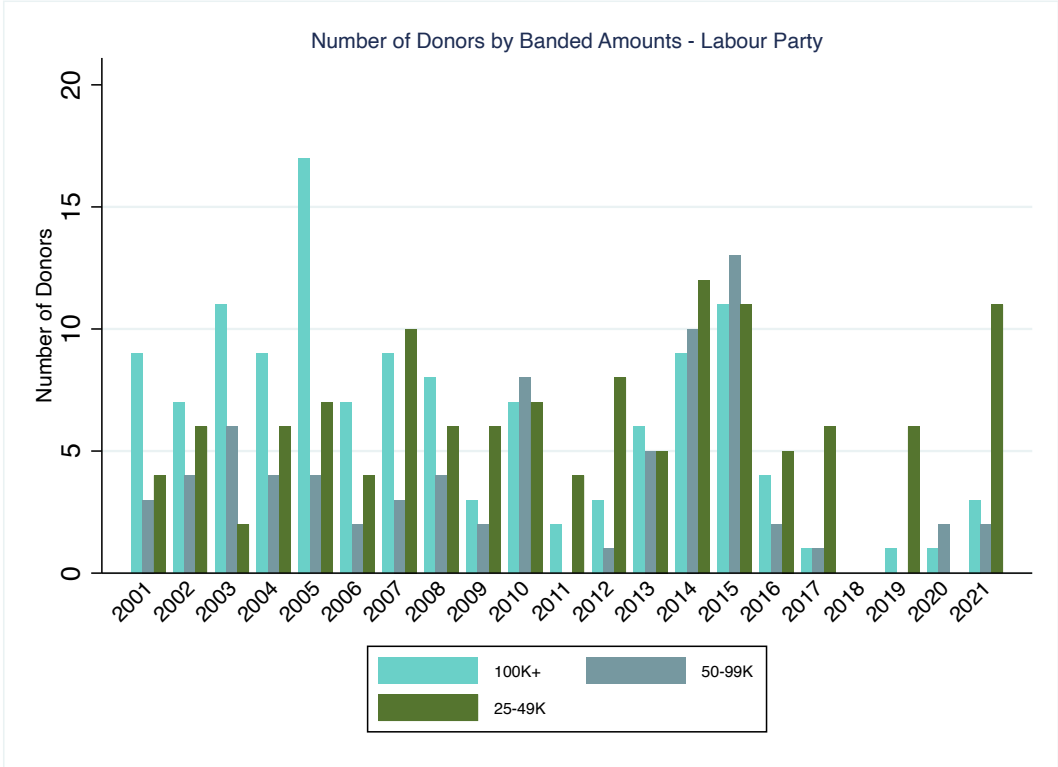
These trends for superdonors are mirrored in general large donor activity from private individuals. In Figure 8 we create bands of donations for £25-£49,999; £50-£99,999 and £100,000 plus. The number of distinct donors per year in each band is then plotted for the Conservative and Labour parties. This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

Analysing the microdata, that is, the patterns in terms of individual donor behavior, we can see that the Labour party experienced a higher rate of attrition than the Conservatives amongst potential repeat donors over the 2015-2019 window. For example, in the £50-£99,999 band only 2 donors out of the 13 active in 2015 gave again to Labour in 2019 – a 84.6% attrition rate. In contrast, 32 out of the Conservatives 72 donors in the £50-£99,999 band were still active in 2019 (a 55.5% attrition rate).

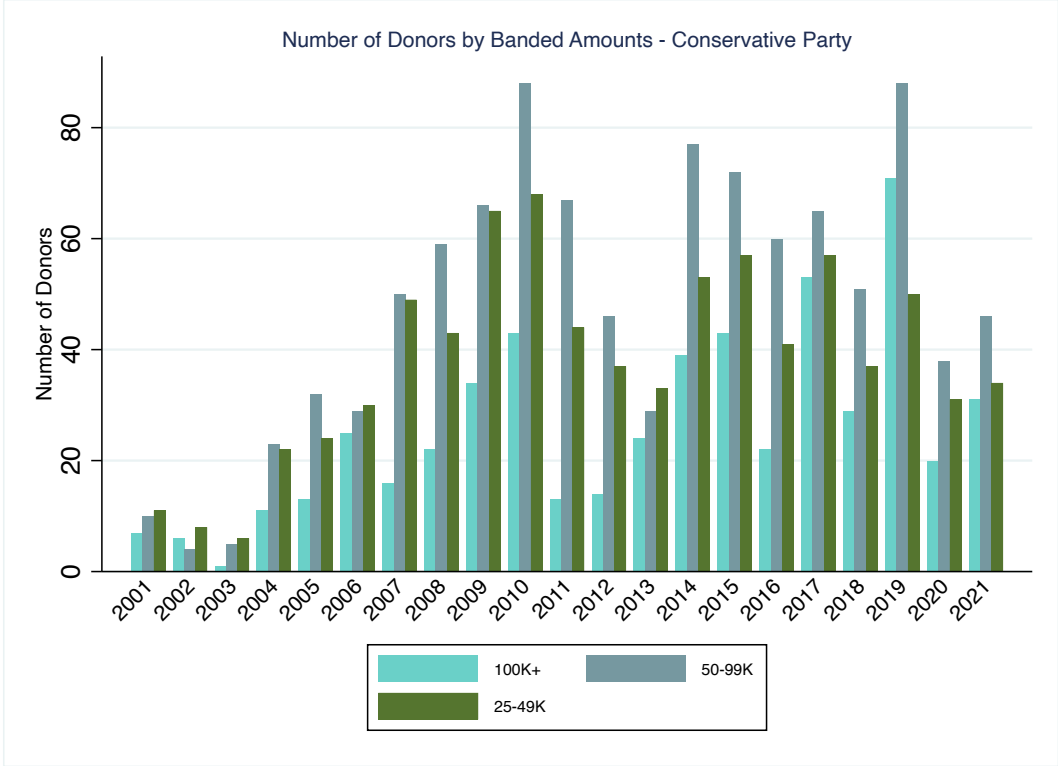
It should be noted here that the market for individual political donations is a dualistic one. Approximately 71% of unique private individual donors only ever donate in a single year, followed by another 14.4% who still only donate in two different years across the entire post-2001 period. However, the other side of this is that the value of donations is heavily concentrated with highly active donors. If we define ‘prolific’ donors as those giving in 5 or more years then this group, while representing only 5.3% of unique donors by headcount, accounts for 37.4% of donations in terms of actual pounds. If we condition by overall total amounts donated the concentration is even more pronounced. The top 10 private donors account for 14% of all donations and this only expands out to 30.6% when the next 40 largest donors are considered. The concentration of UK political donations amongst a limited number of hands is therefore an important issue for the financing of UK democracy.

Figure 8: Large Donor Activity (Private Individuals)

(a) Labour Party



(b) Conservative Party



Notes: This figure shows the number of distinct private individual donors by banded amounts for the Labour and Conservative parties. There are three bands: £25,000-49,999; £50,000-99,999; and £100,000 plus.

4.4 Out of Balance? Public Funding and Party Resources

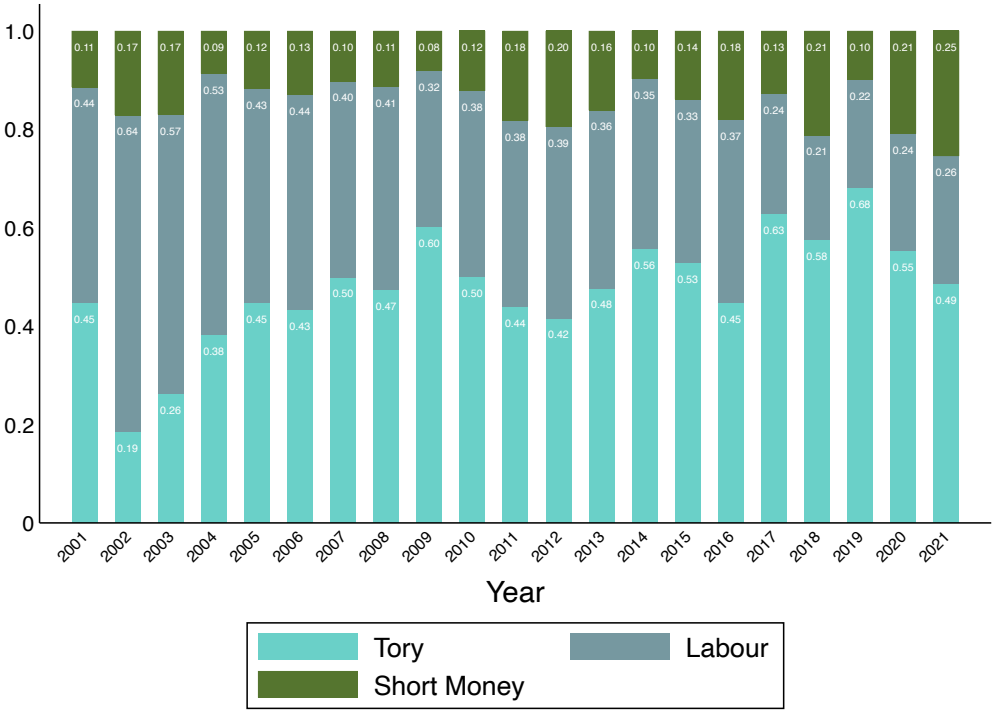
The trends that we have observed above raise questions about the relative resources available across parties. Public funding of political parties was introduced under the direction of House of Commons Leader Edward Short in 1975. The “Short money” system involves financial assistance to Opposition parties 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 gained¹³. There are further amounts granted for Opposition travel expenses and for the running of the Opposition Leader’s office.

We report the breakdown of donations versus Short money for Labour and the Conservatives 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 as 2003 when the total Conservative share of 43% was derived from a donations component of 26% and a Short money component of 17%. That is, 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 donations share. This indicates that the Conservative share of resources has been running at 55-60% since 2016 as both private donations to the Labour party have fallen and as Short money amounts have been reduced (due to the party’s lost votes in the 2019 election). It is notable that the Short money system has been very effective at ensuring a balance of available resources across the two major parties over time. The recent 55-60% share for the Conservative party is rare in the history of funding since 2001 – Labour only held a similar advantage in the early-to-mid 2000s.

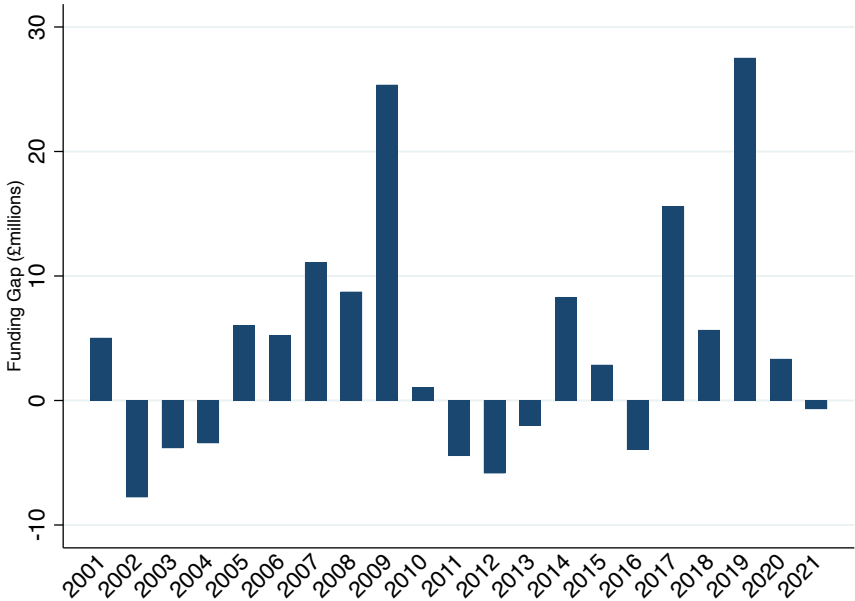
¹³ This applies conditional on a party status threshold of a minimum of two seats won or one seat plus at least 150,000 votes won across all constituencies (Kelly 2021)

Figure 9: The Role of ‘Short’ Money in Overall Party Funding.



Notes: This figure shows the composition of funding for the Labour and Conservative party over time. The Short money component represents public funding while the other components (Labour and Conservative) represent funding from private sources. The bars add up to 1 (ie: representing 100 percent) for each year.

Figure 10: Total Funding Gap and Short Money: Conservatives versus Labour.



Notes: The funding gap is calculated as total Conservative funding minus total Labour funding. Practically, total Conservative funding is comprised of donations plus Short money until 2010 with the parties swapping position post-2010. Years are defined as financial years. Values are deflated by the CPI (2019 base year).

However, it is once these shares are combined with the big increase in the amount of donations that has occurred over recent years that the current situation emerges as exceptional. In Figure 10 we show the differences in available resources in terms of actual amounts in pound sterling. 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 Labour’s relative peak in the early 2000’s the gap was in the £5-7 million range (read in terms of minus value in Figure 10)..

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 Conservatives and the reduction in Short money funding to Labour – either have clear momentum (donations) or are set in place until the next election (Short money). At the time of writing (November 2022), Labour has a sizable lead in opinion polls due to the negative reception of the short-lived Truss government’s first mini-budget. This could change the pattern of donations across the parties leading up to the 2024 election but the Conservatives will be starting 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 set out how donations to political parties have developed over the last two decades and 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 business, 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 receding. While the sources of these increases are broad-based, increases in donations from individuals have increased the most sharply over the past decade. This has primarily benefited the Conservative party. Related to this, we demonstrate how changes in Labour party leadership and direction appears to have led to substantial reductions in donations from individual and company sources.

It is difficult to characterize the donors along a particular dimension. However, along with this increase in donation amounts, there has been an emergence of a group of high value donors which we term ‘super donors’. These donors are characterized by making large, sometimes one-off, donations. They are also, with few exceptions, highly partisan. An open question for future research is what is the motivation of these donors? What leads private individuals to make large, sometimes one-off, donations to a political party? A further natural question related to this is, 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, which leads to questions about what value these increased donation amounts have to political parties, and to what extent they actively seek them?

Our aim of this paper 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, there are less visible changes likely to reflect similar spheres of behaviour. Most notably, changes in technology, especially that related to political advertising (e.g., through social media) has clearly changed, as has more direct interactions between the corporate sector and political sphere (Green and Homroy, 2022). In this sense,

our focus on declared donations may understate changes in financial support to the major parties.

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