
Editorial

Political donations

The Labour Research Department's recent survey of company donations to political parties, showing that in 1984 some 320 companies donated a total of around £2½m to the Conservative Party and its associated organisations, follows hard on the heels of a weighty report that proposes a voluntary code of practice to regulate such donations. The report, by a working party set up by the Hansard Society and the Constitutional Reform Centre and chaired by Edmund Dell, notes that, although only a minority of companies make political donations, the latter account for 55–60 per cent of the Conservatives' central income. At the same time, the Trade Union Act 1984 attacked (so far unsuccessfully) the financial viability of the Labour Party by requiring unions to ballot their members about political funds; and the Alliance parties, struggling to surmount the handicap imposed by the first-past-the-post electoral system, face the added worry of keeping themselves solvent in a situation where nearly all corporate funding flows into the coffers of one or other of their main rivals.

The legal basis of company donations is confused and unsatisfactory: in an article on the subject in BLR only last year, J E Parkinson concluded bleakly that 'a substantial proportion of political donations are *ultra vires*'. The Dell Report opines that it would be 'illiberal

and ineffective to prevent company donations', and plumps instead for a voluntary code of conduct. This would require company boards to tell their shareholders why they consider donations to be in the company's best interests and to seek approval of such actions at an AGM at least once during the lifetime of a Parliament. The Report stresses the need for openness in respect of decisions in this area and recommends that donations should be kept within sensible limits. It also proposes various changes in the law, including a requirement upon parties to disclose the source and size of all significant donations, and a statutory limit upon parties' general election expenditure (in addition to the limits already imposed on individual candidates).

The Report's conclusion that 'the financing of the political process is too dependent on money provided by institutions such as trade unions and companies' can hardly be disputed, and its recommendations are eminently sensible. But they really do little more than scratch the surface of a very deep malaise. Even when we had a two party system the traditional basis of party funding was haphazard and unhealthy. Now we have got, for better or for worse, a multi-party system the time has come for radical solutions: in particular, the vexed issue of introducing extensive public funding to underpin parties, whose health determines the soundness of parliamentary democracy itself, needs seriously to be re-examined.