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IS THERE A MARKET FOR PEERAGES?
CAN DONATIONS BUY YOU A BRITISH PEERAGE?
A STUDY IN THE LINK BETWEEN PARTY POLITICAL FUNDING AND PEERAGE NOMINATIONS, 2005-14

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Is There a Market for Peerages? Can Donations Buy You a British Peerage? A Study in the Link Between Party Political Funding and Peerage Nominations, 2005-14

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Abstract
Trust in political institutions has declined across developed democracies. One of the main reasons cited for this lack of trust in public opinion polls has been the role of money in politics. The Supreme Court decisions in Citizens United and McCutcheon, amongst others, have increased the political salience of potential campaign finance reforms, and the Great Recession has reinvigorated a public debate on regulatory capture by Wall Street. So too scholars have taken up the topic with renewed vigor. Political scientists have tried to tackle the issue in two main steps: firstly, by showing that money can buy access to legislators; and, secondly, that legislators are thereby more responsive to the wishes of donors when writing and voting on laws. Researchers have used experiments and other techniques to show that Congressional staffs are more responsive to requests from donors compared to others, and have also shown aggregate trends in responsiveness to the preferences of the wealthier. In this paper we try and go one step further: to show that donors can become legislators. We do this by looking at a novel example: the United Kingdom’s appointed Second Chamber, the House of Lords. Compiling an original dataset of large donations and nominations for “peerages” that allow them to take a seat in the Lords, the authors show that, when the “usual suspects” for a position, like former MPs and party workers, are accounted for, donations seem to play an outsized role in accounting for the remaining peers. Given the widespread concern at undue influence accorded to large donors, understanding the extent of how donations influence politics and evaluating proposals for democratic renewal should be a major concern of political science.

Introduction, and Conceptual Questions
Much of the existing scholarship on the role of money in politics is informed by recent developments in US politics. The 2014 US midterm elections saw claims from both sides about the insidious role played by large donors to their opponents’ respective campaigns. With the Koch brothers lavishing money on their preferred candidates for the Republicans, and environmentalist Tom Steyer spending $70 million of his own money setting up his own SuperPac (Olsen-Phillips 2014), those defending themselves from the onslaught of outside money did their best to raise questions about the motivations of anyone spending so much money on supporting political candidates of the other side. The implication was clear: “he who pays the piper calls the tune”;

1 We owe our deepest thanks to many people who assisted with this paper in a number of capacities. In particular, we would like to thank members of both Houses of Parliament, from all sides of the political divide, who spoke to us with great candour on condition of strict anonymity, and were most helpful in pointing us in the right direction in our enquiries and in formulating appropriate research questions. Additionally, several journalists were extremely generous with their time and insights.
or large campaign donors have some say over how their preferred candidate might vote if elected. If not, why spend so much money getting them elected in the first place? At the same time, the wider public has shown real concern over the role of money in politics. Citizens United and McCutcheon have spurred a renewed push for campaign finance reform, and the public routinely cites the issue of money in politics as something that concerns them greatly. Three in four US voters maintain “wealthy Americans have a better chance than others of influencing the election process”, and approval ratings for Congress have touched record lows (Smith 2014).

The upsurge of interest in the role of money in politics by the public has been mirrored by a renewed interest in the subject within academia. Of course, the academic treatment of such subjects isn’t new: from Michels’ “Iron Law of Oligarchy” to C. Wright Mills’ “Power Elite”, many studies on the pernicious effect of economic inequality on political outcomes can be counted as classics. However, the quantity and quality of recent work is unprecedented, and considerable progress has been made in identifying broad relationships, while much work remains to be done in tracing the whole process of how money leads to policy outcomes.

While political equality is at the very heart of democratic theory (Dahl 1961), recent research has concentrated on how economic inequality can render this notion more fiction than fact. Gilens (2012), for example, uses evidence of the political preferences of people from different income levels to show that government policies are much more responsive to those from more wealthy backgrounds. Indeed, he finds that the preferences of the vast majority of Americans have effectively no impact on the policies the government pursues, despite the fact that citizens’ policy attitudes are highly responsive to economic worries (Hacker, Rehm and Schlesinger 2013). This finding of non-responsiveness has been supported by a litany of similar studies (Bartels 2008; Flavin 2012; Gilens and Page 2014; Hacker and Pierson 2010; Winters and Page 2009).

Political scientists have produced mixed evidence that campaign contributions can “buy” votes of policymakers in an American context (Ansolabehere, de Figueiredo, and Snyder 2003; Strattman 2005) and there is some agreement that available evidence is insufficient to properly assess the impact of contributions on legislators’ behavior (Baumgartner et al. 2009; Fox and Rothenberg 2011; Langbein 1986). Indeed, we might well ask if politicians would be so crass to publicly show blatant favoritism to donors but help return the favor in more subtle ways that are not so easily detected (Hall and Wayman 1990). However, it is true to say that US contributors themselves seem to reveal their intentions by behaving in ways consistent with the desire for influence (Fourmaies and Hall 2014b; Stratmann 1992). While there is work linking campaign contributions to American legislators’ actions (Moore et al. 2013), there is still a lot of work that finds scant evidence that contributions systematically affect policymaking (e.g. Bronars and Lott 1997; Chin et al. 2000; McCarty and Rothenberg 1996).

While work on economic inequality and policy outcomes show striking aggregate shifts towards the preferences of the wealthy, showing links between individual donors or donations and direct influence on laws is much
harder to prove. A paper by Kalla and Broockman deservedly garnered headlines in the popular press for undertaking a randomized field experiment which showed that US Congressional staffers were between three and four times more likely to meet with self-identified donors than when the correspondent did not reveal their prior pecuniary support (Kalla and Broockman 2014). However, while their work showed that donations can buy access, it does not show that that access led to bought-and-paid-for policy outcomes. In order to do so one would have to show that:

a) Donations led to increased access; and
b) Access led to direct influence over laws.

It is here that the case of the United Kingdom proves interesting. While organizations like WolfPac (who want a constitutional amendment to reverse Citizens United) and MayDay (“A SuperPac to end SuperPacs!”) have taken up the mantle of limiting the influence of big money in US politics, there has been no real equivalent political upsurge in the United Kingdom, despite a similar surge in economic inequality (Piketty 2014). Unlock Democracy, possibly the main vehicle for campaign finance reform in the country, is conspicuous by its lack of political profile. Is this because the United Kingdom is intrinsically different from a political system in the United States that seems compromised by moneyed interests? Do theories of money in politics largely developed and tested in the United States travel?

Testing the influence of donations in other countries, as well as being of interest for those who want a better political system within that country, can be of interest to those who want to explore generalizable findings and mechanisms for the role of money in politics. And the United Kingdom provides just such an opportunity thanks to ongoing long-running rumors that suggest donors are rewarded with honors, in particular allegations that they might be granted a place in the House of Lords. It is this paper’s contention that journalistic insinuation to this end cannot be contradicted by the data. Furthermore, it provides a unique case of something that has so far eluded the reach of studies in the United States context: money buying access, and that access providing not only influence over laws, but the ability to write and vote on them.

Suggested motivations for responding to donors, for example, in the United States, like having to rely on big donors to fund expensive TV advertising purchases (Green and Gerber 2008; Gerber et al. 2011) might not hold in countries where such purchases are prohibited. And the potential returns on donations would tend to be less valuable in the United Kingdom than in the U.S. Transparency International, in its latest rankings on corruption around the world, has the United Kingdom ranked as less corrupt than the U.S.2 Finally, a place in the House of Lords is not as powerful as buying influence in the House of Representatives or the Senate, as the British Upper House has only powers to revise and delay legislation, not to block it altogether. But all of these factors make Britain a ‘least likely’ case where, if such a link between both steps from legislations to laws can be proven, it dramatically increases

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the likelihood that such a link might also be shown to exist in the United States and elsewhere.

The Case of the United Kingdom, and “Cash for Peerages”

“How many honours are paid for in money, how many partly in money and partly in public service, and how many for public service of various kinds only, no man can tell, but we can all guess.”

Walter Hazell, letter to The Times, 8 June 1917, p. 9, col. f., cited in (Cook 2008)

For centuries, the sale of peerages - and an accompanying seat in Britain’s House of Lords - was commonplace, firstly as a revenue-raising device for Kings in past centuries, and more recently, with the bulk of appointments being made by the Prime Minister (incorporating nominations from all three major party leaders), it has been widely rumored as a revenue-raising device for British political parties. Indeed, it was only early in the nineteenth century that peerages began to be awarded for deeds rather than money alone. Until then, peerages had been sold alongside other honors since at least the Middle Ages, with the reign of James I seeing the largest growth of the practice as the King sought to raise revenue independently from parliament – a set of circumstances with fewer constitutional ramifications than might be expected today, since the fact that parliament was rarely called meant that the fall-out of ‘sold’ peerages was less apparent if those peers were rarely expected to sit. Indeed, under James I, annual plans for expenditure were directly linked to the number of peerages and other honors which could be sold by the King’s travelling agents, who effectively acted as honors salesmen roving the counties. (Cook 2006) It was only in the more censorious climate of the Victorian era that the sale of honors began to be seen as morally wrong – although it reputedly continued apace throughout the Victorian and Edwardian era, with the 4th Marquess of Salisbury complaining in 1922 that such “abuses [were] of very long standing.”

Whilst peerages have traditionally been sold alongside honors, we are not concerned here with the wider sale of honors. There is a difference between the sale of honors, and the sale of peerages. Peerages are not only inherently senior to other honors, but they are also more than mere honorific titles. They come with a lifetime appointment to the British legislature, with no mechanism in place for the removal of peers, other than death, or an Act of Parliament. Thus although all Lords appointees are vetted prior to appointment, if any peer should be convicted of a crime subsequent to their ennoblement, they still retain their seat for life.

3 Hansard, HL Deb 17 July 1922 vol 51 c476.
4 After two peers were accused of offering to amend legislation in exchange for payments, a seventeenth-century precedent was revived in 2009 whereby they were suspended from the Lords for six months. This procedure has subsequently used three further times to penalise peers embroiled in the 2009 parliamentary expenses scandals, but it remains the highest
The issue notoriously came to the fore during David Lloyd George’s stint as Prime Minister in 1916-22 (Morgan 1978; Cook 2008). In part, this was mainly out of necessity, as Lloyd George lacked the machinery of an established political party, and was expected to finance his own election machine without any obvious source of revenue. The main accusation against Lloyd George was not that he sold honors per se, but that he did it so flagrantly, on a scale which had not been seen before, right down to the provision of a catalogue which listed prices (Campbell 1978). However, recent research has indicated that although Lloyd George did indeed sell a great many honours, the number of peerages he sold was small – the figure is often incorrectly placed as high as 120. In fact, the total number of peerages he awarded was 82, and “no more than fourteen involved any monetary consideration. Of these fourteen, eight were actually nominated by [the Conservative leaders], not Lloyd George” (Cook 2008).

Nonetheless, public concern was sufficiently serious to merit several parliamentary debates and a Royal Commission, culminating in the criminalization of the practice in 1925. The Lloyd George experience has been particularly influential on the way ‘Cash for peerages’ has been subsequently discussed, as a series of parliamentary debates in 1922 all went into great detail under parliamentary privilege. One of the few sources journalists can cite free from libel concerns is a parliamentary debate, meaning that these debates have had an enduring effect on the way the topic is discussed. This included the ‘going rate’ for a peerage in 1922, which was reportedly at least £40,000 (circa £1.7 million in 2015 prices), although some peers were reputed to have paid significantly more for their peerages.

A number of journalistic studies have looked at the allegations of “cash for peerages” in twentieth century Britain (Walker 1986; Hollingsworth 1991; Cook 1995; Leigh and Vulliamy 1997; Baston 2000; Cook 2008; Friedman 2013), although scholarly studies have been much rarer and more general in approach (Ridley and Doig 1995; Ewing 2007; Beetham 2011). Whilst there have been previous attempts to statistically analyze the phenomenon of “cash for peerages”, these have been somewhat partisan in nature - a 1986 trade union-funded study concentrated on the Conservatives (Walker 1986), while a more recent short, two-page analysis by the Conservative Bow Group made the somewhat improbable extrapolation that the Labour Party was the only party embroiled in selling honors (Philp 2006). Walker (1986) did, however, come up with some suggestive figures for the ‘going rate’ of a peerage in the 1980s, listing eleven peerages awarded between 1979 and 1985 to industrialists who donated an average £168,763 each (some £500,000 in 2015 prices), although noting significant disparities in donations between these eleven.

\[\text{sanction possible – unlike MPs, there is no way to remove a peer other than by an Act of Parliament, even if they have been convicted of a felony.}\]

\[5\] Under the concept of parliamentary privilege, anything said on the floor of either the House of Commons or the House of Lords is free from libel action, and therefore the reporting of parliamentary proceedings is exempt from libel law, regardless of content.

In 2006, the latest ‘Cash for peerages’ scandal erupted, fuelled by such observations as the way that 100% of all Labour party donors of over £1 million since 1997 had been offered either a knighthood or a peerage. Eventually, the Metropolitan Police decided that there was insufficient evidence to prosecute, but a whiff of scandal was left in the wake of the arrest of senior Downing Street aides, the serving Prime Minister was interviewed under caution, and several peerage nominees were blocked. Rumors of “cash for peerages” have not abated, with veteran parliamentarian Lord Cormack recently telling a packed meeting last month: “The biggest abuse is putting party donors into the House of Lords. This has happened from all three parties, even in the last five years.”

Party leaders can dispense peerages for a number of reasons. These can include a genuine desire to strengthen the quality of debate in the Lords, with expert opinion. Since the creation of the House of Lords Appointments Commission in 2000, this has removed the pressure on party leaders to make such appointments, as the Commission effectively performs this function for them; but it has meant that party leaders have even more of a roving brief to use party political patronage for the remaining peerages allocated to them. Patronage has long been established as a major factor in appointments to the Lords. The most well-represented group in the Lords are former MPs, and yet relatively few former MPs actually proceed to the Lords. The reasons for awarding peerages can thus be diverse. The Times of London recently highlighted a ‘senior coalition politician’ who sat watching the Lords with some guests:

Looking down at the chamber, they laughed to themselves as they pointed out various peers. “He’s here because we needed [him to vacate] his [House of Commons] seat for X. He was a massive donor. He was hopeless but he wouldn’t retire [from the Commons]…”

Even party leaders who have traditionally lacked the ability to nominate peers have expressed some envy for the fundraising potential of peerages. UKIP leader Nigel Farage, when asked about his party’s modest fundraising means compared to other parties, commented “They can give out peerages; we can’t. There’s no doubt about it. This wasn’t just the Lloyd George scandal. The ability to offer honours is a major incentive. Not to all, but to most donors.” (Friedman 2013.)

This does not mean that there are no other improper ways in which peerages can be “bought” by non-monetary means; for instance, Dr. Tony Wright MP highlights how “A party leader says to an MP – ‘You give up your seat to us

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7 This observation has been made a number of times, most notably by Alex Salmond, then-Leader of the Scottish National Party, which refuses to appoint any peers, as it regards the current system as endemically corrupt. See Alex Salmond, SNP Conference speech, text reproduced at http://www.ukpolitics.org.uk/node/3753.
and we will put you in the Lords’ – I am told this happens, and has happened regularly for years…So people can sell their seat [in the Commons], but they cannot donate money without being scrutinised”.\textsuperscript{10}

Much of the work around allegations of “Cash for Peerages” has been from a journalistic rather than an academic perspective, albeit very cautious in nature. The reasons for this should be self-evident. Firstly, there has been no ‘smoking gun’, with a shortage of peers coming forward to publicly admit to involvement in such an arrangement. Ever since the passage of the Honours (Prevention of Abuses) Act 1925, the sale of peerages has been an imprisonable offence, and so any peers, Prime Ministers or party officials admitting to complicity in such a transaction would openly invite criminal prosecution and possible incarceration. Of course, in reality, this remains a seldom-used act which only ever resulted in one successful prosecution – Maundy Gregory in 1933 – and it was framed in such a way that has traditionally made it extremely difficult to ensure a successful prosecution. What has subsequently escaped journalistic attention is that the Bribery Act 2010 has created further statute law which criminalizes such practices, and since the passage of that act, there has not yet been a test case in relation to the alleged sale of peerage. Secondly, Britain’s punitive libel laws have traditionally meant that there has been a great reluctance to name names, lest such allegations attract a ruinously expensive libel action.

These widely circulated rumors of “Cash for Peerages” persist, and one of the authors has greater reason than most to give them credence after a peer openly boasted of having bought his peerage during a job interview.\textsuperscript{11} Clearly in a climate where such boasts are made so openly, there is a need to see what patterns can be discerned in the data.

Demand for peerages remains high, as Lord Razzall confirmed in 2013, looking back on his seventeen years as Treasurer of the Liberal Democrats:

“You have no idea the number of people who will suggest that in return for a large donation they would like to be Lord X. I would come across it once a month” (Friedman 2013). After repeating such allegations on live radio a year later, Razzall subsequently refused to give police the names of any of the people who had made such an offer to him.\textsuperscript{12} Furthermore, looking back on his fourteen years in the Lords in 2014, Lord Oakeshott remarked, “my efforts to expose and end ‘cash for peerages’ in all parties, including our own, and help get the Lords elected, have failed.”\textsuperscript{13}


\textsuperscript{11} The Peer in question was interviewing the author for a speechwriting job. Lest there be any accusation of sour grapes on the part of the author in question, the job interview was successful – but the offer was politely declined.

\textsuperscript{12} Interview with Lord Razzall on BBC Radio 5 Live, November 20, 2014; Francis Elliott, ‘Peer Protects Cash-for-Titles Donors’, The Times, November 21, 2014, p. 46. See also Razzall (2014).

Speaking to parliamentarians, there is a wide disparity of views about the quality of Lords appointees who are believed to have ‘bought’ their peerages. One peer, the subject of tabloid coverage about his benevolence with donations, is nonetheless acknowledged by a rival peer to have made a good legislator: “I’d read about him in the papers, and thought, you know [pulls face], but he’s actually turned out to be an effective and hardworking member of the Lords.” Another peer, a major party donor widely rumored to have paid for their peerage, is thought “really very good”, a view held by colleagues on all sides of the Lords. Meanwhile, the poor attendance record of some ‘bought’ peerages is noted, with one member of the House of Lords dryly observing ‘I’m still waiting to see any contribution from [name of peer who is a major party donor].’

Fundamentally, the sale of peerages is widely documented, historically; and in recent decades, there have been widely-circulated rumors that peerages continue to be sold, such rumors have been difficult to prove or disprove. It is hoped that the data presented here assists in addressing some of the wider contextual issues.

**Approval Process**

It is worth setting out something of the approval and confirmation process for membership of the House of Lords. Appointees are typically nominated by the Prime Minister and confirmed by the Monarch. Before 2010, by all-party agreement, the Prime Minister’s list typically contained nominations from the leaders of all three parties, although since 2010, the party leaders have been able to directly nominate, without going through the Prime Minister. Traditionally, there was no approval process whatsoever for any hereditary peers who inherited their peerages.

From 1925-2000, the Political Honours Scrutiny Committee (made up of an MP from each of the three main parties) scrutinized the list of appointees. After the 1958 Life Peerages Act, the Lords became increasingly composed of life peers who would not pass on their titles, and so the Committee’s workload increased considerably to match the surge of new appointments. This has been further exacerbated by most hereditary peers ceasing to sit in 1999. The Committee’s checks could be remarkably lax, as one peer who was vetted by them acknowledges: “It was a remarkably unrigorous process in which the individual being put forward played almost no part at all”, beyond being asked to fill out a form. Two episodes which showed the Committee at its least effective and most effective were the resignation honors lists of Harold Wilson and Margaret Thatcher. In 1976, the Committee attempted to veto half of Wilson’s list, but he ignored their objections and approved all but one of the people on the list. By contrast, several nominations on Margaret Thatcher’s

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14 Confidential information: British parliamentarian speaking to the authors on condition of anonymity.

15 Ibid; different peers to the one quoted above.

16 Ibid; a different peer to the ones quoted above.

17 Confidential information from a peer, on condition of anonymity.

8
1990 list were successfully blocked, reportedly including Rupert Murdoch for an honorary knighthood and Jeffrey Archer for a peerage.\textsuperscript{18}

Against a wider backdrop of Lords reform, the House of Lords Appointments Commission (HOLAC) was set up in 2000, envisioned as a stopgap measure pending further reform and democratization of the Lords. HOLAC is composed of four independent, non-partisan members as well as one peer from each of the three main parties. It is a non-statutory, non-departmental public body, which means it has purely advisory powers; the Prime Minister is under no obligation to accept its recommendations. The only way the Commission can ensure a Prime Minister’s compliance is by the Commissioners “considering their position very carefully”, with the implicit threat of resignation in protest.\textsuperscript{19}

**Data Collection**

The first task in trying to identify a possible link between donations and elevation to the Lords was to assemble an original dataset of Lords nominated between 2005 and 2014. They were nominated under three different governments: the Labour governments of Tony Blair and then Gordon Brown from 2005-10, and David Cameron’s Conservative/Lib Dem coalition from 2010 onwards. In order to ascertain whether someone was nominated through patronage or some other reason, we coded each nominee as to whether they fell into the categories most associated with patronage appointments. Looking at the standard reasons why people might be appointed to the Lords, we collectively termed such people the ‘usual suspects’. These ‘usual suspects’ are comprised of the following broad categories:

- **Ex-Parliamentarian:** Former Members of the British Parliament, European Parliament, Scottish Parliament, Welsh Assembly, Northern Irish Assembly, and Greater London Assembly. This includes heavyweight statesmen of great experience, as well as so-called “bed-blockers” who needed an incentive to retire from a safe seat in the Commons.

- **Former Senior Party Staff:** This encompasses a number of roles, the key feature having been paid employment in a partisan capacity, so it does not involve full-time professional civil servants. It includes ministerial Special Advisers (even though they are technically on the civil service payroll), as they report directly to a minister, and are traditionally drawn from a party rather than civil service background (Yong and Hazell, 2014).

- **Council Leader or ex-Council Leader:** All three major parties tend to appoint a handful of former council leaders with local government experience.


\textsuperscript{19} Ibid, p. 17.
1. “Government of All Talents”: This category is peculiar to the Labour Party. In 2007-8, Gordon Brown sought to broaden the appeal of his premiership by appointing a number of respected experts to the Lords, from non-partisan backgrounds, but to sit as Labour peers so that they could take up office as Labour government ministers.

2. Joint Interim Peers Panel: This category is peculiar to the Liberal Democrats. In 1999, in response to a perception that the party had flagrantly sold peerages in the 1990s, grassroots activist Donnachadh McCarthy instigated a system whereby the party’s activists elected a slate of nominees to be put forward. The procedure has noticeably lacked support from any Lib Dem leader, and only a handful of people from the panel have ever been nominated; a loophole exists whereby the party leader can make his own nominations, and so this has been successively exploited by Charles Kennedy, Menzies Campbell and Nick Clegg to nominate their own candidates over the party’s. In 2012, the party suspended its biannual elections to the panel, and these were not reinstated in 2014. Nonetheless, since 2004, Liberal Democrat nominees are theoretically supposed to be drawn from this pool (McCarthy 2014).

3. Reserved public-sector post: A handful of jobs almost automatically carry a peerage either on retirement, or shortly after retirement.²⁰ They do not make up a sizeable proportion of peerages.

4. House of Lords Appointments Commission nominee: In addition to their scrutiny of political appointments, HOLAC is also responsible for making independent, non-partisan appointments to the Lords (although one independent nominee subsequently took his seat as a Labour peer). Dubbed ‘The People’s Peers’ by the press, these nominees have tended to be the least likely to be engaged in party politics, the least likely to be party donors, and the least likely to speak or vote in debates.²¹ They are a departure from the pre-2000 practice of peerage nominations, in that they do not come from the Monarch, the Prime Minister, or the party leaders.

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²⁰ These include the Archbishop of Canterbury, Cabinet Secretary, Chief of the Defence Staff, Governor of the Bank of England, Lord Advocate for Scotland, Lord Chief Justice for England and Wales, Private Secretary to the Queen, Speaker of the House of Commons, and in recent decades, the Commissioner of the Metropolitan Police. As is typical of British politics, this happens by convention and there is no definitive list of which public sector roles should come with a seat in the Lords on retirement.

²¹ See, for instance, Appendix 1 of Propriety and Honours: Interim Findings - Fourth Report of Session 2005-06 (London: House of Commons Public Administration Select Committee, 2006), showing an average attendance of 37% for all Crossbench peers. In 2009, a Freedom of Information request to the House of Lords Appointments Commission revealed that figures compiled in 2007 showed 14 of the 36 “People’s Peers” appointed in HOLAC’s first five years (39%) had failed to vote between 95% and 100% of the time, and just one of the 36 “People’s Peers”—the current Lord Speaker, Baroness D’Souza—had attended more than 50% of votes. ‘Annex B: Voting Record of “People’s Peers” (2001-6)’, Collected 2009 Freedom of Information requests, House of Lords Appointments Commission website, http://lordsappointments.independent.gov.uk/media/15935/freedomofinformation.pdf. Another metric was presented in Russell and Benton (2010), showing that 70 of 177 Crossbenchers (39.5%) had an attendance record below one-third of the time.
We then cross-referenced donation data on the rather unwieldy Electoral Commission website and checked whether each peerage nominee, their immediate family, or a business in his or her control, had made any party political donations, cross-checking this with the peer’s current and former entries in the Register of Lords’ Interests, and their Who’s Who entry. Detecting such information was no easy feat, involving as it did a series of shell companies, holding companies, wholly-owned subsidiaries, and investigating the shareholder composition and boardroom composition of each company, not to mention becoming wise to other subtle quirks of the Electoral Commission’s data: Different variants on the same person’s middle name occasionally showed up, or (in one case) a nominee used a pseudonym from their business career. Nonetheless, it was vital to do this in detail for all 303 peerage nominees to fully record all donations made by them.  

**Hypotheses**

Having collected our data, we considered what hypotheses could be tested which, if true, would falsify the notion that money can buy influence through a seat in the House of Lords. Our theory is, in essence, that British party managers are able to use seats in the House of Lords as a tool both of party management and of raising funds. If true, this would mean that a person’s probability of being nominated to the Lords would be a function of their political services to a party and their financial donations to that party, and other variables which might be relevant. So it might look something like the equation below,

\[
\text{Pr(Nominated)} = G(\alpha P + \beta F + \gamma X)
\]

Where \(P\) represents the political services, \(F\) represents the financial services to a party and \(X\) represents other relevant variables, and \(G(\cdot)\) is an increasing function.

The ideal way to test our hypothesis would be to gather a large random sample of people in the UK, noting their political services and financial donations to political parties, and whether they have been nominated for a seat in the House of Lords. We would ideally also control for various other potentially related variables such as wealth and income. It would then be possible to estimate \(\alpha\) and \(\beta\) directly. Such a method is clearly impractical. In order for a random sample of the UK population to be expected to contain about 100 members of the House of Lords, it would have to contain more than 5 million people.

Our approach has therefore been to consider what relationships we would expect to see in our data concerning those who were nominated to the Lords over 2005-14 and donations made to British political parties over 2001-14. The first observation is that comparative advantage among those hoping for a

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22 Our data cover 2001 Q1 - 2014 Q3. 2014 Q4 became available towards the end of this project, but following up all the leads generated by the Electoral Commission data is a time consuming process and by the time we had finished with 2014 Q4, 2015 Q1 would be available and the process would repeat ad infinitum.

23 This is based on there being 847 members of the House of Lords at the time of writing and the UK electorate consisting of just over 44.5m voters as of 2004.
seat in the Lords would suggest that people should specialize either in providing parties with financing or with political services.

People who have had successful careers in business will be of more help to a political party if they donate substantial sums of money rather than switch career and become a political advisor or MP. Conversely, it will be easier for most people who have started providing political services through advising ministers or shadow ministers to continue providing those services rather than to go into business and make large sums of money to donate to the party. The inverse of this observation is null Hypothesis 1, which we aim to falsify.

**Hypothesis 1:** There is no statistically significant difference between the donation behavior of nominees from the “usual suspects” and nominees from outside the “usual suspects”.

Secondly, if the widespread suspicion that seats in the House of Lords can be purchased through large enough donations to the UK’s political parties is correct, then we should expect to see an unusually large concentration of Lords nominees among the larger donors to political parties. So the second hypothesis we aim to falsify with our data is as follows:

**Hypothesis 2:** Big donors are just as likely to be nominated to the Lords as anyone else.

Accordingly, we compiled a second database of all ‘big donors’ to British political parties since detailed records began in 2001. In the data gathered for hypothesis 1, we found a noticeable gap between ‘big donor nominees’, who accounted for less than one in ten nominees and typically gave six- or seven-figure sums, and the remaining nine-tenths of nominees who gave under £25,000 over the course of fourteen years. ‘Big donors’ seldom made one solitary donation, but typically divided their generosity between smaller sums. Accordingly, to more easily detect the ‘big donors’ who often gave huge amounts of money in large tranches, we defined ‘single large transaction donors’, who were any individuals or organizations which made a single donation of at least £30,000 (in nominal terms).

Finally, we wanted to check that the presence of donors is a substantial difference between the appointed House of Lords and the elected House of Commons. Elections add an element of uncertainty to the appointment of a legislator, for while there is a large body of literature to suggest that money may influence an election, there is no guarantee of ‘buying’ electors’ votes, whereas an appointed legislature inherently lacks the safeguard of an electorate. Nonetheless, it is claimed that the House of Lords Appointments Commission (HOLAC) presides over a ‘clean’ system of appointments, and if this is the case, one would not expect to find any more ‘big donors’ in the appointed Lords than the elected Commons. This leads to the third hypothesis:

**Hypothesis 3:** Members of the House of Commons are as likely to be big donors as members of the House of Lords.
Data Analysis

The party affiliations of the 303 peerage nominations over the period were as follows

<table>
<thead>
<tr>
<th>Party</th>
<th>No. of Nominations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative</td>
<td>93</td>
</tr>
<tr>
<td>Labour</td>
<td>87</td>
</tr>
<tr>
<td>Crossbencher</td>
<td>63</td>
</tr>
<tr>
<td>Liberal Democrat</td>
<td>53</td>
</tr>
<tr>
<td>Democratic Unionist Party</td>
<td>4</td>
</tr>
<tr>
<td>Ulster Unionist Party</td>
<td>1</td>
</tr>
<tr>
<td>Green Party</td>
<td>1</td>
</tr>
<tr>
<td>Plaid Cymru</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 1: Nominations by Party

All of the nominees from the smaller parties (with fewer than 10 nominees) were “usual suspects”. With no variation in this key variable, they were excluded from the analysis. This left 296 nominees from the three main parties and the Crossbenchers.

<table>
<thead>
<tr>
<th>Party</th>
<th>Total</th>
<th>“Usual Suspects”</th>
<th>“The Others” (aka not “Usual Suspects”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative</td>
<td>93</td>
<td>46</td>
<td>47</td>
</tr>
<tr>
<td>Labour</td>
<td>87</td>
<td>64</td>
<td>23</td>
</tr>
<tr>
<td>Crossbencher</td>
<td>63</td>
<td>54</td>
<td>9</td>
</tr>
<tr>
<td>Liberal Democrat</td>
<td>53</td>
<td>40</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>296</td>
<td>204</td>
<td>92</td>
</tr>
</tbody>
</table>

Table 2: Nominees by party and “usual suspect” membership.

Table 2 looks at the breakdown of these remaining nominees by party affiliation and membership of the “usual suspects” group. Interestingly, Conservative nominees over the period were the least likely to be drawn from the pool of “usual suspects” (49%), while the Crossbenchers were the most likely to be drawn from them (86%). Labour and the Liberal Democrats both
had similar proportions of their nominees drawn from the pool of “usual suspects” (74% and 75% respectively).24

Loans

For each nominee to the House of Lords, the total amount of donations in “cash and kind” over £5,000 made to national parties and over £1,000 to local parties and affiliated party bodies are known from 2001 onwards. However, donations are not the only way in which wealthy individuals are able to financially assist a political party of their choice. One of the revelations of the 2006 ‘Cash for peerages’ scandal was the way in which all major parties were able to avoid divulging some major funding through receiving it in the form of a substantial loan, including several individuals who had been nominated for peerages and had no need to divulge this to HOLAC. Consequently, the party leaders voluntarily divulged their outstanding loans since 2005, and in 2007 this loophole was closed, with loans now having to be declared as well. (Friedman 2013, Levy 2008).

In the data, there are six recorded loans from House of Lords nominees to political parties. We can also see whether the loan has yet been repaid. We know that sometimes loans are not repaid, but are subsequently converted into donations. So our strategy for dealing with loans was to include them as though they were donations if they remained outstanding, but to exclude them if they had already been repaid. Most of the excluded repaid loans were for small amounts (less than £5,000) and had been repaid within six months. The smallest loan that remained outstanding and so was included was for £1m and had been initiated in 2005.

Inflation

The data cover more than a decade, so it is prudent to allow for inflation. All reported numbers below have been converted into 2014 pounds sterling using the annual ONS consumer price index.

Hypothesis 1

Table 3A shows the total amount of money donated by peers split out by their party affiliation at the time they were nominated and whether or not they are members of the group of “Usual Suspects”. It demonstrates that the bulk of donations given by peers come from “The Others” rather than the “Usual Suspects”.

---

24 We do not know why the Conservatives are nominating more peers from outside the group of “usual suspects”, it certainly goes against the traditional view of the Conservatives as the “establishment” party. A number of theories come to mind, but we presently lack the data to prove them.
The average donation to UK political parties by nominees to the House of Lords split out by party affiliation and membership of the “usual suspects” is shown in Table 3A. The table shows that, on average, nominees from “The Others” outside the “usual suspects” donate substantially more than nominees from among the “usual suspects”, and that this is true overall and within all party affiliations, including the Crossbenchers. 25 Exactly how much more the average nominee from “The Others” donates than one from within the “usual suspects” varies across the political parties. 26 While these differences are large, it is still necessary to check whether they are statistically significant before rejecting hypothesis 1.

<table>
<thead>
<tr>
<th>Party</th>
<th>Overall</th>
<th>“Usual Suspects”</th>
<th>“The Others”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative</td>
<td>£16,341,321.02</td>
<td>£153,344.67</td>
<td>£16,187,976.34</td>
</tr>
<tr>
<td>Labour</td>
<td>£12,897,880.02</td>
<td>£298,078.82</td>
<td>£12,599,801.20</td>
</tr>
<tr>
<td>Crossbencher</td>
<td>£60,707.85</td>
<td>£10,856.29</td>
<td>£49,851.56</td>
</tr>
<tr>
<td>Liberal Democrat</td>
<td>£5,269,872.45</td>
<td>£273,178.03</td>
<td>£4,996,694.43</td>
</tr>
<tr>
<td>Overall</td>
<td>£34,569,781.34</td>
<td>£735,457.81</td>
<td>£33,834,323.53</td>
</tr>
</tbody>
</table>

Table 3A: Total Donations by Party

The average donation to UK political parties by nominees to the House of Lords split out by party affiliation and membership of the “usual suspects” is shown in Table 3B. The table shows that, on average, nominees from “The Others” outside the “usual suspects” donate substantially more than nominees from among the “usual suspects”, and that this is true overall and within all party affiliations, including the Crossbenchers. 25 Exactly how much more the average nominee from “The Others” donates than one from within the “usual suspects” varies across the political parties. 26 While these differences are large, it is still necessary to check whether they are statistically significant before rejecting hypothesis 1.

<table>
<thead>
<tr>
<th>Party</th>
<th>Overall</th>
<th>“Usual Suspects”</th>
<th>“The Others”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative</td>
<td>£175,713.13</td>
<td>£3,333.58</td>
<td>£344,425.03</td>
</tr>
<tr>
<td>Labour</td>
<td>£148,251.49</td>
<td>£4,657.48</td>
<td>£547,817.44</td>
</tr>
<tr>
<td>Crossbencher</td>
<td>£963.62</td>
<td>£201.04</td>
<td>£5,539.06</td>
</tr>
<tr>
<td>Liberal Democrat</td>
<td>£99,431.56</td>
<td>£6,829.45</td>
<td>£384,361.11</td>
</tr>
<tr>
<td>Overall</td>
<td>£116,789.80</td>
<td>£3,605.19</td>
<td>£367,764.39</td>
</tr>
</tbody>
</table>

Table 3B: Average Donation per Nominee

---

25 Overall, nominees from outside the “usual suspects” appear to donate more than 100 times more than nominees from within this group.

26 As an aside, it is also worth commenting on the skewed distribution of “big donors” within the totals in Table 3. Whilst “The Others” account for some 97.9% of party funds donated by nominees to the Lords (compared to just 2.1% from the “usual suspects”), it would be misleading to attribute this to all 92 of “The Others” - just 27 of the 92 “Others” have donated 95% of all the money donated by the “Others”. None of the 27 were Crossbenchers. These 27 data points noticeably contrast with the bulk of “The Others”, in having donated at least £200,000, and often sizeably more. Among the “usual suspects”, only 1 nominee donated over £200,000, with all other nominees donating well under £100,000, and most donating under £25,000. Thus 28 individuals account for over 95% of all party political donations to have emerged from all Lords nominees since 2005.
**Difference in Means**

To test the statistical significance of these differences, a series of standard difference in means t-tests were conducted under the null hypothesis that the means were in fact the same. The tests conducted did not assume the same variance in donations from “usual suspect” nominees, and nominees from “The Others” outside the set of “usual suspects”.

As has been noted already, the donation data is skewed by the presence of a small number of individuals who have donated large sums of money. Overall, we believe it is legitimate to keep these individuals in the data, but we allow for the possibility of excluding them as outliers to check that our conclusions are robust. We allow for two possible definitions of outliers. The definition with the smallest impact on the data treats anyone donating more than £2m in 2014 money as an outlier. An alternative definition is anyone donating more than £1m in 2014 money.27

<table>
<thead>
<tr>
<th>Sample</th>
<th>All Donors</th>
<th>All Donors Less Than £2m (2014 GBP)</th>
<th>All Donors Less Than £1m (2014 GBP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Nominees</td>
<td>0.0002**</td>
<td>0.0000**</td>
<td>0.0001**</td>
</tr>
<tr>
<td>Conservatives</td>
<td>0.0181*</td>
<td>0.0045**</td>
<td>0.0045**</td>
</tr>
<tr>
<td>Labour</td>
<td>0.0086**</td>
<td>0.0072**</td>
<td>0.0471*</td>
</tr>
<tr>
<td>Lib Dems</td>
<td>0.0087**</td>
<td>0.0087**</td>
<td>0.0295*</td>
</tr>
<tr>
<td>Crossbenchers</td>
<td>0.1818</td>
<td>0.1818</td>
<td>0.1818</td>
</tr>
<tr>
<td>Not Crossbenchers</td>
<td>0.0002**</td>
<td>0.0000**</td>
<td>0.0002**</td>
</tr>
</tbody>
</table>

Table 4: P-Values for one-sided t-tests of statistical significance of the difference in mean donations between nominees from the “usual suspects” and nominees from outside that group.

**Significant at the 1% level  
*Significant at the 5% level

Table 4 shows the one-sided P-Values of these tests, and confirms that these differences are statistically significant overall and for nominees from all three of the major political parties. The only case where the differences are not statistically significant is the case of the Crossbenchers. Since the Crossbenchers are not nominated by a party leader, this is exactly what we

27 The former definition excludes 5 individuals from the data 3 Conservatives, and 2 Labour nominees (all of them “Others”, from outside the group of “usual suspects”). The latter definition excludes an additional 6 individuals, 1 Conservative, 3 Labour and 1 Liberal Democrat nominees (all outside the group of “usual suspects”).
would expect to be the case if political parties are using peerage nominations as a means of raising revenue.\textsuperscript{28}

While the test results reported in Table 4 appear conclusive, there may be concerns about the nature of these tests and the sample size. The donation data is quite clearly not normally distributed and these tests are designed to test the difference in the means of two normal distributions. The Central Limit Theorem shows that the sample mean drawn from any distribution is normally distributed with a large enough sample, but in some of these tests, it is questionable whether the sample is large enough to apply the theorem. The small number of Labour, Liberal Democrat and Crossbencher nominees from outside the “usual suspects” is a particular problem reducing the number of degrees of freedom in those tests.

To overcome this problem and check that our conclusions remain robust, we generated a series of binary indicator variables as to whether a nominee had donated more than a fixed sum of money.\textsuperscript{29} Binary indicator variables have a binomial distribution, so that the variance is determined by the mean. So when testing the null hypothesis of the same mean across two different samples, we can assume the same variance and use a pooled sample variance estimate. This allows for more degrees of freedom when testing for a difference in the means. The one-tailed p-values on these tests are reported in Table 5.

<table>
<thead>
<tr>
<th>Sample</th>
<th>£5k</th>
<th>£10k</th>
<th>£20k</th>
<th>£30k</th>
<th>£50k</th>
<th>£100k</th>
<th>£200k</th>
<th>£300k</th>
<th>£500k</th>
<th>£1m</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Nominees</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Conservatives</td>
<td>0.0019</td>
<td>0.0013</td>
<td>0.0004</td>
<td>0.0001</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0031</td>
<td>0.0114</td>
<td>0.0218</td>
</tr>
<tr>
<td>Labour</td>
<td>0.0159</td>
<td>0.0008</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Lib Dems</td>
<td>0.0487</td>
<td>0.0519</td>
<td>0.0001</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Crossbenchers</td>
<td>0.0735</td>
<td>0.0065</td>
<td>0.0065</td>
<td>0.0065</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Not Crossbenchers</td>
<td>0.0004</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Table 5: P-values of t-tests for a difference in means between nominees from the “usual suspects” and nominees from outside that group of binary indicators for whether nominees donated more than the given threshold amount.

Similarly, although the statistical tests look highly significant for Crossbenchers donating more than £10k, there is actually only one Crossbencher nominee who has done this. At this point distributional assumptions behind the t-tests have broken down and we remain unable to

\textsuperscript{28} A handful of Crossbenchers are nominated by the Prime Minister in an ex officio capacity rather than in a party leader capacity, and a handful of Crossbenchers are believed to be personal nominees of the Queen, but since 2001, most newly-ennobled Crossbenchers have been nominated by HOLAC.

\textsuperscript{29} Multiple scenarios were conducted around this fixed sum allowing it to range from £5k to £1m in 2014 money, so that the results are robust to the particular threshold used.
conclusively say that Crossbencher nominees from outside the “usual suspects” donate more than those from within the “usual suspects”.

**Allowing for Other Factors**

While we can conclusively say that nominees from “The Others” outside the “usual suspects” donate more than nominees from within this group, it does not necessarily follow that nominations to the Lords are being purchased. It could be that donations and membership of the “usual suspects” are negatively correlated among nominees to the House of Lords because of their relationship to some third, unknown variable.

To test this possibility, we conducted a series of logit and probit regressions with being “The Others” as the dependent variable and a series of independent variables, including donation data. The goal was to see if the relationship between higher donations and not being a “usual suspect” remained allowing for the potential influence of other variables. As the results of the logit regressions in Table 6 show, donation behavior is positively related with being outside the group of “usual suspects” among nominees, even after allowing for the influence of other factors that we know about. Similar results are obtained via the probit model, and when potential outliers are excluded from the regressions. However, we must admit that leaves open the possibility of some influence from conflating factors we don’t know about.30

Model 1 records that some elements of donation behavior have unexpected signs and are insignificant. This is most likely a feature of the colinearity of the various measures of donation behavior. Our sample is not large enough to disentangle the different effects of different elements of donation behavior accurately. Of the different facets of donation behavior, the best predictor of a nominee coming from outside the group of “usual suspects” based on model fit seems to be the total amount of real donations.

Among the alternative characteristics, being nominated by the Conservative Party has a large and significant positive impact on the probability that a nominee is not from the “usual suspects”, being male and born in the UK has a large and significant negative impact on the probability of a nominee coming from outside the group of usual suspects. The former observation reflects what was already known from Table 2 above, that the Conservative party is nominating relatively large numbers of people from outside the group of “usual suspects”. The latter observations may simply be reflective of the way in which the UK’s political class, from which the “usual suspects” are drawn is dominated by men born in the UK.

---

30 See Section on omitted variable bias below.
<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
<th>Model 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.400</td>
<td>-0.245</td>
<td>-0.203</td>
<td>-0.296</td>
<td>-0.205</td>
<td>0.024</td>
<td>-0.094</td>
</tr>
<tr>
<td></td>
<td>(0.574)</td>
<td>(0.488)</td>
<td>(0.471)</td>
<td>(0.485)</td>
<td>(0.457)</td>
<td>(0.447)</td>
<td>(0.465)</td>
</tr>
<tr>
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<td>0.485</td>
<td>0.615</td>
<td>0.667</td>
<td>0.542</td>
<td>0.654</td>
<td>0.957</td>
<td>0.840</td>
</tr>
<tr>
<td>Conservative</td>
<td>1.453</td>
<td>1.286</td>
<td>1.316</td>
<td>1.376</td>
<td>1.434</td>
<td>1.360</td>
<td>1.227</td>
</tr>
<tr>
<td></td>
<td>(0.440)</td>
<td>(0.315)</td>
<td>(0.304)</td>
<td>(0.310)</td>
<td>(0.295)</td>
<td>(0.294)</td>
<td>(0.300)</td>
</tr>
<tr>
<td></td>
<td>0.001**</td>
<td>0.000**</td>
<td>0.000**</td>
<td>0.000**</td>
<td>0.000**</td>
<td>0.000**</td>
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</tr>
<tr>
<td>Labour</td>
<td>0.284</td>
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<td>0.176</td>
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<td></td>
<td>(0.586)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Lib Dem</td>
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<tr>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>-0.937</td>
<td>-0.957</td>
<td>-0.891</td>
<td>-0.940</td>
<td>-0.875</td>
<td>-0.666</td>
<td>-0.924</td>
</tr>
<tr>
<td></td>
<td>(0.320)</td>
<td>(0.316)</td>
<td>(0.312)</td>
<td>(0.315)</td>
<td>(0.312)</td>
<td>(0.305)</td>
<td>(0.307)</td>
</tr>
<tr>
<td></td>
<td>0.003**</td>
<td>0.002**</td>
<td>0.004**</td>
<td>0.005**</td>
<td>0.005**</td>
<td>0.029*</td>
<td>0.003**</td>
</tr>
<tr>
<td>UK born</td>
<td>-0.882</td>
<td>-0.862</td>
<td>-1.037</td>
<td>-0.896</td>
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<td>-1.324</td>
<td>-1.049</td>
</tr>
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<td></td>
<td>(0.483)</td>
<td>(0.316)</td>
<td>(0.453)</td>
<td>(0.475)</td>
<td>(0.418)</td>
<td>(0.421)</td>
<td>(0.448)</td>
</tr>
<tr>
<td></td>
<td>0.068</td>
<td>0.072</td>
<td>0.022*</td>
<td>0.059</td>
<td>0.005**</td>
<td>0.002**</td>
<td>0.019*</td>
</tr>
<tr>
<td>Real Donations (2014</td>
<td>0.285</td>
<td>0.276</td>
<td></td>
<td>0.119</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10k GBP)</td>
<td>(0.180)</td>
<td>(0.144)</td>
<td></td>
<td>(0.045)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.114</td>
<td>0.056</td>
<td></td>
<td>0.007**</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Log Donations</td>
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<td></td>
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<td>0.137</td>
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<td></td>
<td>(0.030)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.000**</td>
</tr>
<tr>
<td>No. Of Donations</td>
<td>-0.108</td>
<td>-0.103</td>
<td>0.039</td>
<td></td>
<td></td>
<td></td>
<td>0.081</td>
</tr>
<tr>
<td></td>
<td>(0.088)</td>
<td>(0.075)</td>
<td>(0.020)</td>
<td></td>
<td></td>
<td></td>
<td>(0.023)</td>
</tr>
<tr>
<td></td>
<td>0.221</td>
<td>0.169</td>
<td>0.050*</td>
<td></td>
<td></td>
<td></td>
<td>0.000**</td>
</tr>
<tr>
<td>Average Donation</td>
<td>-4.46x10^-6</td>
<td>9.1x10^-5</td>
<td>(3.7x10^-5)</td>
<td></td>
<td></td>
<td></td>
<td>1.4x10^-4</td>
</tr>
<tr>
<td></td>
<td>5x10^-8</td>
<td>5x10^-8</td>
<td>3x10^-8</td>
<td></td>
<td></td>
<td></td>
<td>(3.9x10^-8)</td>
</tr>
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Table 6: Logit Regression models. Standard Errors in brackets, P-Values reported below standard errors.
** significant at the 1% level, * significant at the 5% level
Finally, we are able to confirm via a series of tobit regressions that the relationship is maintained in the other direction, meaning that being a nominee from outside the “usual suspects” has a significant and positive impact on donation behavior. By creating a series of interaction dummies for each party, we are also able to see how this impact varies across the parties. These interaction dummies take the value 1 if the nominee is both a nominee from the party in question, and a nominee from outside the group of “usual suspects”. So for example, the independent variable in Table 7 called “Con NU” takes the value 1 when a nominee has been nominated by the conservative party and is not from the group of usual suspects, and is zero in all other cases. Table 7 records the results of these tobit regressions.

A key feature of these regressions is the large and significant impact of excluding outliers. This is because the outliers have given so much more to political parties than others that when the amount donated is the dependent variable, their inclusion skews the results. The average total donations of these outliers is £3.7m, and their exclusion reduces the average amount donated by all nominees from £116k to £55k.

The important results to take away from Table 7 are that all of the interaction effects are positive and significant. So nominees from “The Others” are donating significantly more money to political parties than nominees within the group of “usual suspects”, with the notable exception of the Crossbenchers, the only group for whom the interaction effect is not significant. If these results are indeed caused by the sale of peerages, then these coefficients would represent the average price being charged by the three main parties. The emphasis is on the word average here, because we should bear in mind that this would be a market in which the sellers have ample opportunity to gather data about potential nominees that could help them discern their willingness to pay. So the political parties, if they do sell peerages, have ample scope for engaging in price discrimination. Furthermore, it should be pointed out that a number of further variables could affect the scope for price discrimination, such as the number of people engaged in any peerages sales at any one time, and their tenure in office.

The second point of interest is the significant discount for nominees who were born in the UK, or, looked at from the other side, the significant premium in donations from people born outside the UK, with those born outside the UK being significantly more generous donors. Again, if the data represents the sale of peerages, there could be several reasons for this. It could be that political parties perceive that, with the scrutiny of their peerage nominations, there are higher political costs to nominating large donors born outside the UK. It could also be the people born outside the UK place a higher value on being a member of the House of Lords in terms of a status symbol and so are willing to pay more for the privilege. However, it is important to remember that there could also be more innocent explanations for these features of the data.31

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31 See section on Omitted Variable Bias.
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Table 7: Tobit regression results. Standard Errors in brackets, P-Values below standard errors.

** significant at the 1% level
* significant at the 5% level
Hypothesis 2

We noted that our dataset of big donors contains 779 big donors to the three main political parties, 27 of whom were nominated for a peerage over the period 2004-15. To test hypothesis 2, we estimated the probability of taking a random sample of 779 people without replacement from the pool of those eligible to be nominated to the Lords, and finding 27 or more nominees from 2005-14 in that sample.

The calculation is then a relatively simple use of the hypergeometric distribution. We know the sample size (779) and the number of ‘successes’ (2005-14 Lords nominees) that should be in that sample (27 or more). We know the number of ‘successes’ available to be drawn (the people who’ve been nominated to sit in the Lords), the only element of the calculation which remains to be estimated is the population from which this sample is to be drawn. The larger we estimate this population to be, the lower will be the probability of drawing so many nominees for a peerage in the sample.

One potential estimate for the size of this population is to take the 44,655,226 individuals who were on the UK electoral roll at the beginning of the period in 2004. This would probably be an underestimate of the true number of people eligible to sit in the House of Lords as any Irish or Commonwealth citizen may sit in the Lords provided they are domiciled in the UK for tax purposes. However this number seems improbably large for our purposes as someone would presumably only actually be nominated if they had some demonstrable interest in politics or policy. For that reason, we took as our pool of available nominees the reported membership of the UK’s three main political parties, which stands at 383,800. Since we are only looking at the population who are members of the three main political parties, we restrict the number of available successes to the 233 peers nominated by those three parties.

The answer to the question we have posed is then astonishingly small. The probability of seeing at least 27 people nominated for a peerage in 2005-14 in a random sample of 779 people from the 383,800 who are members of the three main UK political parties is of 1.36x10^-38. This is approximately equivalent to entering the National Lottery and winning the jackpot 5 times in a row.

We are therefore confident in rejecting hypothesis 2 for the alternative hypothesis that large donors differ systematically from the rest of the UK population in such a way that they have a much higher probability of being nominated to the House of Lords. While this is conclusive evidence that big

32 The 779 big donors actually include various forms of state funding and internal movements of money between different accounting elements of the same political party. No peerage could possibly be associated with these transactions, but their inclusion only serves to make those nominated for a peerage look more scarce among the big donors and so any bias that results reduces the probability of rejecting hypothesis 2.
34 Supposing that the sample of 779 had been drawn from the UK electorate and counting nominees to sit as Crossbenchers or for political parties other than the UK’s three main parties as a success actually leads to a reduction in this probability to 3.39x10^-87, which is the equivalent of the probability of winning the lottery jackpot on 12 consecutive draws.
donors differ systematically from the rest of the population in the characteristics that affect one’s probability of being nominated to the House of Lords, it is not necessarily conclusive evidence that peerages are being purchased. See below.

**Hypothesis 3**

The third hypothesis suggests that one is no more likely to find big donors in the House of Lords than in the House of Commons. In order to test this hypothesis, we cross-referenced the 928 individuals elected to the House of Commons over the period 2005-2014 with our information about big donors. Only four of these individuals were big donors at any one time. Of these big donors, only two actually donated to their local constituency party. The other two were former Prime Ministers who could be excluded from consideration due to a number of factors.\(^{35}\)

So the probability of somebody being elected to the House of Commons over this period also being a big donor was 0.2%, while the probability of a nominee to the House of Lords being a big donor was 8.6%. To test Hypothesis 3, we tested the hypothesis that nominees to the House of Lords and those elected to the House of Commons had the same probability of being big donors, but that the differences observed in the data were simply a result of random variation. We were able to reject such a null hypothesis with a P-Value of $1.4 \times 10^{-17}$. This is another astronomically small probability roughly equivalent to the probability of winning the National Lottery twice in a row.

One shortcoming of this approach might be that by considering only those entering each chamber, we artificially reduced the probability of big donors in the Commons relative to the Lords. The reason being that everyone who sits in the Commons over this time period must have been elected to the Commons at some point over this period. So everyone who sits in the Commons over the period is included in the denominator when calculating the probability of big donors in the Commons, while only a small number of Lords are included in the equivalent calculation.

To check that our estimate is robust to this criticism, we re-ran the calculations comparing the probability that someone who sat in the Lords over this period is a big donor to the probability that someone who sat in the Commons over this period is a big donor. On this basis, the probability of a member of the Lords being a big donor falls to about 5.7%, but the difference is still significant at a P-Value of $2.3 \times 10^{-12}$.

What is unfortunately missing from our data, and may provide an avenue for future research is information on the donations of individuals who put

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\(^{35}\) One of the former Prime Ministers only started donating after leaving office, the other made a one-off donation to their national party whilst still in office. Both had majorities in excess of 18,000, and had long represented “safe seats”, and there is no reason to suspect either groups of donations could be correlated to attempts to skew elections in their own constituency. The remaining two individuals (one Labour and one Conservative MP) had donated large sums of money (in excess of half a million pounds each) to their local party, in a marginal constituency.
themselves forward for election but were defeated. Similarly, we do not have data on individuals who have spent large sums of money pursuing the nomination for a seat (for instance, in throwing lavish entertainments for local party activists), as this is not automatically declarable to the Electoral Commission. However, the highly statistically significant differences on the basis of the data available lead us to confidently reject the third hypothesis that big donors are as likely to be found in the elected House of Commons as in the appointed House of Lords.

Omitted Variable Bias

While we are able to convincingly reject all three hypotheses, it must be admitted that this does not amount to a proof that peerages are being systematically sold by political parties. However, what has been shown is that nominees to the Lords can be divided into those who have been drawn from the “usual suspects” or what might otherwise be called a “political class” and “The Others” who have been drawn from outside this group. The latter have donated, on average, substantially more to party funds than those drawn from the political class.

We have also shown that big donors are substantially more likely to be nominated to the House of Lords than the rest of the population, and that it is far more common to see big donors in the appointed House of Lords than in the elected House of Commons.

However these results may not be a consequence of the corrupt sale of peerages, but may be a consequence of a correlation between donations and some unobserved variable and that unobserved variable in turn being correlated with an individual’s probability of being nominated for a peerage.

For example, a frequent justification for the system of life appointments to the House of Lords is that it is a revising chamber which draws on the expertise of its members in scrutinising legislation. Not all experts on topics of relevance to such detailed scrutiny of legislation developed that expertise within the political class. Those from outside the political class may well have excelled in some area and become wealthy in the process. It is no great stretch of the imagination to suggest if such people are willing to serve as legislators, they must have some interest in politics. If they do, there will be a political party which advocates policies they believe to be the correct ones more frequently than do other political parties. Such people may well wish to support that political party’s activities financially. Finding data to empirically test this explanation remains an area of ongoing research.

Conclusions

This has been the first full-scale analysis of the relationship between cash and peerages for all parties in Britain across a sustained period of time. While rumors of “cash for peerages” have long dogged the reputation of the House of Lords, the lack of a strong evidence base has hindered efforts to test the validity of such assertions. This article seeks to allow some greater precision
in the continuation of debates around this, and around questions on the role of money in politics.

Crucially, all three hypotheses have been disproved, and the relationship between donations and nominations has been found to be significant. This is thus wholly in keeping with the theory that lifetime appointments to Britain’s Upper House are being sold to wealthy donors.

The “usual suspects” of nominees one might logically expect to find in the House of Lords for the most plausible reasons - former parliamentarians with legislative experience, major public officeholders, people nominated by an internal party election - make up a tiny proportion of all party political donations generated by Lords nominees - just 2.1% (£735,000) between 204 of them, despite making up 68.9% of nominees. By contrast, “The Others”, who make up just 31.1% of Lords nominees, account for 97.9%, or £33.8 million. Furthermore, just 28 individuals out of the 303 nominees - 27 of them being among “The Others” - donated over 95% of the money generated from Lords nominees. Clearly, those peers nominated outside the “usual suspects” are far more likely to be big donors, with major variations between the parties (although Crossbenchers donate negligible amounts, either as “usual suspects” or as “Others”). Interestingly, those nominees born outside the UK are disproportionately likely to be big donors.

As is frequently claimed by all parties accused of selling peerages, it is of course perfectly possible that it is pure coincidence that “big donors” are disproportionately likely to be nominated for peerages. However, the odds of it being pure coincidence are roughly the same as those of entering Britain’s National Lottery five consecutive times, and winning the jackpot on each occasion. Whilst coincidence is theoretically possible, this explanation does stretch the limits of credulity.

Finally, we looked at whether an appointed chamber such as Britain’s House of Lords was more prone to "big donors” gaining seats than the wholly-elected House of Commons. With 28 out of 303 Lords nominees being “big donors”, one might logically expect a similar ratio to yield some 86 “big donor” MPs elected to the House of Commons. In fact, there were just 2. This suggests that an elected chamber is much less likely to see “big donors” gaining seats.

The implications of these findings are considerable. Whilst much work, particularly focused on US legislative studies, has looked at how campaign contributions can skew an election, or can skew a representative’s vote, Britain’s relatively unusual system of selection to the Upper House, on a large scale, nominated by leaders of all three parties, has long left it vulnerable to the accusation that such a system is prey to the sale of lifelong seats for money. The evidence presented here is entirely consistent with that.

We acknowledge that innocent explanations such as the one offered in the “Omitted Variable Bias” section are logical possibilities. In other words, the relationships we have uncovered, although they are consistent with peerages serving a dual purpose of party management and fund raising, do not prove in themselves that this is what is happening beyond a reasonable doubt. It remains the case that making large donations to political parties is one way in which nominees from outside the “usual suspects” differ from nominees
within the “usual suspects”. Unless alternative explanations can be supported by the data, a cloud of suspicion will continue to hang over the major political parties and their nominees with no record of public service.

Policy Recommendations

It would be remiss of us to not make some constructive policy recommendations based upon our conclusions. With the data being consistent with abuse of the peerages system, we would like to suggest six tangible reforms which would nip such practices in the bud.

The first would be the replacement of the appointed House of Lords with a wholly-elected second chamber. As noted, the one-tenth of peerage nominees who are also big donors is not matched by a comparable proportion among elected parliamentarians. Of course, the Commons data may be skewed, and does not take into account those who have made major donations in the course of unsuccessful bids to the House of Commons, nor does it consider money spent wooing a constituency party in the course of a nomination for a ‘safe seat’; nonetheless, it does underline the point that it is much harder to ‘buy’ a seat in an elected legislature than an appointed one.36

Secondly, given the scope and ambitiousness of installing an elected second chamber, a much more immediate reform would be the placing of a cap on donations to British political parties. As noted, some nine-tenths of peers have donated under £25,000 over the course of fourteen years – less than £1,700 per year. A cap on political donations, set around £2,000 per year, would thus be strongly recommended. This would not stop donors from routing multiples of the £2,000 limit by donating through spouses, offspring, or companies (as is already the case with the present system, and as was recently highlighted by a Daily Telegraph investigation),37 but there is a limit to how feasibly this can be done many times over, and this is all the more reason to set the cap on donations per person as low as possible. £2,000 a year would be fully in keeping with the relatively modest donations made by many peers (and non-ennobled political activists).

Thirdly, it would be naïve to expect political parties to continue functioning with these caps on donations in place, and the logical extension would be a sizeable increase in state funding of political parties. Some modest state funding has been in place since at least the advent of ‘Short Money’ in 1974, and the Political Parties, Elections and Referendums Act 2000 greatly expanded the degree of state funding available to parties. A combination of capping large donations with increasing state funding to fill the gap would have the effect of eliminating the need for politicians to raise the kinds of funds currently sought from ‘big donors’, removing entirely any motive to offer peerages, and thereby the upper house from suspicion. It would also enable parties to fight elections on a fair, competitive footing. The actual sums

36 A good historical case in point would be the late Robert Maxwell, the publishing tycoon who poured money into the Buckingham constituency he contested between 1959 and 1974, and yet who still lost four of the six elections he stood in (Bower 1991).
involved, in the low tens of millions per year, would be a major boost to confidence in the system.

Fourthly, we would recommend strengthening the powers of the House of Lords Appointments Commission. This could be done in a number of ways. A 2006 House of Commons Public Administration Select Committee report repeated in the strongest possible terms a recommendation they had already made in 2004: to make the Commission’s judgments binding on the Prime Minister by making HOLAC a statutory body.\(^\text{38}\) HOLAC was always envisioned as a temporary body, pending further reform of the Lords, and so their powers are merely advisory. Yet a decade later, such recommendations remain unenforced, with the stalling of House of Lords reform having meant that HOLAC’s ‘interim’ status has been in place for fifteen years. With HOLAC’s powers having been broadened (it has also been charged with vetting cabinet ministers since 2010), the case is stronger than ever for giving it statutory power rather than a mere advisory role. Of course, if the Lords were to be replaced by an elected Upper House, then putting HOLAC on a statutory basis would be redundant, but the status quo remains unsatisfactory.

As part of the strengthening of HOLAC’s powers, we would also look at greater scrutiny of appointments to the Appointments Commission. Part of their remit is the scrutiny of political nominations put forward by the party leaders. One of the seven present commissioners is a former party leader, who like most major party leaders, has himself previously nominated peers. As a simple point of good governance, it would surely be best to not appoint to HOLAC those individuals who nominated peers to then themselves subsequently oversee and regulate the nomination of peers. Similarly, it would be undesirable for any current or former party whips (who have a role in political nominations for peerages) to sit on HOLAC.

Fifthly, in encouraging greater transparency, we would suggest that the database of party donations and loans on the Electoral Commission website be made more user-friendly. At present, with arbitrary limits on the amount of data that can be generated by any one query, it is little wonder that journalists have consistently underestimated the level of donations made to political parties. Furthermore, the development of a unique user ID per donor would cut down on the number of donors hiding behind variations of the same name. Such simple overhauls could improve the efficacy of such transparency tools, and improve accountability. Certainly, third-party efforts such as www.partyfunding.uk have made such data easier to search than before, but the Commission’s own official releases leave something to be desired in accessibility.

Finally, while we have suggested that legislation would be appropriate in making HOLAC a statutory body, we do not believe that there is any need for additional legislation to further criminalize such practices; although there is a greater need to enforce existing laws. In particular, the 2006 ‘Cash for Peerages’ investigation ended in no charges being pressed under the somewhat archaic 1925 legislation. Yet as noted, the Bribery Act 2010 has recently

added further legislation under which there is scope for the ‘Cash for peerages’ phenomenon to be subject to possible criminal prosecution. As such, we would encourage a police investigation to consider whether there is a case to be answered under the 2010 legislation. As one Westminster insider told us, “I can’t imagine that all three parties haven’t breached the Bribery Act over peerages.” 39

**Where Can I Get ‘Best Value’ in Buying My Peerage?**

As noted, we do not have cast-iron proof that any peerages are being sold. Having said that, if they are, then we have a fairly good idea as to where the best value might be obtained.

Individuals drawn from “The Others” donated an average of an extra £220,000 among Conservatives, £333,000 among Liberal Democrats, and £464,000 among Labour nominees. If peerages are being sold, then these could be thought of as the ‘average price’ per party.

But this is not solely a case of pricing. Only a small minority of ‘big donors’ have actually been ennobled. In absolute numbers, since 2005 13 Conservative, 9 Labour and 6 Lib Dem ‘big donors’ were nominated for a peerage – so in absolute numbers, the Conservatives would seem to offer the best prospect for a peerage, and the Lib Dems the worst.

But the number of big donors varies considerably among the major parties, particularly with the Conservatives having such a large pool of ‘big donors’ to draw from. As such, the proportion of donors who are actually put forward for a peerage may offer the best insight into a donor’s chances of getting nominated. These ratios are 1 in 21.7 Conservative big donors, 1 in 14.3 Labour big donors, and 1 in 7.1 Liberal Democrat big donors being put forward for a peerage. As such, generously donating to the Liberal Democrats seems to have offered the best odds of elevation to the Lords among big donors. Having said that, the figures for 2005-14 offer no guarantee of determining future trends, and given the Liberal Democrats’ calamitous recent poll ratings (and the way that peerages are supposedly – if rarely – allocated in rough proportion to a party’s general election performance), combined with the large number of existing Lib Dem peerage appointments in the 2010-5 Parliament that have left the party over-represented in the Upper House, the chances are that few Lib Dem peerages will be handed out in the 2015 Parliament, and the small number that are allocated will almost certainly disproportionately go to the ‘usual suspects’. As such, any unscrupulous donor with deep pockets who desperately craves a peerage would be better off donating to the Labour Party, and trying their luck there. As stated, we have no proof that any of the parties indulge in the sale of peerages, but the odds are overwhelmingly likely that such donors would stand an astronomically disproportionate chance of eventually being nominated for a peerage.

**Further Research**

This is the first study of its kind, but it merely acts to highlight the need for further rigorous research in this area. The main constraint on such research is

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39 Confidential information, on strict condition of anonymity.
the availability of information; but the Electoral Commission’s compilation of all sizeable party political donations since 2001 makes further such studies possible, and the 2007 closure of the loophole over party loans has made the data more comprehensive.

While the Electoral Commission has been forthcoming about finance, the House of Lords Appointments Commission has been less than forthcoming about the identities of political nominees rejected for peerages. Although they cite a duty of confidentiality that stretches to declining to divulge the grounds on which peerages were vetoed, they have confirmed the absolute numbers involved; yet they still refuse to give the identities of the individuals nominated. In contrast to, say, the United States’ system of public hearings to approve nominated government posts, this may seem curious, particularly for individuals nominated for a lifetime seat in the legislature. HOLAC have also been coy about further queries on the identity of such individuals; and the identities of eight of the ten rejected nominees are only known due to press leaks that have reportedly originated from HOLAC itself. Nonetheless, in compiling this dataset, we did not know the identities of one Conservative and one Labour nominees, all rejected for unspecified reasons, and should these names be made known, the results may well differ, although probably not in a way that could substantially alter our findings.

The outcome of the forthcoming May 2015 UK general election is highly uncertain, but it will undoubtedly involve the announcement of dissolution honours; and if there is a change of Prime Minister, a further round of resignation honours will be announced. As such, further updates to this data – accounting for peerages announced in the summer of 2015 – may yield interesting developments.

Finally, we would like to conclude with a challenge. In the course of preparing this piece, we modelled for a number of other explanatory factors, not included here. None was able to suggest anything as compelling a reason for why wealthy donors should be so disproportionately likely to be nominated for peerages; indeed, aside from being disproportionately likely to have been born outside the UK, these nominees did not differ from other nominees in any appreciable way - apart from their donations. If any colleagues would like to suggest further possible explanatory factors, we would be only too happy to revisit the data and explore whether anything else offers as compelling an explanation as the prevalence of big donors among “The Others”.

40 A Parliamentary Question tabled to the Cabinet Office by Lord Avebury on behalf of the authors, asking for an itemised breakdown of rejected nominees, reached the top of the House of Lords’ ‘Cumulative List of Unanswered Questions for Written Answer’, three weeks overdue for a response – see www.publications.parliament.uk/pa/ld/ldcumlst.htm accessed on 19 January 2015. When it was finally answered, it was claimed that ‘The Government does not hold information on nominations blocked by the House of Lords Appointments Commission’, despite the nature of HOLAC as a non-statutory, advisory body meaning it has to communicate its non-binding advice to the Prime Minister for them to reach a decision about HOLAC’s recommendations. HOLAC itself has consistently refused to name the ten blocked nominees, most recently in a March 18 2015 response to a Freedom of Information request from one of the authors. Personal correspondence with the House of Lords Appointments Commission.
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