

Party funding and corruption in Great Britain and Denmark: contexts and considerations

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Abstract. Party funding regime change in Western Europe almost uniformly occurs in the direction of a move from a system of private funding to a system in which the predominant form of funding is through state subvention. Identified as one of the key drivers of this change is the perception of the occurrence of political corruption, indeed there appears to be an understudied assumption that a system of state subsidy is necessarily less corrupt than one in which private funding takes precedence. This is particularly the case in Great Britain where the debates about party funding reform are couched in this language. The contention of this paper is that the current British funding regime is not necessarily more corrupt but that there may be a specific type of corruption that is prevalent due to the nature of the party funding regime itself. Using a targeted comparison with Denmark, where party funding is predominantly provided by the state, this paper investigates whether the level of state funding has an effect on the type of corruption that is perceived to be prevalent by the public. Utilising the primary research method of the elite interview, documentary research and the study of party accounts this comparative study finds that the level of state funding had little effect on the perceived type of corruption. Moreover, this perceived donor-based corruption in both cases was a key driver of reform of party funding. As well as adding empirical work to a relatively understudied area, the paper presents important new typological additions to the field of corruption research – and considers the growing importance of a typological turn in the field.

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Introduction

The academic literature on political party funding has grown considerably in recent years. The scholarly turning point can largely be seen as beginning in a special issue of *Party Politics*, in which it was noted – not unfairly – that the field was ‘undertheorized’ with empirical research that was ‘not systematically comparative’ (Hopkin, 2004: 628). Much of the work in the intervening decade, and to some extent before, has attempted to explain the growing and undeniable trend towards the introduction of state funding – particularly in advanced industrial democracies in Europe (van Biezen and Kopecký, 2014; Piccio and van Biezen, 2015). The (dis)honourable exception to this trend is Italy where in 2014 legislation was passed that would reduce state subsidy to zero by 2017, largely due to perceived corruption – this, again, runs counter to the paradigmatic discourse on party funding regime change to be discussed below (Piccio et. al. 2014).

Much of this recent work either explicitly or implicitly owes a debt of gratitude to the cartel party thesis, which in many ways has provided the heuristic springboard to explanations of party funding regime change (Katz and Mair, 1995). Though, justifiably critiqued on both theoretical (Koole, 1996; Kitschelt, 2000) and empirical (Young, 1998; Pierre et. al., 2000; Detterbeck, 2005; Narud and Strøm, 2011) terms the notion has endured. The underlying argument that there is an increased tendency ‘towards an ever closer symbiosis between parties and the state’ is one that holds true when we look at trends in party finance (Katz and Mair, 1995: 6). Indeed, an edited volume which noted the trend in the United States of America towards deregulation and looked for evidence of this elsewhere found, in Europe at least, that the opposite was the case noting that, ‘not only have systems of public funding been introduced in virtually all European countries, but the availability of state support for parties is considered the norm as well as a basic tenet for democratic competition and political pluralism, to the extent that movements away from it are highly unlikely’ (Piccio and van Biezen, 2015: 213-214).

It is, then, understandable that the majority of the work undertaken looks at the evolution (or inertia) of the party funding regime in certain countries, investigating how (and why) significant levels of state funding was (or was not) introduced. Moreover this work tends to ground itself in a new institutional theoretical framework, running the gamut from rational to discursive/constructivist. In this context the work of Katz and Mair can be understood as employing a rational choice institutional framework. As well as more general critiques of the cartel party thesis, notably that the predicted *ossification* of the political

process remains empirically unfounded, Katz and Mair have been specifically critiqued by party funding scholars for oversimplifying a complex process and assuming a higher degree of party control than is credible (Clift and Fisher, 2005). Not wanting to throw the baby out with the bathwater, other rational choice explanations of this change seem more plausible.

First, Ingrid van Biezen's concept of political parties as 'public utilities', reframes the debate somewhat (van Biezen, 2004). Here, state funding is legitimised as political parties are understood, essentially, as a public good. Therefore, the acceptance of an increase in state subvention is a rational response to declining funds, due in large part to falling membership numbers. As political parties are essential to the functioning of democracy, and are no longer guaranteed by other sources – the taxpayer invests in democracy. This can further represent a classic collective action problem where in states (such as Great Britain) state subvention remains an unpopular solution to large parts of the populace.

Employing a rational approach from a different tack, Susan Scarrow outlines how political parties might reject increased state funding, as they have in Great Britain – yet still be considered to act in a rational, utility maximising way (Scarrow, 2004). Here, political parties reject the seemingly rational choice – the achievement of a subsidy which would make raising funds easier and, if cartelisation is to be believed, ossify the political playing field to the gain of the established parties. This electoral economy approach is considered to be particularly prevalent in the case of Great Britain, where it can be argued that two key reasons for not introducing state funding are motivated by a vote-seeking strategy. Of three key institutional stumbling blocks to reform; both a lack of public support (manifested as vote seeking) and the timing of suggested reforms (manifested as strategic vote seeking) have been identified as a key factor in supposed party funding inertia (Power, 2016).

Historical Institutionalism has also played a key role in understanding both why previous party funding regimes have adopted systems of increased state subsidy, and indeed, why Great Britain remains 'exceptional' to this trend (Fisher, 2009). In Scandinavia, for example, it has been plausibly shown that state subsidies are 'an integrated part of the state's responsibilities and societal roles' and as such represent a 'path-dependent response' by static-centric regimes – the co-opting of the state to support a (supposedly) failing institution being a common application in said states (Pierre et. al. 2000: 19) In this sense we can formulate this argument as being a precursor to van Biezen's conception of political parties as a public utility and as such an amalgamation of both rational and historical conceptions of institutional policy development.

In Great Britain path dependence is also seen to be a prevalent factor in that between the introduction of the *Corrupt and Legal Practices (Prevention) Act 1883* (CLPPA) and the *Political Parties, Elections and Referendums Act 2000* (PPERA) the party funding regime itself was characterised largely by legislative inertia. In 2000, in response to various endogenous and exogenous pressures – of which we might expect significant levels of state subsidy to be the outcome – spending limits were adopted. PPERA, in this case, represented a historical echo of the CLPPA, where similar limits were adopted at a local level. Thus, ‘historical precedent’ provided a path dependent constraint. Increased state funding was rejected, in part, because the introduction of spending limits had worked at the local level (Fisher, 2011: 30). In the case of PPERA the case made for the rejection of further significant state aid, is that the aforementioned spending limits and that full and timely disclosure of so-called large donations (at present those over £7,500) will help to remove suspicion from these donations by opening them up to full public scrutiny. This is seen explicitly in *The Funding of Political Parties in the United Kingdom* the 1998 Committee on Standards in Public Life report that formed much of the basis for PPERA, ‘we believe that our proposals for increased disclosure, set out in Chapter 4, will go a long way to alleviate the public’s doubts and suspicions about the sources of party funding’ (Committee on Standards in Public Life, 1998: 92).

British exceptionalism has been understood, in the Normative Institutionalism literature as explaining the continuation of the absence of significant state funding due to the fact that voluntarism is understood as the normative status quo, and despite multiple episodes of perceived malfeasance in relation to political finance, the introduction of state funding not being considered a remedy to this (see, for example, Clift and Fisher 2004; Fisher and Clift 2005). This position is shown, to an extent, in the aforementioned CSPL quote and further by the argument, sometimes made that if ‘Oxfam raise their funds entirely through voluntary donations’ then why ‘shouldn’t political parties’ (Wheatcroft 1999)? The voluntarist tradition is one that can be, challenged implicitly by those who argue that the system, as is, is not entirely voluntary – not least with Cranborne and Short money providing some state subsidies (further, charities such as Oxfam also receive forms of state aid). The argument however stands that at the very least a perceived voluntarist status-quo has prevailed in Great Britain, in much the same way that a preference for statist responses has in Denmark.

In this sense we can understand the interplay of rational, historic and normative institutionalism as best understood as a manifestation of the conception (in the wider institutionalist and path dependence literature) of ‘increasing returns’ (Pierson, 2000). In Britain the ‘cost of exit’ to a significant increase in state funding was deemed either too much of a risk, or unlikely to be an improvement on the status-quo, whereas in Denmark it was seen as not only key for the continued survival of political parties, but a continuation of a (broadly) Scandinavian norm.

Corruption and party funding

The most recent addition to the field utilising discursive institutionalism argues that corruption is becoming a key driver of party funding regime change. It is by no means a full-blooded discursive institutionalist interpretation of party funding regime change, however the argument remains that these decisions are shaped, but not determined by political discourses surrounding corruption – more specifically where this discourse identifies the introduction of state funding as a ‘remedy against corrupt practices in party politics’ state funding is more likely to be introduced (Koß, 2011: 49). As well as representing a key theoretical addition to the field, Koß also notes the increasing importance of political corruption in debates surrounding reform of political finance and the importance of investigating whether these are driven to a more significant extent by this factor (Koß, 2011: 208).¹

This would certainly seem to be the case in both Britain and Denmark. In Britain recent reforms, from the aforementioned CSPL review onwards have been couched almost entirely in these terms. Firstly the Hayden Phillips Review (2006/07) set up in the wake of the loans-for-peerages episode and the subsequent report *Strengthening Democracy: Fair and Sustainable Funding of Political Parties* (2007). Had a two-fold stated reason for reform; first that political parties were in crisis and as such the current system was unsustainable (taking amongst other things the Europe-wide decline in membership as proof of this). Secondly that there was a perception of corruption in the way parties were funded, that in itself was damaging to democracy in the system as was at that time, ‘although our political system is one of the cleanest in the world, if the public suspects that influence over parties may be bought by the rich and powerful, this can only serve to erode further the

¹ As Koß suggests this seems plausible considering the lift of various pressures on Western European states post-Cold War.

support for political parties' (Hayden Phillips, 2007: 2). Similarly the CSPL produced a review in 2011, which stated that there remained 'a high degree of scepticism about the motivation of both donors and recipients' (Committee on Standards in Public Life, 2011: 8).

In Denmark, legislation introducing state funding was introduced first in 1987 though the significant switch to an almost entirely state funded system occurred in legislation introduced to the Folketing in 1995. This is clear if we look at the finances of the (then) two major parties the Socialdemokraterne (SD) and Venstre (see figures 1 and 2). The 1995 legislation was introduced and largely driven through parliament by then Finance Minister Mogens Lykketoft (SD), the reason for change – though in this case successful – was much the same as the motivation driving Hayden Phillips:

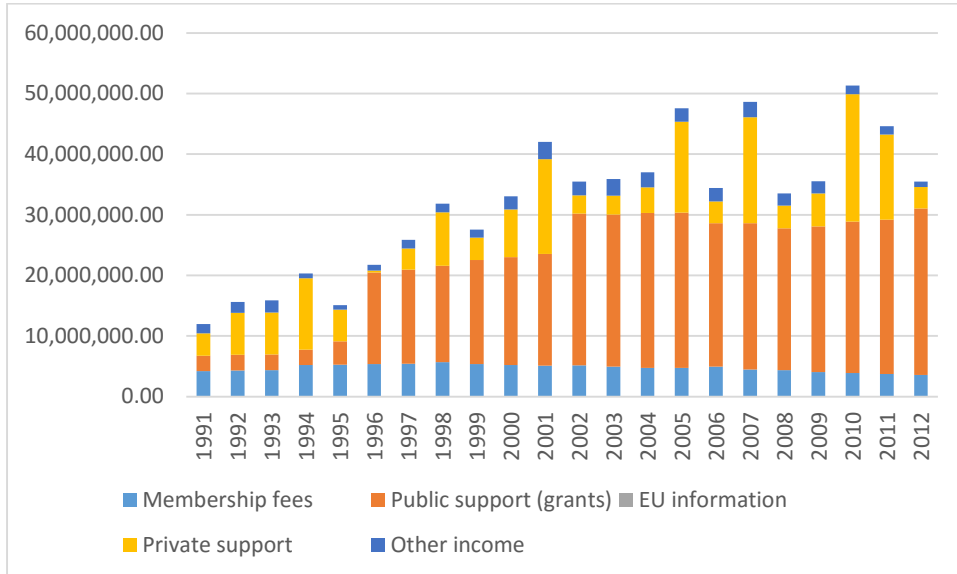
The driving force in the 80s and the 90s...was that we would not expose the parties even more, to be clients for special interests. We wanted them to be as independent as possible of special interests – and we saw also – it was more of a concern for us in the Social Democratic party that it became more and more difficult for trade unions to get the acceptance from their members of subsidising political parties. So it was both of principle and of need that this system was installed with the public subsidies for the parties. (Interview Mogens Lykketoft, 2015)

The 1995 Lykketoft reforms have largely set the political finance playing field until the present day. However, the 2011 SD coalition in its programme for government (*A Denmark that stands together*) announced an expert committee to make concrete recommendations on how best to raise transparency levels and modernise the Danish party funding regime.

As we can see from the above examples it does seem to be the case that the appearance of political corruption in a party funding regime – or at the very least the appearance of the *corruptibility* of a party funding regime – in the case of both Denmark and Britain has been a key driver of reform, along with a more tangible anxiety about the overall sustainability of said political parties. What is interesting in these cases is that although the discourse is comparably similar, the levels of state funding differ substantially. In Britain state funding accounts for less than 25% of

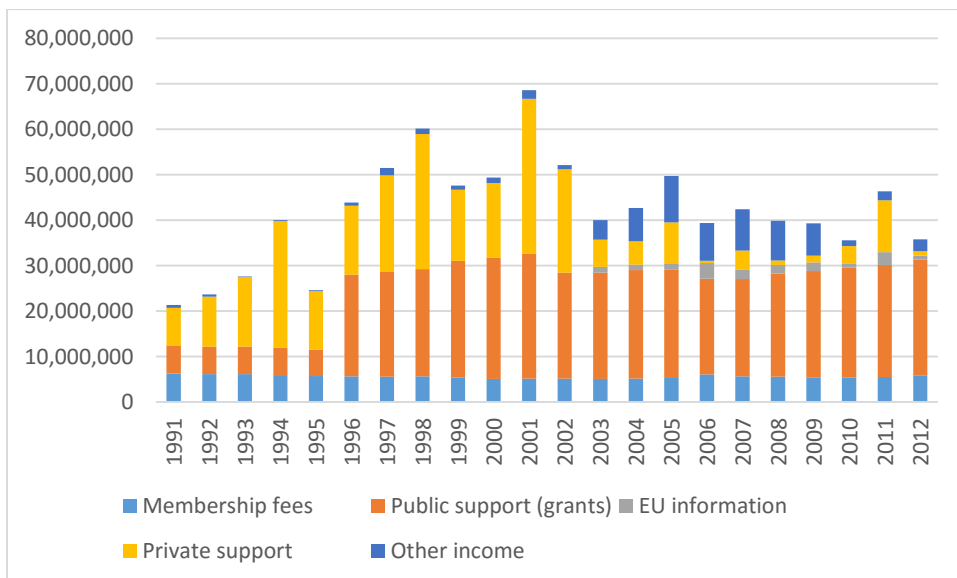
overall funds, whereas in Denmark 75% of the overall funds are made up of subsidies from the state (Koß, 2011: 18).

Figure 1 Venstre total revenue 1991-2012



Source Justits Ministeriet (2015)

Figure 2 Socialdemokraterne total revenue 1991-2012



Source Justits Ministeriet (2015)

Handling the (self-evident) truth?

If the public want to take big money out of politics, the only way to do so is a cap on donations. It is unrealistic to expect to be able to do that at a level low

enough to achieve the objective without at the same time increasing public support. (Committee on Standards in Public Life, 2011: 10)

The picture outlined above suggests an important thing to consider. Firstly, party funding regime change tends to occur, or be suggested to occur, in a move from private to public subsidisation. There are a number of reasons for this one of which is the perception of political corruption. Furthermore, if the introduction of state funding becomes more probable the more the discourse surrounding political corruption identifies state funding as a remedy – it might be considered that, in those states where this discourse was a factor, that state funding was considered to be a *necessarily* less corrupt form of political finance. This is perhaps understandable, party finance is a ‘process-issue’, the low-visibility nature means that debates tend to emerge in response to episodes of perceived corruption (vanHeerde-Hudson, 2011: 477; Boatright, 2015: 19).

In Britain, we are presented with a situation in which the proposed system – one which will almost inevitably lead to the introduction of further state subsidy – is talked about, by some elements, in these terms. This is perhaps best elucidated by a comment piece from *The i* newspaper:

How much do you care if our government was being corrupted by shady donors? What would you be prepared to pay once a year to stop it happening? The cost of half a pint of beer? Too much? How about a pound coin? Still too much? Surely we can settle for 50p then, the price of a first-class stamp? That is the minuscule charge to us of preventing the disgusting practices that now contaminate our politics (Sieghart, 2012)

However, the empirical evidence that we do have about whether this is the case is murky at best (see, for example Williams, 2000: 19; Naßmacher, 2009: 365). Indeed, the closest there is to positive evidence there is in the literature is that direct state funding ‘has a limited effect on political-finance-related corruption’ (Casas-Zamora, 2005). One could argue, therefore, that a view of state-funding as a panacea to the perceived ills of a corrupted party system has become a ‘self-evident truth’ (Ostrom, 2000). That these so called common-sense assumptions might lead to ‘proposals to improve the operation of political systems’, in this case the party funding regime, ‘might have the opposite effect’ (ibid.: 33).

The assertion of this paper is that the current British party funding regime is not necessarily less corrupt but that, due to the institutional development of said party funding regime (as outlined above) that a specific type of corruption may be prevalent. Similarly, in Denmark, where state subsidy is the primary source of corruption – the prevalent form of corruption, or at the very least, anxieties about that occurs may be different. The anxieties may be similar, however what is important to understand is what type of corruption may be causing said anxiety. There has been an increasing focus in the academic study of corruption on typologies; by understanding what type of corruption (or perceived corruption) might be prevalent in each regime, we can better understand what types of reform might be successful (see, for example Johnston, 2005; 2014).

Party funding and corruption in Great Britain

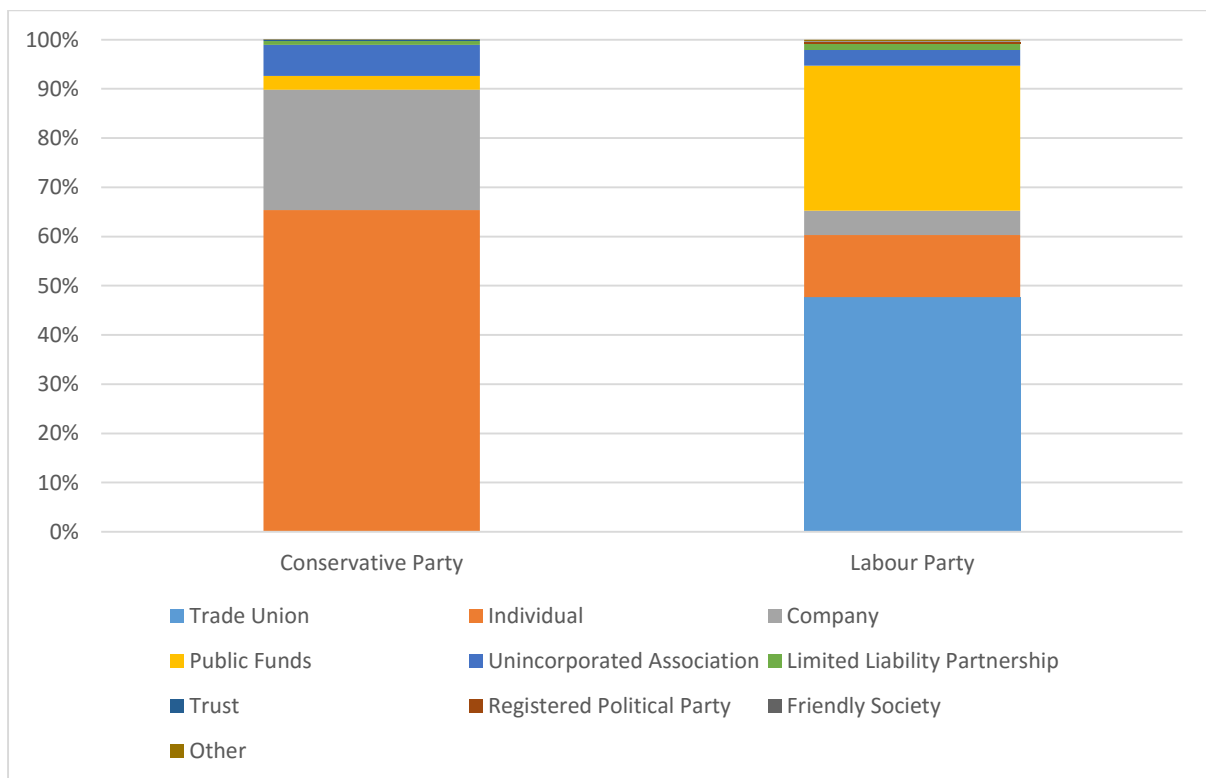
The history of the party funding regime can perhaps best be summed up, legislatively, as evolving in a leisurely manner. As has been touched upon above, there was very little in the way of what we would understand as explicit party funding legislation between CLPPA and PPERA. That is not to say that political party finance didn't fluctuate, it was just never legislated on directly. For example, changes to political party funding streams were sporadically legislated on most notably with the Conservative government's *Trade Disputes and Trade Unions Act (1927)* whereby unionists became legally required to opt-in to the political fund rather than opt-out. This was then repealed by the Labour government's own *Trade Disputes and Trade Unions Act (1946)* which legislated to revert to the previous opt-out system.² Though the evolution of the British party funding regime is somewhat defined by a legislative inertia, in real terms (i.e. the actual funds parties received) one of the two major parties, often Labour, found itself in a significantly weaker financial position than the other – which was often a reflection on the relative electoral strength of said party (Pinto-Duschinsky, 1981).

² The political fund is, of course, not entirely designed to fund the Labour party, indeed some unions are not affiliated with the Labour party at all. Those that are set aside an amount of the political fund as Labour party funds. Some affiliated unions give unionists a choice to donate to the political fund, but to not have these donations affiliated to the Labour party.

Post-PPERA, Britain has been described as having a ‘stop-go’ approach to party finance reform, characterised by numerous reviews and cross-party talks being entered in to, only for any plans to be shelved due to the ‘failure of the main parties to reach agreement’ (Fisher, 2015: 152). Analysed from a ‘historico-normative’ perspective, the causes of these breakdowns are understood to be threefold: the lack of public support for change (manifesting itself as strategic vote-seeking), timing (manifesting itself as strategic vote-seeking) and the inability to navigate agreement on a trade union opt-in clause (Power, 2016).

These disagreements largely summarise what is the most important thing that needs to be understood about the British party funding regime. That it is dominated, by the historic funding streams of the two major parties – that is the trade unions on the side of the Labour party and so-called large donors on the side of the Conservatives. These funding streams remain the main source of income for the two major political parties (see figure 3). The question, however, remains are these funds merely just the aggregation of a historic constituency base for each party, or representative of something altogether more pernicious?

Figure 3 Donations as reported by Labour party and Conservative party as accepted 2010-2015



Source Written evidence to the House of Lords Select Committee on Trade Union Political Funds and Political Party Funding (House of Lords, 2016: 109)

Access vs. influence

One way to view whether these donations are corrupt is to consider whether there is a belief that access, in and of itself, is corrupt. This might fall under the category of a 'perception of corruption' as 'a subspecies of a broader psychological phenomenon: distrust of others', such as 'those who are predisposed to see the worst in people, also tend to see the worst in government' (Persily and Lammie, 2004: 174). In Great Britain the provision of money provides privileged access. To be clear, it does not provide exclusive access, but it certainly helps to get a foot in the door. Both the Labour party and the Conservative party have schemes which allow, for an annual subscription, some form of this.

The Labour party has the 'Thousand Club' where if you join the 'President's Tier' (£5,000 annual membership) you receive 'regular communications from the Thousand Club President and Vice President' and invitations to the annual 'President's Receptions' and the 'Thousand Club Lunch at Annual Conference'.³ The Conservative party, on the other hand has the Leader's Group (£50,000 annual membership) where members are 'invited to join David Cameron and other senior figures from the Conservative party at dinners, post-PMQ lunches, drinks receptions, election results events and important campaign launches'.

The question remains, whether this particular access provides any undue influence, the views of the donors are instructive here, for example the Leader's Group:

I don't think they really care. If someone says something interesting because they are clever and thoughtful and actually that is politically credible and it fits into their thinking, then maybe. But I don't think those dinners and lunches are anything but making people who are giving money feel like when they are having dinner at the weekend with their friends they've got something to talk about. (Interview Conservative party donor and member of the Leader's Group, 2015)

This position is (perhaps unsurprisingly mirrored by the Conservative party elite.

³ The current president is Baroness Royall of Blaisdon and the vice-president is Chris Bryant MP.

If you've got a thousand people who give money to the Conservative party there's probably two or three who are doing with an ulterior motive – just like any organisation really. But most are doing it to satisfy their hobby. They could no more sway party policy than fly to the moon...And actually if they have any clout, it would have stopped 12% stamp duty, we'd have flat taxes. I mean I've listened to all these people over lunch and the ideas that they come up with...once in a while you have a really good idea, and it might spark something. I might be sitting down with David Cameron and say 'have you thought about this?' And actually he thinks, that is a good idea, it's not just because you are sitting round a table and you've given him fifty grand.

(Interview former Treasurer of the Conservative party, 2015)

The issue of large donors (and potential reform of the donation system) should be understood in tandem with the issue of institutional donations to the Labour party from (assorted) Trade Unions out of the (more general) political fund. Here trade unions are a little bit more bullish how much influence they think they assert – and are legitimately entitled to assert.

The media, the right wing media, the Conservative party and the right-wing of the Labour party will always try and distort the importance of the link.

Because whilst they have no problem taking money, what they don't want is they don't want the trade unions to have a voice in policy-making decisions.

And there-in lies the dilemma for everybody. Our link with the Labour party, is that it is our party, we created it. (Interview Len McCluskey, 2015)

Here, the argument is that any influence that is leveraged over the Labour party is entirely legitimised by two key institutional factors. First, the unique institutional history of the Labour party and the trade union movement it was borne out of; and relatedly, the fact that this historical affiliation manifests itself in amongst other things a (potential) place (if not influence) at the table *whether or not* the affiliated unions donated in large amounts.⁴

The (perhaps multi)million pound question is whether these donations end up having a cumulative effect. Multiple interview respondents would highlight the fact

⁴ Though one would have to question Labour's continued commitment to these arrangements were the donations to dry up.

that the large donations often come from the relative political parties' natural constituency, therefore the causal arrow is hard to trace. Do these large donors support these parties because they (broadly) align with their views, or is there a kind of *aggregated corruption* in which a (not dissimilar) constituency of support – whilst naturally aligned – persuades certain policy-makers into making decisions they might not otherwise do, or might do less forcefully, had the draw of big money not been apparent? Again trade union leaders are instructive on this process, they claim in interviews to have had a large influence on the implementation of the minimum wage. Yet they would also cast their political activity from a much wider net – characterising gains over periods of 'thirty to forty years', rather than just particular Labour policy implementation. Ultimately, any suggestion of undue influence or – as the interviewer put it 'special treatment' – are provided short shrift, 'well most trade union leaders would fucking laugh at you if you asked them that question' (Interview Sir Paul Kenny, 2015).

In a certain sense one might see the so-called large and institutional donors as a microcosm of the wider law of curvilinear disparity (May, 1973). Here we substitute rank-and-file members for large donors – whose ideology may also be somewhat skewed in relation to the party elite and the potential voters for said party. Privileging, to an extent, personal – or collective – ideology over electoral viability.

When people get ideological at meetings, it is quite amusing because he says then that they have got to win elections...some people speak very sensibly, some people speak about things that are just completely unrealistic in what is a social democratic country (Interview Conservative party donor and member of the Leader's Group, 2015).

The point about curvilinear disparity speaks to a wider issue of an immediate assumption that access, in and of itself, is a corruption of political life. It neglects to consider the (perhaps) privileged access money provides as somewhat of an irritant to policy makers. A major donor to the Labour party outlined a long argument they had with a then secretary of state which culminated in a (veiled) threat that this major donor might not receive an honour – of which he was rumoured to be awarded.

He went like this with his finger and said ‘if you don’t stop writing your fucking letters, I will make sure – as secretary of state – that you won’t get, what you otherwise are about to get, if you understand me.’ And as he did it, I got hold of his finger, and I bent it back and I said ‘don’t blackmail me’. The next day, I went into my office and I sent a seven page letter to every cabinet minister, and to him, explaining precisely why he didn’t know what he was talking about and how his department was a disgrace. Bullet point after bullet point, after bullet point. (Interview Labour donor, 2015)

Access is multi-faceted

For many campaigners for party funding reform preferential access in and of itself can essentially be considered a corrupt act that is damaging to perceptions of political parties, irrespective of whether influence (undue or otherwise) occurs.

It’s really basic things, like the fact that if you donate at least £50,000 to the Conservative party, you can have dinner with the prime minister and that is just wrong. I’m not saying that you get a specific policy outcome for it, but the fact that just because you are wealthy, you can have that access, it is wrong. And I do think that it is having, a massive impact on public perceptions of politics (Interview Alexandra Runswick, 2015)

Whilst a potentially reasonable position to take, it does ignore somewhat the multi-faceted nature of access. Access is sometimes understood, almost as a synonym for influence yet as well as access as influence, the analysis above identifies two further ways in which we can understand access in the context of political party finance: access as irritant and access as counter-productive.

This is not an exhaustive understanding of the typology of access, indeed such an investigation is the work of another paper. However, the intention is to reframe somewhat our understanding of access. There are many types of access, and indeed, many ways of gaining access, of which the exchange of money is one. The question is whether the fact that money can get you a seat at the table is desirable, or in a wider sense avoidable. Ultimately, one has to consider whether a system can be designed which eliminates the sense that the very rich can buy themselves a seat at the table, to others the thought that such a system exists is pure utopianism.

The problem of perception

In the British party funding regime, we find a prevalence of what might be considered perceived donor-based corruption. Public opinion surveys show that the public overwhelmingly believe that that donors (both institutional and individual) have too much influence on the political process. A survey conducted by the Electoral Commission in 2003 showed that 70 percent of respondents believed that private donors could buy political influence (Electoral Commission, 2003). More recently the Electoral Reform Society produced polling that outlined 75 percent of respondents who felt that big donors have too much influence on political parties and 65 percent who believed that party donors could buy honours (Electoral Reform Society, 2015). Furthermore, the Transparency International (TI) Global Corruption Barometer (GCB) 2013 reported that 90 percent of respondents considered the government to be somewhat to entirely run by a few big entities acting in their own best interests (Transparency International, 2013).

Polling such as this, it was argued in many research interviews, shows the damaging effect the funding regime has on the perception of Britain's democratic institutions. For example, 66 percent of respondents to the GCB considered political parties to be corrupt/extremely corrupt and 55 percent of respondents considered parliament/the legislature to be corrupt/extremely corrupt. This chimes with wider academic findings, which argue that the impact of corruption and the exposure of corruption can be a financial drain on the state and lead to a decline in trust in institutions (such as parliament and political parties) causing increased voter apathy (Bull and Newell, 2003: 242-243). Whilst this perceived corruption might not threaten the tangible viability of the pre-existing institutions themselves and might not seem to undermine the system (Johnston, 2005: 60) it can have a more pervasive effect on the more abstract institution of democracy itself as well as, perhaps, wider democratic values (Thompson, 1995).

In the case of Britain, these perceptions are driving the reform process. This is a common theme among many interview participants across the political spectrum (in both ideological terms and in terms of the experience in politics). Furthermore the perception is being driven forward, even though the vast majority of those involved in the process believe that the public perception is mistaken. This is a

continued theme of the evidence given to the CSPL in 2010/2011, Conservative MP for Croydon Central, Gavin Barwell, 'if you are saying: do I think it is unhealthy and that those large donors exert some effect on policy, not in my direct experience. I certainly think that the public perception is unhealthy and that, therefore, there may well be a case for doing something' (Committee on Standards in Public Life, 2011b)

The importance of public perception in this debate is no less ironic due to the fact that academic research shows that the public has little knowledge of the details of British party finance, but that this ignorance was no barrier to hostility towards the system (vanHeerde-Hudson and Fisher, 2013: 43). This academic work is corroborated by focus group research, undertaken by TNS-BRMB on behalf of the CSPL, which found that 'awareness and knowledge of the current system and monitoring was limited' with 'initial confusion in relation to what party funding constituted' (Campbell-Hall and Joyce, 2011). This evidence ultimately leads to the conclusion that 'the British public knows little of party finance and, consequently, public opinion is unlikely to offer a rational choice for effective reform' (vanHeerde-Hudson and Fisher, 2013: 56).

The analysis above outlines a type of corruption that can be best summarised as perceived donor-based corruption. That this perception is prevalent is evident in analysis of newspapers, elite interviews, documentary research and evidence from polling data. Whilst there is evidence of other anxieties regarding elite corruption – most notably the revolving door and lobbying – these controversies are more tangentially related to the explicit issue of political party finance.

As outlined above, a solution to this is often outlined as a cap on donations, which would lead to the introduction of further state funding, therefore bringing Great Britain into line with the vast majority of advanced industrial democracies in Western Europe. The question remains however, does this lead to a necessarily less corrupt situation, or perhaps, the perception of a less corrupt situation? Is there instead, merely a different type of corruption that is prevalent, or at the very least, perceived to be prevalent? The paper, therefore, continues with a short comparison with Denmark.

Party funding and corruption in Denmark

In a seminal work on business financing of political parties and corruption, Iain McMenamin outlines two potential types of donation: pragmatic and ideological (McMenamin, 2013). Pragmatic donations are those donations that are made with little notion of specific political allegiance. In other words, a business will finance whichever party holds the most power and that these payments tend to fluctuate depending on which party is in power. Ideological donations are the opposite, they are donations to a specific party with which a company has a certain ideological affinity, and are as such considered more stable. Though of course the situation is considerably more nuanced, it is helpful to consider Danish party donations as semi-pragmatic, and British donations as largely ideological.⁵

It is perhaps more accurate to describe Danish pragmatism as a result of the electoral system, political parties tend to donate to a specific block on the left or the right: the blue block or red block (see table 1). The motivation seems to be a general support for the democratic process – but only to those parties that might represent the donor’s best interests. This is neatly summarised in a statement received from AP Møller/Maersk – a Danish business conglomerate and donor to many parties.

We have not supported the election campaign of any one individual. As a business, we want to support the political process in connection with elections to the Danish and European parliaments. We believe that it is natural and legitimate to support political work with financial contributions...We have provided support based on whether we find that the parties have an industrial policy that can promote long-term, Danish business interests. (Interview Louise Munter, 2015)

The donations in the case of AP Møller/Maersk are pragmatic, but dependent to some extent on having what might be considered a business friendly outlook – though this could be considered a euphemism for parties of the right/centre right.

Furthermore, there is evidence that the donations are contingent on electoral success. As mentioned in the analysis above the Danish party funding regime, similar

⁵ There are instances of exceptions on either side, for example large accountancy firms in Great Britain tend to spread donations and Saxo Bank in Denmark only focus donations on the Liberal Alliance.

to the British system, has no cap on the amount an individual or institution can donate to a political party. However, once over a specific threshold (20,000 Danish krone) though the name of the donor must be released, the amount of the actual donation, must not. An interview with a representative from a large institutional donor elucidated, somewhat, motivations behind donating to (multiple) political parties.

We have a yearly contribution for a lot of parties...parties that want to contribute to growth, to private sector jobs, a smaller public sector that sort of thing... we see it as a part of our work with political influence as a whole. (Interview with representative from 'non-profit organisation', 2015)⁶

The representative from the large institutional donor, here, much like trade unions in Great Britain is quite open about the fact that influence is one of the key objectives of these donations. Indeed, the donations come in many forms from the provision of actual funds, to the leasing of property and, indeed, brain power. That these donations are somewhat explicitly linked with an attempt to gain influence is further outlined in a confirmation in the above interview that the amount of funds given to each party is somewhat dependent on the number of seats a party has in parliament.

However, it is again important not just to consider the motivations of the donors themselves but also, the motivations of those receiving the donations.

We are clear that there is no benefit to supporting Venstre. So they don't have special access. We also have an internal rule that the chairman does not know who the supporters of Venstre are... We also say to them that they cannot have any influence on our campaign, they cannot have any influence, on what we use the money for. (Interview with Claus Richter, 2015).⁷

This view is widely shared amongst many of the elite in political parties.

We have been very clear that everyone can give money and a donation to the Danish People's Party but there will be no conditions that we have to do

⁶ Title at request of interview participant, not necessarily the categorisation of the author.

⁷ Richter is the current Party Secretary of Venstre.

something. We are very strict about that, otherwise we would rather not have the money. (Interview Steen Thomsen, 2015).⁸

This suggests again that the key issue of public perception in Denmark is based around the perception that these donations allow some kind of undue influence, despite the fact that the vast majority of political party financing is provided by the state. Again, evidence from the political elite suggests that this perception, to some extent, ignores historic, cultural and political ties parties might have to certain constituencies.

You can look at it the way that some in the media see it, they make an impression that our party has a very friendly agriculture policy and that is because the agriculture sector is supporting Venstre, that we have this opinion because agriculture gives us money. That's the main opinion in Denmark, we have this policy because we have money from the agricultural sector. But, it could also be opposite. We have agriculture policy because we are grounded in the agriculture sector from one hundred years ago. And we had this policy and for that reason the agriculture sector supports us. That is not a discussion. (Interview Claus Richter, 2015)

Indeed, evidence from political elites suggests that despite the significant level of state funding Denmark enjoys, the perceptions of the public and the reformers are similar to those in Great Britain. That is to say there seems to be a prevalence of perceived donor-based corruption. This is perhaps best elucidated by MP Pernille Skipper, of the left party Enhedlisten.

Our fear is that you can buy politics...the demand for openness and transparency and the unfairness of not being able to see what is going on behind the scenes, I think speaks into a larger discussion or feeling in the population of not being able to see what is going on in power. (Interview Pernille Skipper, 2015)

⁸ Thomsen is the current Party Secretary of the Danish People's Party.

Table 1 Multiple contributors to political parties in the Folketing 2010-2011

| | |
|-------------------------------|--|
| Enhedlisten (Red) | MF'ere, Dansk EI-Forbund |
| Socialistisk Folkeparti (Red) | MF'ere, Dansk EI-Forbund, 3F |
| Social-demokraterne (Red) | Dansk EI-Forbund, 3F |
| Radikale Venestre (Blue) | AP Møller, DA, DI, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv |
| Konservative (Blue) | AP Møller, DA, DI, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv, Dansk Byggeri, Chr. Augustinus Fabrikker, Finanssektorens Forening til støtte af et sundt og konkurrencedygtigt erhvervsliv, Fondet af 31. marts 1979 |
| Venstre (Blue) | AP Møller, DA, DI, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv, Dansk Byggeri, Chr. Augustinus Fabrikker, Finanssektorens Forening til støtte af et sundt og konkurrencedygtigt erhvervsliv, Fondet af 31. marts 1979 |
| Dansk Folkeparti (Blue) | AP Møller, DA, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv, Finanssektorens Forening til støtte af et sundt og konkurrencedygtigt erhvervsliv |

| | |
|-------------------------|---|
| Liberal Alliance (Blue) | AP Møller, DA, Dansk Byggeri, Danmarks Redeferiforening, Landbrug og Fødevarer's forening til støtte af konkurrencedygtigt erhvervsliv, Finanssektorens Forening til støtte af et sundt og konkurrencedygtigt erhvervsliv, Fondet af 31. marts 1979 |
|-------------------------|---|

Source Kosiara-Pedersen (2014)

Public opinion

A direct comparison of Great Britain with Denmark in the TI GCB suggests that Denmark performs considerably better on these measures. Only 54% of respondents considered that government was somewhat to entirely run by a few big entities acting in their own best interests. Whereas only 30 per cent of respondents considered political parties to be corrupt/extremely corrupt, with 18 per cent saying the same of the parliament/the legislature (Transparency International, 2013b).

These figures largely mirror findings in the Eurobarometer survey. When asked whether respondents thought that the giving and taking of bribes and the abuse of power for personal gains was widespread among political parties, 56 per cent of respondents from the United Kingdom answered in the affirmative, compared with 34 per cent of Danes. Further, on the Eurobarometer Danish respondents consistently score Denmark as the lowest, or amongst the lowest, on public perceptions of corruption. Though sometimes these results are not necessarily always impressive – for example when asked whether there was a too close link between business and politics 51% replied in the affirmative (78% UK) – it is perhaps telling about the general public perceptions regarding politics in Denmark more generally (Eurobarometer, 2014).

Interestingly, Danish respondents are the least likely to think that corruption is a widespread problem in their country, that they are personally affected by it in their daily lives, that it exists within their local and regional or national public institutions, or that it is widespread amongst their politicians. Furthermore, they hold the most positive views about all issues relating to corruption within business, the

transparency of political party financing (41% respondents agreed the financing of political parties is transparent and sufficiently supervised) and the prevalence of bribery among their politicians (ibid.).

This is all the more remarkable because one of the main issues on which Denmark is criticised by international institutions, is the lack of transparency in the party funding regime. For example, in 2015 the Group of States against Corruption (GRECO) criticised Denmark as having a ‘globally unsatisfactory response’ to a GRECO compliance report of 2011 due to the fact that nine recommendations for reform, all relating to political party funding, were not implemented (Group of States against Corruption, 2015). Indeed, when asked about how exceptional this non-compliance was a representative from GRECO responded that although each case had to be ‘monitored on its own merits, the Danish case, comparatively speaking [was] not very good’ (Interview GRECO representative, 2015). This perhaps speaks more broadly to academic work in Great Britain which suggests that the public are relatively weak barometer of the legislative detail of party finance legislation (vanHeerdeHudson and Fisher, 2013).

The Eurobarometer data points to an interesting anomaly – on this question about transparency of party finance, the Scandinavian states Denmark, Finland (37%) and Sweden (36%), do very well. However Scandinavian countries, in particular Sweden and Denmark, are somewhat notorious in party funding reform circles for lagging behind on these very transparency obligations.⁹ For example, in 2012 TI recommended to both Denmark and Sweden that although their CPI scores were consistently impressive, their party funding regimes, in relation to disclosure and transparency, could be improved (Transparency International, 2012). This regulatory lag is described – within Western Europe – as a ‘Nordic phenomenon’, perhaps best explained by the historical conception (and definition) of political parties as a ‘group of people acting together on polling day’, such that historically the ‘regulation of political parties has been fairly loose’ (Interview Magnus Ohman, 2015).¹⁰ In this sense we can see the transparency lag as representative of a kind of ideational path dependence.

⁹ Sweden introduced significant reform in 2014 regarding transparency of the party funding regime.

¹⁰ Ohman is the Senior Political Finance Advisor for the International Foundation for Electoral Systems.

Furthermore, transparency obligations are not often the primary reform favoured by political parties themselves. Indeed, in Western Europe accessions on a greater prevalence of state subsidy are seen as the ‘carrot which goes along with less welcome transparency requirements’ (Scarrow, 2006: 636). In this case we might see a certain amount of strategic positioning by political parties, they know Denmark scores (relatively) well on public opinion indicators regarding transparency in the party funding regime, so the onus on further reform is less urgent. This would fit with a critique of Scandinavian countries more generally that because these countries feature regularly at the top of the CPI and other good governance based indicators, ‘a feeling of indifference towards corruption could prevail’ (Transparency International, 2012).

The driver of reform in Denmark

Despite this, the main purpose of the aforementioned 2014 expert committee and the remit of the report that was subsequently released was to update and improve the transparency regulations in the Danish party funding regime. Indeed, the report itself translates as *Report on the openness of financial support for political parties* (Justits Ministeriet, 2015). Reasons for this, despite the vastly different amounts of state funding in each system, are remarkably similar to those for reform of the British system – that is both strategic, and also of controlling for the potential of corruption. In fact, although perhaps less influenced by opinion polling, those on the commission explained that a focus on public perception was ‘underlying the whole work...[transparency] is good because it creates trust in the political system...we didn’t look specifically at polls...but I think we agreed that it would have a positive effect on public feeling and public trust more generally’ (Interview Jørgen Jensen, 2015).¹¹

In Denmark, to an extent, we see less public concern regarding political finance related corruption. That does not mean public anxiety is not apparent surrounding the party funding regime, in particular with regards to Denmark’s transparency obligations. This public perception in part drives the reform process, there are – as in Britain – of course, various political strategic manoeuvrings that also

¹¹ Jensen is a Professor of Law at Aarhus University and sat of the expert commission.

guide the process. However, those within and without the political process cite public opinion as a key factor in their support of change of the funding regime.

This would again suggest that it is a perceived donor-based corruption that we see prevalent in the Danish party funding regime – or perhaps more accurately, the *potential* of perceived donor based corruption. Furthermore, although reform is advocated – the system is considered to be, by and large, a clean regime: ‘even though there is no transparency; behind the closed doors it is not a corrupt system’ (Interview Bo Smith, 2015).¹² This holds significant implications for our understanding of political party finance, but more specifically for reform in Great Britain.

Implications for British reform

Firstly, the evidence above suggests that the level of state funding in Denmark and Great Britain has little significant effect on the perceived type of corruption in the system. In both cases a version of donor-based corruption, in part drives the reform process. In Great Britain it is more accurate to refer to this as *perceived donor-based corruption* whereas in Denmark whilst we also see a perceived donor based corruption, what is also apparent is the perceived *potential* of donor based corruption. That is to say the Danish elite, and as the comparative opinion poll data shows the Danish public, seem relatively more sanguine about the actual amount of corruption that occurs in the system. However, the system is viewed as both potentially corrupt – but perhaps more importantly – potentially *corruptible*.

What is even more striking about this is that reform is driven forward whether or not corruption actually occurs. In this sense, we can understand these perceptions as (potentially) having very real consequences. In the British case this is no less ironic due to the fact that reform is largely being driven by the public, when academic research tells us that the public have very little understanding of how the party funding regime works in Britain, and furthermore are unlikely to support any of the suggested reforms (vanHeerde-Hudson and Fisher, 2013). Furthermore, it is largely predicated on perceptions of a reformed system being necessarily less corrupt. Reform, therefore, is predicated on perhaps the one thing we (perhaps)

¹² Smith was the chair of the expert commission.

cannot know (levels of actual corruption in a party funding regime) and being driven by people who are the least rational gatekeepers of such reform.

Indeed, there are relatively good arguments for changing the party funding regime, and introducing a significant amount of state subsidy – it is just that reducing levels of corruption is probably not one of them. Studying Danish party accounts (see, for example, figures 1 and 2) illuminates one of these issues. In these figures, the red line represents the amount of state funding (excluding parliamentary party grants) both Venstre and the SD received each year. This state funding is given on two key understandings, firstly that the funding is not allowed to be spent on campaigning and secondly that any of that money not spent that year is subsequently subtracted from the following year's bursary (essentially the yearly allowance has to be spent in that year or given back). This money is designed to provide stable funds for a party to function year in, year out.

Analysis of the first-hand experience of fundraisers and party secretaries (both in interviews and autobiographies) tells us that sustainability is one of the key problems facing political parties in Great Britain (see for example Levy, 2008; Watt, 2010). Furthermore, accounting returns to the Electoral Commission show how much is spent by the two major parties on campaigning and how much is considered to be general running costs (see figures 4 and 5).

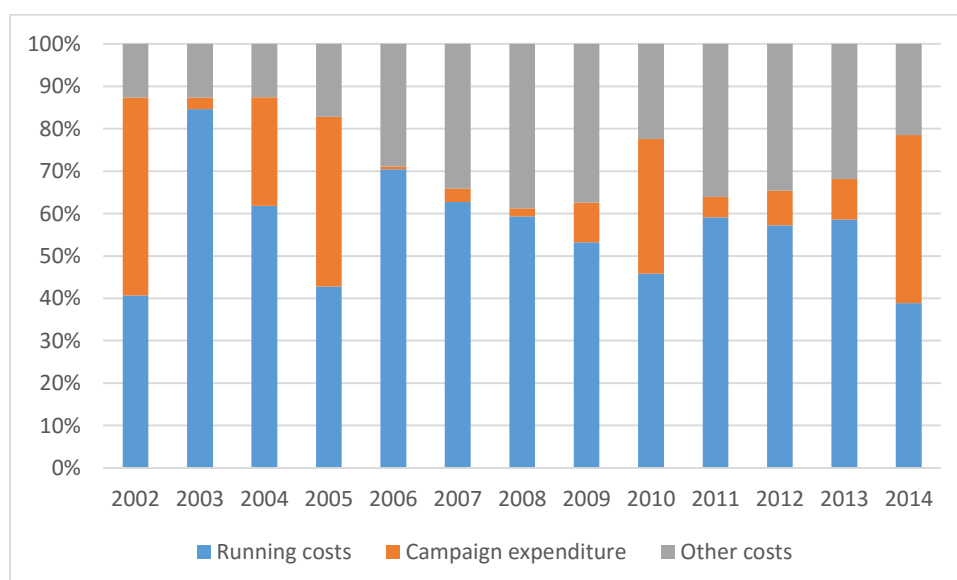
Campaign expenditure for both the Conservative party and the Labour party are, by some margin, the thing that each party spends the least amount of money on. For the Conservatives 54.32 percent of all expenditure from the years 2002-2014 was spent on running costs, 26.37 percent of expenditure is classified as other costs and 19.31 percent of outgoings was considered to be campaign expenditure. For the Labour party the figure was even lower, with 69.95 percent of all expenditure classified as running costs, 21.76 percent of expenditure other and only 8.26 percent of expenditure spent on campaigns.¹³

¹³ It is worth noting that political party accounts are an admittedly blunt tool. There are undoubtedly instances of 'creative accounting' on some of the returns and no common accounting standards. Furthermore, there are some instances where political parties report no campaign expenditure at all, this is clearly incorrect. The researcher often has to cross reference and sometimes self-code what might be understood as a running cost and a campaigning cost. Therefore, the data should be considered the interpretation of the author alone and not the Electoral Commission or the political parties. It is because of these accounting irregularities that the CSPL has recently called for a move toward common accounting standards (Bew, 2016). Furthermore, during

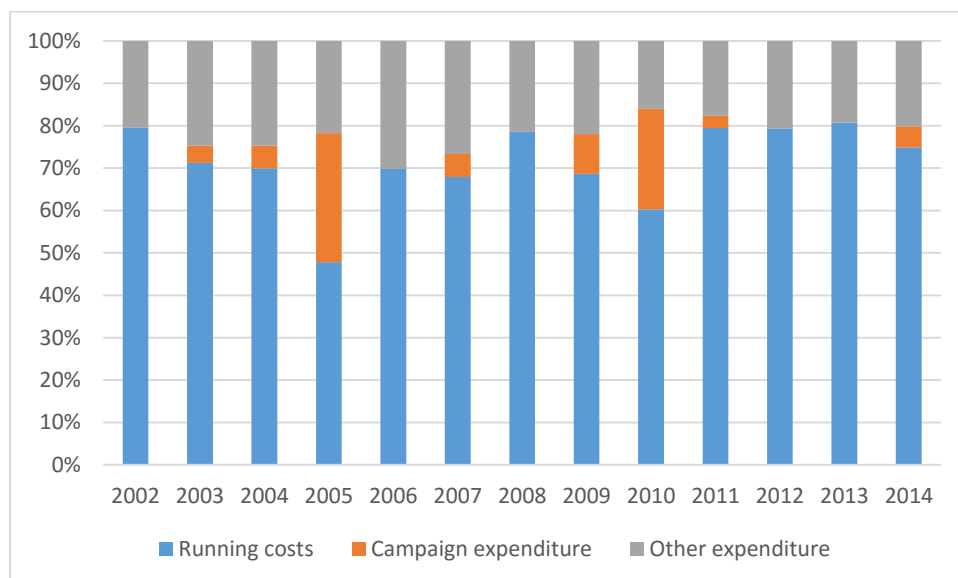
This is of particular interest when we consider the overall sustainability of political parties in Britain. It is widely acknowledged amongst practitioners that it is relatively easy to raise money in general election years and considerably harder in the fallow years between them. Furthermore although membership can and does fluctuate, relying on party members for money and income was described in a House of Lords Select Committee as like getting ‘blood out of a stone’ (Lord Robathan, 2016). This means that in these years, real time and effort is put into soliciting funds – still sometimes not enough for a party to run at a surplus.

The Danish system might not provide a safety net against perceived corruption, but it does provide a financial safety net. If we consider van Biezen’s conception of political parties as public utilities, we can consider these state subsidies as essential to effective running of these *public utilities*. Furthermore, it allows those in political parties to worry less about soliciting donations merely to survive and spend more time on activities that we might consider to have more democratic utility. Moreover, as was shown in the above literature review, previous concerns that a significant rise in state funds causes political party ossification or cartelisation has proved empirically unfounded. Arguments against the introduction of state funding predicated on these terms should thus be treated with caution.

Figure 4 Conservative party expenditure 2002-2014



the elite interview process certain respondents argued that as political parties were fundamentally an election winning and campaigning organisation, all costs could to an extent be understood as campaign costs, questioning the absolute distinction between the two categories (Interview Peter Watt, 2016).

Figure 5 Labour party expenditure 2002-2014

Conclusion

Much recent academic work has focussed on the growing importance on discourse of corruption on debates regarding party funding regime change. In Great Britain this is no different, indeed in many ways reform is driven by a discursive consensus that a cap on donations (leading to an inevitable rise in state subsidy) will lead to a necessarily less corrupt form of political finance. Evidence from Denmark (and indeed further afield) suggest that we should be cautious of this argument. It likely that reform of party funding, and party funding alone, would not be matched with a rise in levels of the public opinion of political parties and levels of corruption in democratic institutions.

However, this does not mean that there are not good reasons to change the funding regime. Systems of significant state subsidy like we see in Denmark provide sustainability in between election cycles, freeing political parties from the necessity to constantly fundraise. In this sense corruption could be seen as a red herring in the debates. If we truly consider political parties to be essential to the running of a democracy (as public utilities) then there is a strong argument to be made that funding that allows them to function as political parties, not fundraising bodies, is welcome. Earlier academic research suggests that due to a public lack of knowledge regarding the British party funding regime, most (if not all) reform of the system

would be considered unpopular, therefore public opinion is not an adequate case for continued inertia.

Finally, implicit in this paper there is a wider argument about the potential folly of considering one way of funding political parties to be necessarily less corrupt. It further strikes at how much utility there remains in the constant measurement and analysis of *levels* of corruption. Recent research has considered the increasing importance of understanding corruption typologies in tackling both actual and perceived corruption. The author contends that this case shows the value of understanding the challenges that certain systems and regimes might (or might not) present, which can be utilised to improve governance in both developing and developed democracies.

Note

This article is based on 43 semi-structured elite interviews conducted with political elites in Denmark and Great Britain from February 2015 to January 2016. Interviewees included former government ministers, MPs, civil servants, trade unions, non-government organisations, campaign groups, donors, journalists and academic experts. Using the elite interview as a primary research technique is not without its methodological critics, one such critique is a questioning of the reliability and validity of the data (for a discussion of interview reliability see Berry, 2002). In other words, how do I know what I have been told is true. I overcame this by triangulating my research findings and arguments by ‘using multiple perceptions to clarify meaning’ Stake, 2008, p. 133). Claims made in the above article are claims that were relayed to me from voices across the political spectrum – and often confirmed in evidence to committees or in news media. Furthermore, the above method is particularly useful in studies of political institutions (and political institutional development) – rather than political behaviour, which might privilege a quantitative method (see Vromen 2010, p. 249).

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