

# Money And Democracy

## Three steps to reform political funding in the UK

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### EXECUTIVE SUMMARY

#### The Problem

We are experiencing consecutive years of political scandal. Accusations of “cash for access”, the ennoblement of party donors, and the revelations around MP’s second jobs have repeatedly rocked the public’s faith in our political class and (more importantly) our democratic system. 2022 included with allegations that MPs have accepted donations from an agent of the Chinese government,<sup>i</sup> wrote to ministers to warn against stricter rules on gambling, while also working as a “parliamentary advisor” to an industry group (although there is no evidence that the two are linked),<sup>ii</sup> and accepted money from individuals supposedly linked to the Russian government.<sup>iii</sup> Underlying all these controversies is a more fundamental issue: Those with financial means are able (or appear to be able) to exert a greater influence on our politics than most citizens. There are five key elements to this problem:

- Parties and politicians have a greater incentive to respond to a small number of donors than to the public they are supposed to serve.
- Donors can appear to influence government policy.
- The executive can appear to give donors “special treatment” not available to ordinary citizens.

- Donations and job offers may appear to buy influence in parliament.
- Loopholes in the law mean that untraceable donations can influence politics and policy.

The majority of (arguably all) MPs act, at all times, with great probity. Scandals around donations and second jobs, however, damage the standing of all MPs in the mind of the public and, perhaps more importantly, damage faith in our democracy as a whole. A strong and functioning democracy must not only be free of undue influence **but also be seen to be so.**

The current system of regulation is overly complex, allows politicians to be judge in their own cause, and fails to address the fundamental problems.

### **The Solution**

Three solutions are proposed which target the fundamental problem, ensure independent enforcement of the rules, and are as simple as possible.

1. **Limit political contributions to a level affordable for all** – Most of the public support either capping or banning donations. Many advanced democracies impose a cap. We propose bringing politics in line with public opinion and international best practice. The cap should be set so every voter can afford to make the maximum donation. This ensures that citizens can still express political preferences while ensuring that, just as no one is entitled to additional votes, no one can use donations to disenfranchise others.
2. **Give the courts the final say** – The courts are independent, make decisions based on dispassionate analysis, and ensure that those before them are treated justly. The decisions of the Parliamentary Standards Commissioner and the Independent Advisor on Ministerial Interests should therefore be appealable to the courts rather than to a parliamentary committee or the Prime Minister. This will ensure that decisions are taken on the basis of objective analysis rather than political convenience.
3. **Prohibit MPs from speaking, voting, or advocating on issues where they have a financial conflict** – When an MP has a second job or receives a donation, it creates a conflict of interest. While most MP's act entirely properly, the public is still entitled to

wonder whether legislators are representing the interests of their constituents or those of their employer or financial backer. An outright ban on second jobs has undesirable results (MPs would not, for example, be able to write books or take shifts in the NHS during the pandemic), but a partial ban will inevitably lead to arbitrary distinctions between “good” and “bad” jobs. Instead, parliament should adopt best practice from the private and charitable sectors: Where an issue may impact on the interests of anyone to whom a parliamentarian has a financial connection, that parliamentarian should be prohibited from voting, speaking in parliament, or otherwise advocating on that issue.

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<sup>i</sup> <https://news.sky.com/story/mi5-has-warned-chinese-government-agent-has-been-active-in-uk-parliament-mps-told-12515031>

<sup>ii</sup> <https://www.thetimes.co.uk/article/cash-and-freebies-for-mp-who-opposed-betting-laws-v0w5n8kc8>

<sup>iii</sup> <https://www.independent.co.uk/news/uk/politics/tory-donations-russia-lubov-chernukhin-b2026678.html>